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 2024

CONTENTS

ABOUT THIS REPORT

Reporting boundary

This Climate-related Financial Disclosures Report (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 (collectively, the "Group"), including its principal operating subsidiary, Bank of China (Hong Kong) Limited ("BOCHK"), in 2024. The Report covers the Group's climate-related financial disclosures, including climate governance, strategy, risk management, and metrics and targets.

We recommend reading this Report in conjunction with the Group's 2024 Annual Report, 2024 Sustainability Report, and the Sustainability section and sustainability-related policies on our website, in order to obtain a comprehensive understanding of our sustainability and climate risk management philosophy, latest initiatives and performance.

Unless otherwise stated, the information and data provided in this Report cover the period from 1 January to 31 December 2024.

Preparation of the Report

This 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 Hong Kong Quality Assurance Agency ("HKQAA"). 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 BOCHK website after being reviewed by the Sustainability Executive Committee of the Management Committee of the Group and approved by the Sustainability Committee under the Board.

Your feedback

If you have any comments or suggestions about this Report or our sustainability efforts, 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

In 2024, despite the complex and ever-evolving global economic landscape, green and low-carbon transformation continues to be a primary development direction for the country. Guided by the nation's "dual carbon" goals, green finance and sustainable development have emerged as key drivers of growth. As one of the world's leading international financial and commercial centres, Hong Kong plays a vital role in connecting the Chinese mainland with the international market. By facilitating the flow of domestic and international green and sustainable capital, Hong Kong possesses a unique advantage in supporting green transformation at the local, national, and global levels.

For the banking industry, it is essential to seize new opportunities in green and sustainable economic growth while proactively addressing the potential impacts and challenges posed by climate risks. BOCHK is actively engaged in the national strategic framework, supporting Hong Kong's development as an international green finance centre. In alignment with the strategic objectives of our parent bank, Bank of China, BOCHK prioritises sustainable and high-quality development as the cornerstone of future growth. We believe that good governance is fundamental to achieving sustainable development, ensuring that climate-related considerations are effectively integrated into all business operations. To navigate the evolving landscape of sustainability and embed these principles into our corporate culture, we emphasise and continue to enhance capabilities through climate-related training programmes that encompass the Board of Directors, the Management, and all employees.

Orderly Advancing Our Operations Towards Carbon Neutrality Goal

BOCHK is the first overseas Chinese-funded bank in Hong Kong committed to achieving carbon neutrality in its operations. Our approach to climate change adheres to the principle of "first reduce, then replace, and offset at last", emphasising the enhancement of environmental and social risk management, improvement of the quality and transparency of information disclosure, and integration of sustainability principles into our corporate culture. While actively addressing climate risks, we also proactively explore future market opportunities. We have also formulated the *BOCHK Carbon Offset Strategy Statement*, which provides a comprehensive framework for the effective implementation of carbon offset activities across the organisation. This strategy aims to mitigate the risk of greenwashing, promote the adoption of renewable energy, and support the achievement of global climate goals.

Steadily Enhancing Resilience and Adaptive Capacity to Climate Change

To enhance the resilience of our investment and financing portfolio against climate change, since the fourth quarter of 2021, we have committed to ceasing financing for new coal mining and coal-fired power projects outside China. In 2023, we formulated the *ESG Sensitive Sector Strategy Statement* which outlines the Group's specific strategies and management requirements for ESG sensitive sectors. We are systematically guiding and prioritising the green transformation of high-emitting industry clients. We disclosed the carbon emissions of our investment and financing portfolio for the first time in this report. The purpose of calculating the carbon emissions of our investment and financing portfolio is to quantify the impact of our loans and investments on the climate, as well as the associated climate risks. This process enables us to identify key hotspots and prioritise key areas, thereby guiding our investment strategies and decisions.

Continuously Innovating in Green Financial Products and Services

We actively embrace the innovation of green financial products and services to meet our customers' demand for green finance. Our green financial solutions are designed to help individual and corporate customers reduce their environmental impact while enhancing their market competitiveness. By offering a diverse array of green and sustainable financial solutions, we are committed to meeting the unique needs of our customers, promoting sustainable development across society, and further advancing the transition to a low-carbon economy. In 2024, BOCHK established its own *Green and Sustainable Finance Taxonomy*, as the first bank to establish its own standards in Hong Kong, continuously advancing the development of sustainable finance business and accelerating the green development and low-carbon transition of both the Bank and its customers.

Looking ahead, we will continue to focus on green and sustainable finance, striving to provide innovative financial products and services to actively meet market demands. We will also maintain close collaboration with our clients to foster the development of a sustainable ecosystem, jointly creating a new chapter of high-quality development and low-carbon prosperity.

GOVERNANCE

The Board of Directors and the Management of the Group are actively involved in the governance and oversight of climate-related risks and opportunities, laying a solid foundation for the Bank's sustainable development and climate resilience. This governance structure reflects the Group's strong focus in addressing climate-related issues and strengthening communication with stakeholders to ensure the effective implementation of the Group's sustainability strategy and action plans. The Risk Committee and Sustainability Committee at the Board level, as well as the Sustainability Executive Committee at the Management level, work closely with the Sustainability Strategy Working Group at the operational level to effectively implement sustainability efforts and jointly advance the Bank's progress in climate change and sustainability.

1

1.1 Governance Structure

The Group has continuously enhanced its climate-related governance structure and established a three-tier sustainability governance structure which includes the Board of Directors, the Management level, and the working level. With regard to climate risk management, we have incorporated climate risks into our enterprise risk management system, ensuring they are integrated in the assessment and control of daily business risks to maintain them within acceptable limits. In the management of climate-related opportunities, we focus on bank-wide coordination and drive the implementation of various sustainability efforts under the guidance of our sustainability and climate strategies.

The Board attaches great significance to the management of sustainability and climate-related risks and opportunities. With the assistance of the Risk Committee and the Sustainability Committee, it establishes management strategies and policies for climate-related issues, reviews and approves the Group's sustainability goals and related risks, with a particular focus on climate risk management, and oversees the Group's sustainability performance and progress towards its goals.

Climate Risk Management		Climate-related Opportunity Management	
Main Responsibilities	**Risk Management Structure**	**Three-Tier Sustainability Governance Structure**	**Main Responsibilities**
Board Level			
• Represent the interests of shareholders, monitor various types of risks, approve high-level risk policies and material exposures or transactions • Monitor the Group's sustainability-related risk management, in particular its resilience to climate risks	Risk Committee	Sustainability Committee	• Review and approve the Group's sustainability strategy, targets and priorities • Oversee the Group's sustainability progress • Make decisions on key climate-related issues, regulations, and applicable scope • Determine the scope of disclosure related to climate-related opportunities • Promote the integration of sustainability into the Group's culture
Management Level			
• Oversee the Group's sustainability-related risk management • Manage all types of the Group's risks, approve risk management policies, and approve significant exposures or transactions within the scope of the delegated authority	Chief Executive and Responsible Senior Management	Sustainability Executive Committee	• Formulate and implement the Group's sustainability strategy • Regularly report to the Sustainability Committee on climate-related issues and progress
Working Level			
• Coordinate cross-departmental sustainable finance and risk-related developments • Assist the Chief Executive in the day-to-day management of various risks and internal controls	Units involved in the "Three Lines of Defence" Risk Management	Sustainability Strategy Working Group	• Advance the Group's sustainability strategy • Implement climate-related policies and operations • Coordinate sustainable finance, risk management, carbon neutrality and other cross-departmental initiatives • Promote a sustainability culture at the employee level

1.1.1 The Board and its Committees

The Board is the highest decision-making body in overseeing climate-related risks and opportunities within the Group. The Board takes climate-related issues into consideration, and provide constructive opinions on corporate strategies, banking operations, corporate governance, finance, risk management and compliance. The Risk Committee and Sustainability Committee of the Board are responsible for overseeing the Group's management of climate-related risks and opportunities, respectively.

In addition, we actively cooperate with professional institutions to stay abreast of the latest developments and practices in the banking industry in terms of climate risk governance, disclosure and related regulatory requirements, in order to support the Board in effectively performing its oversight and management functions on sustainability-related issues, including climate risks and opportunities. To continuously strengthen the Group's capabilities in managing climate risks and opportunities, the Board closely monitors the Management's performance against sustainability-related performance indicators to assess its effectiveness in managing climate risks and opportunities.

Risk Committee

As at the end of 2024, the Board-level Risk Committee consists of four members, all of whom are Independent Non-executive Directors. The primary responsibility of the Risk Committee is on the overall control and oversight of the Group's risk exposure. The Risk Committee's responsibilities include determining the Group's risk portfolio by establishing the Group's risk appetite and risk management strategy; identifying, assessing and managing the material risks faced by the Group; and assessing the adequacy and compliance of the Group's risk management procedures, systems and internal controls. In the Group's current risk management framework, the management of climate-related risks is fully integrated into all systems and lines of defence. As a Board-level committee, the Risk Committee exercises comprehensive oversight on the Group's sustainability-related risk management, in particular its resilience to climate-related risks.

The Risk Committee held five meetings in 2024, during which members discussed and reviewed the sustainability risks in the Group's risk management reporting, as well as the *BOCHK Green and Sustainable Finance Taxonomy* and its implementation plan:

21 March 2024

- Approved the Group's risk appetite review recommendations, etc.
- Reviewed the 2023 Group risk management reporting and 2024 risk management priorities

19 August 2024

- Reviewed the Group's risk management reporting for the first half of 2024

18 October 2024

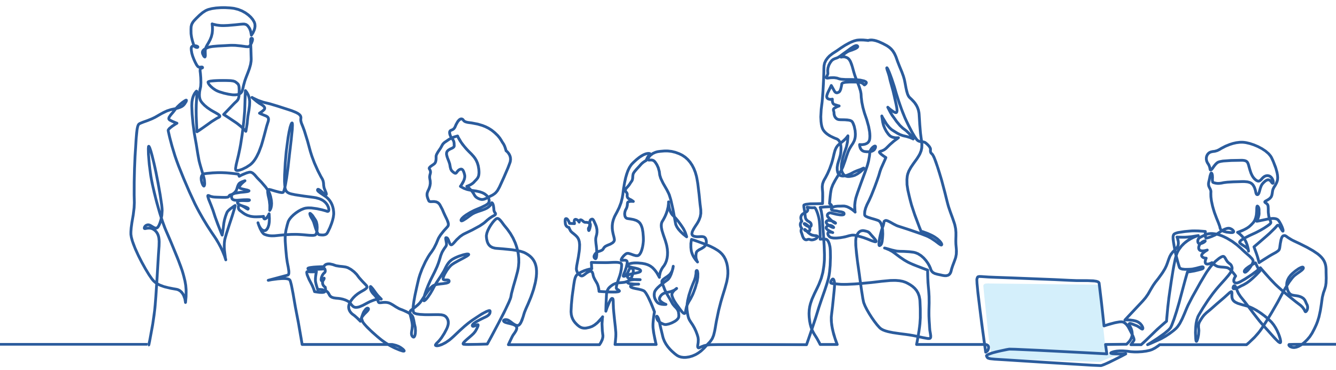
- Reviewed the Group's risk management reporting for the third quarter of 2024

22 October 2024

- Joint meeting of the Sustainability Committee and the Risk Committee for reviewing and discussing the *BOCHK Green and Sustainable Finance Taxonomy* and its implementation plan

10 December 2024

- Approve the investment plan and key risk indicators for 2025



Sustainability Committee

As at the end of 2024, the Board-level Sustainability Committee consisted of eight members, including seven Independent Non-executive Directors, as well as the Executive Director and Chief Executive. The Sustainability Committee holds the responsibility for leading and overseeing the strategies, objectives, policies and implementation of the Group's sustainability and climate-related opportunities to achieve its sustainability targets, closely monitoring climate change issues and opportunities, enhancing the standards and quality of climate-related disclosures, and continuously improving the Group's sustainability performance.

In 2024, the Sustainability Committee held two formal meetings and several preparatory meetings. During these meetings, the Sustainability Committee reviewed and discussed the key climate-related issues and made relevant decisions to advance the Group's sustainability strategies and climate risk management. The main discussion topics included:

The two committees regularly report to the Board on the Group's progress on material climate and sustainability issues to ensure that the Board is promptly informed of matters that may have a material impact on the Group and to assist it in making decisions on sustainability and climate-related risks and opportunities.

The Risk Management Department and the Economics & Strategic Planning Department serve as secretariats for the Risk Committee and the Sustainability Committee, respectively, and attend committee meetings. Other departments may attend as needed based on the topic of discussion to provide relevant supplementary information in a timely manner. Other members of the Management and representatives of external consultants may also attend some or all of the committee meetings as required to assist the committees in effectively discussing and managing relevant issues. All members of the Management present will also provide full assistance to the committees as required.

- Reviewed the *2023 Sustainability Report* and material issues and submitted to the Board for approval
- Reviewed various sustainability-related work, including the *2023 Climate-related Financial Disclosures (TCFD) Report*
- Discussed the *BOCHK Carbon Offset Strategy Statement* and the progress of the implementation plan of carbon neutrality of BOC Tower, the progress of BOCHK's green operation implementations and suggestion on external disclosure, the *BOCHK Green and Sustainable Finance Taxonomy* and implementation plan, and BOC Life's sustainability plan
- Monitored and reviewed the Group's sustainability related initiatives

(For details on the Group's Risk Committee and Sustainability Committee, including the list of members, please refer to the 2024 Annual Report)

1.1.2 The Management and its Committees

Sustainability Executive Committee

At the management level, we have established a Sustainability Executive Committee (the "Executive Committee"), which is authorised by the Management Committee to be fully responsible for implementing the Group's sustainability strategy, approve the implementation of sustainability-related initiatives (including but not limited to the Group's strategic objectives, sustainable finance businesses, operations, risk management and appraisal mechanisms) and report material issues to the Board on a regular basis.

The Executive Committee is chaired by the Group's Chief Executive and comprises members of senior management and general managers of key relevant departments. The Executive Committee is committed to fully integrating sustainability and climate-related opportunities and risk management into all aspects of the Group's business. The Economic & Strategic Planning Department and the Risk Management Department serve as joint secretaries to the Executive Committee, aiming to enhance the coordination of cross-departmental sustainability efforts.

In 2024, the Executive Committee promoted the implementation of sustainability-related matters of the Bank, holding two meetings. During the meetings, the Executive Committee discussed and reviewed the *2023 Sustainability Report* and material issues, the 2024 Sustainability Plan, the work plan of quantification of financed emissions from investment and financing portfolios, the *BOCHK Carbon Offset Strategy Statement* and the progress of the implementation plan of carbon neutrality of BOC Tower, the progress towards BOCHK's green operation targets and suggestion on external disclosure, the review of *ESG Sensitive Sector Strategy Statement*, BOC Life's sustainability plan, corporate culture development, the protection of consumer rights under personal banking, and other relevant sustainability matters.

After thorough deliberation and decision-making on the above issues, the Executive Committee performed its duties by closely monitoring the implementation progress and presenting key issues to the Board and its committees to assist their decision-making.

1.1.3 The Sustainability Strategy Working Group

The Sustainability Strategy Working Group (the "Working Group") is composed of various departments and is primarily responsible for coordinating, planning, and implementing the Group's sustainability efforts. It is the core driving force for the Group's sustainability, ensuring the effective integration of sustainability strategies into the Group's business and daily operations.

In 2024, the Working Group held two meetings to discuss the following topics: The progress of quantifying carbon emissions in investment and financing portfolios, the formulation and implementation of the *BOCHK Green and Sustainable Finance Taxonomy* plan, BOCHK's green operations progress and suggestion on external disclosure, BOCHK's sustainability disclosure progress, and climate risk management regulatory developments. In 2024, we formulated the *BOCHK Sustainability Strategy Working Group Guidelines*, which aims to standardise and streamline its operations while clarifying its functions and working methods. The Working Group is responsible for coordinating the Group's strategic planning and implementation of sustainable initiatives, monitoring the latest market developments and regulatory requirements, and facilitating cross-departmental sustainability initiatives.

In addition, the Group has established several specialised sustainability teams to further advance the sustainable development within the Group. These teams include:

- **Sustainable Strategy Team:**

Responsible for leading the development of the Group's medium- and long-term sustainability strategies and annual key tasks, monitoring the progress of the Bank's sustainability goals, promoting the implementation of bank-wide sustainability projects, conducting research on forward-looking sustainability topics, and enhancing the Group's professional image in sustainability

- **Corporate Social Responsibility ("CSR") Office:**

Responsible for promoting corporate social responsibility and sustainability-related matters, including participating in ESG ratings by international and local rating agencies, responding to investor and stakeholder enquiries and questionnaires on the Group's ESG and sustainability efforts, 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 them in the low-carbon transition, providing training to relevant internal stakeholders, as well as monitoring the developments in the global low-carbon initiatives of key industry players and market frontiers

1.2 Sustainability and Climate-Related Policies

In order to strengthen the Group's internal governance of climate-related issues and to set targets and standards, we have developed policies and mechanisms that align with local and international sustainability guidelines and standards, which all entities within the Group must strictly comply with.

The *Group Operating Principles* ("GOP") serves as the highest-level guiding document of the Group, leading us to integrate daily operations with sustainability goals. The GOP clearly outlines the importance of sustainability and its implementation, reflecting the Group's commitment to embedding sustainability principles into its brand value, strategic objectives, business development, and daily operations. The GOP applies sustainability principles at all levels of the Group, including policy formulation, performance evaluation, employee training, communication, and information disclosure.

We have formulated a *Sustainability Policy* which covers key environmental, social and governance matters, including addressing climate change, implementing responsible investment principles, and practicing responsible supplier management, as material principles to promote and implement sustainability within the Group.

- In addressing climate change, the *Sustainability Policy* aims to capture climate-related opportunities and assist customers' transition to a low-carbon economy. In accordance with regulatory requirements, we have defined quantitative targets to reduce greenhouse gas emissions, energy consumption, water consumption and paper consumption in our daily operations. At the same time, we are progressively integrating climate risks into our risk management framework, adopting effective risk management processes to identify, measure, monitor, report, manage and mitigate climate risks. In addition, the policy requires the Group to continuously improve its disclosures of relevant sustainability and climate information in accordance with the TCFD recommendations.

- In undertaking responsible investment, the *Sustainability Policy* requires ESG factors to be considered in investment decision-making, focusing on long-term investment returns and sustainability impacts in order to reduce ESG-related risks of investments. In implementing responsible supplier management, the *Sustainability Policy* requires sustainability principles to be integrated into supplier management in the procurement process.

- In accordance with the Group's *Sustainable Procurement Policy* and the *Supply Chain Code of Conduct*, we select suppliers that meet the Group's standards and integrate sustainability into our procurement processes. The *Sustainable Procurement Policy* integrates sustainability considerations into supply chain management, while the *Supply Chain Code of Conduct* outlines the social, environmental, ethical and governance requirements of suppliers and establishes an evaluation mechanism. We have developed the *Supply Chain Code of Conduct Self-Assessment Questionnaire*, which addresses suppliers' environment-related issues, with sustainability and environmental protection as important evaluation criteria. We work closely and engage with our suppliers to collectively pursue sustainability goals and build a more sustainable supply chain.

BOCHK has formulated and further refined its *ESG Sensitive Sector Strategy Statement* as a sub-policy to foster the implementation of sustainability strategies of the Group. The document covers the overall strategies and principles adopted by the Group for sectors/customers that may pose significant adverse impacts towards climate change, environment and biodiversity, and society. It also outlines the Group's strategies and management requirements towards key ESG sensitive sectors[1], including energy, mining, coal-fired power generation, coal mining, oil and gas, forestry, agriculture, palm oil sectors, etc. When conducting various types of credit business (including corporate finance, project finance, etc.) and financial market-related business (including bond, equity investments, etc.), the Group must strictly follow the relevant strategies and management requirements set forth in this policy.

The strategy statement will be reviewed and continuously improved in a timely manner in accordance with the implementation progress of the Group's sustainability targets, and with reference to the changes in sustainability-related international standards, regulatory requirements and market developments. For details of the *ESG Sensitive Sector Strategy Statement*, please refer to Section 2.2.2 Decarbonising Investment and Financing Portfolios and the Sustainability section of BOCHK's website.

In addition, in order to implement the Group's sustainability strategy and goals, BOCHK has also formulated a *Carbon Offset Strategy Statement* to provide sufficient guidance and norms for the effective implementation of the Bank's carbon offsetting activities to reduce the risk of greenwashing and support the development of renewable energy to achieve global climate goals. The statement follows the Group's overall carbon neutrality strategy of "first reduce, then replace, and offset at last", prioritising efforts to reduce carbon emissions from its own operations and actively transition to net zero. For carbon emissions that cannot be reduced, BOCHK will choose the most appropriate way to offset the remaining emissions based on local conditions and carbon emission management principles.

1 "Sensitive Sector" in this report aligns with BOCHK's *ESG Sensitive Sector Strategy Statement*. Please refer to the Sustainability section of BOCHK's website for more details.

1.3 Sustainability and Climate-Related Performance Evaluation

To drive the Group's sustainability and climate-related strategies, we have introduced climate- and sustainability-related key performance indicators ("KPIs") in the performance evaluation of the Group. These KPIs include quantitative targets for green and sustainable finance business and carbon neutrality in our own operations. These KPIs are further broken down and refined for various departments and subsidiaries of the Group, according to their functions and strategic positioning, to promote their delivery and implementation.

1.4 Sustainability and Climate-Related Capacity Building

The Group attaches great importance to the awareness of the Board and the Management on sustainability and climate-related topics. To this end, we provide comprehensive training and information to members of the Board and the Management to enhance their ESG-related professional knowledge. The training programme covers the fundamentals of sustainability, the impacts and challenges of climate change, latest relevant regulations and international standards, and latest market developments in sustainability. In addition, we provide abundant resources and reference materials that offer comprehensive information and practical guidance to the Board and the Management members to enhance their understanding of sustainability and climate-related issues and apply it to the Group's business operations. All Directors participate in Continuing Professional Development ("CPD") training (with topics including but not limited to sustainability) on an annual basis to continuously refresh their knowledge and skills. In 2024, the average number of hours of training for Directors is approximately 20 hours.

In order to continuously enhance the ESG awareness of all employees, we launched a tiered ESG training framework to offer tailored courses for the Management, our ESG talent pool members and core staff, and all employees:

The Management

- Conducted training with the theme of "Latest Developments and Value Creation in Green Finance"

ESG talent pool members and core staff

- Launched the "ESG in Action – Green Finance Seminar Series" where external and internal industry experts were invited to share most recent ESG-related updates to help employees understand the latest regulatory trends, green finance business cases, and ESG risk management, attracting over 1,400 attendances
- Launched the "Certified ESG Planner" programme in collaboration with the Hong Kong Management Association, certifying approximately 200 ESG core staff

All employees

- Continuous enrichment of training content of Green Finance Academy, creating a one-stop online learning platform for green finance
- Launched two online ESG courses, including the "Escape from the Greenhouse" video course, which promotes operational carbon reduction practices, and the "Social Sustainability with Heart" online course, which focuses on social aspects of ESG, attracting over 28,000 attendances

Case study

ESG in Action – Green Finance Seminar Series

In line with the Group's sustainability strategy and to enhance employees' understanding of sustainability, we launched a series of ESG in Action – Green Finance Seminar Series during the year. These sessions featured external and internal industry experts to deliver lectures, covering topics such as the latest regulatory trends in sustainable finance and its impact on banks, the implementation of the International Sustainability Standards Board ("ISSB") Standards and the latest disclosure requirements of the Hong Kong Exchanges and Clearing Limited ("HKEX"), the current status of ESG development in Southeast Asia, climate-related opportunities and challenges, and sustainability risk management. The guest speakers shared their insights and had in-depth interactive discussions with the on-site participants, providing inspiration and ideas for further implementation of the Bank's sustainable finance initiatives.

2 STRATEGY

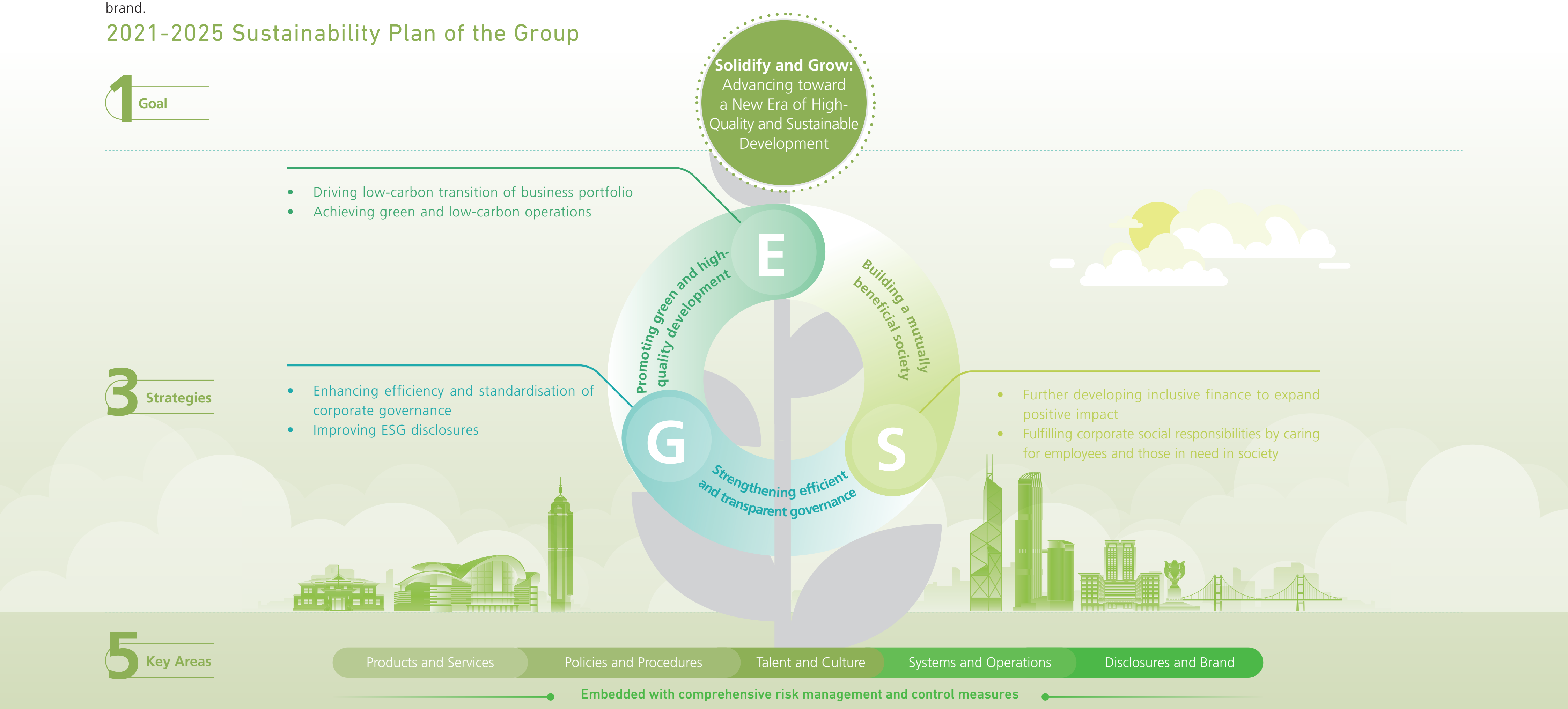
In 2024, BOCHK continues to advance its sustainability strategy and build on the achievements of the Five-Year Plan by deepening the implementation of various strategic initiatives and steadily move towards the 2025 target, further solidifying our position as a leading green and sustainable bank. In 2024, the scale of our green business continued to grow, offering customers a diverse range of green and sustainable finance products and services, including green loans, green and sustainability-related bonds, etc., actively advancing green finance development and supporting Hong Kong's development as an international green finance centre. By strengthening our carbon emissions management, we are better aligned with global best practices and regulatory requirements, driving sustainable growth and contributing to a more resilient future for all stakeholders.

2.1 2021-2025 Sustainability Plan: Solidify & Grow

BOCHK has always been steadfast in its sustainability journey. Its *Five-Year (2021-2025) Sustainability Plan* aims to "Solidify and Grow: Advancing toward a New Era of High-quality and Sustainable Development". To this end, we have developed a strategic framework that includes one goal, three strategies as well as five key areas to develop our sustainability-related initiatives in terms of products and services, policies and procedures, talent and culture, systems and operations, and disclosure and brand.

We have established a regular monitoring mechanism to track and report on the progress of our work on a quarterly basis. At the same time, in order to ensure the effective implementation of the Five-Year Plan, we conduct annual systematic evaluations of its implementation effectiveness, identify areas for improvement in a timely manner and optimise our implementation strategy. In addition, we regularly review key sustainability issues to ensure they are aligned with our strategic goals.

2021-2025 Sustainability Plan of the Group



Details of the Group's 2021-2025 strategic plan can be found in the 2024 Sustainability Report.

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 continue to expand the scale of our green finance business and pursue innovation in products and services across Hong Kong, the GBA, and Southeast Asia.

We are actively developing a range of green financial products to support businesses and individuals in their green transition. For instance, our green bond offerings have been instrumental in financing renewable energy projects and sustainable infrastructure, contributing to the reduction of carbon emissions and promoting environmental stewardship.

In addition to product innovation, we are taking proactive steps to decarbonise our investment and financing activities at both customer and portfolio levels. This involves conducting comprehensive ESG assessments, identifying and mitigating the climate risks associated with our investment and financing portfolios, and working closely with clients to encourage the adoption of sustainable practices. We are committed to transparently disclosing our decarbonisation progress and demonstrating to our stakeholders our actions and achievements in the low-carbon transition.

Through these comprehensive efforts, we not only enhance our own sustainability performance but also contribute to the broader goal of achieving a more resilient and sustainable future for all.

In addition, to promote the decarbonisation efforts of the country and region, and to accelerate the green development and low-carbon transformation of both the Bank and its customers, we established our own *Green and Sustainable Finance Taxonomy* in 2024 to define green or transition economic activities and corporate entities. Its main purposes are to provide reference and guidance for customers' low-carbon transition through established standards, continuously deepen the development of sustainable finance across various areas such as green finance, transition finance, and social responsibility finance, support businesses aligned with the United Nations Sustainable Development Goals ("SDGs"), and position BOCHK as a transformation partner for our customers, leading various industries on the path to low-carbon transition.

Corporate Banking

- Strategic Direction: Assisting corporate customers in pursuing the low-carbon transition in line with national strategies
- Key Initiatives: Enriching green and sustainability product offerings, and launching green products including green deposits, green loans and bonds, sustainability-linked loans and bonds, and services such as sustainability advisory; expanding the scale of green and sustainable finance assets; encouraging low-carbon transition of leading customers in ESG sensitive sectors.

Personal Banking

- Strategic Direction: Continuously meeting customers' diversified green and sustainable finance needs
- Key Initiatives: Continuously expanding green product offerings and accelerating the migration of services to digital channels while anchoring the Bank's carbon neutrality goals. Gradually optimising branches and facilities to promote a low-carbon transition for both branches and customers.

Financial Markets

- Strategic Direction: Directing capital flows to the sustainable asset investment markets
- Key Initiatives: Subject to adherence to the Bank's credit risk appetite, priority will be accorded to ESG bond projects, financial market related products and risk hedging tools focused on climate transition and sustainability. We will also actively engage in the development of the carbon finance market.

2.2.1 Innovation in Green and Sustainable Finance Products and Services

We innovate and develop a wide range of green and sustainable financial products and services to provide diverse options for members of society to participate in the transition to a low-carbon economy. We collaborate with all sectors of the community to address the challenges of climate change and environmental issues to promote the transition to a low-carbon and sustainable economy.

In 2024, we continued to strengthen our collaboration with corporate clients to finance their green transition and support their decarbonisation process. We continue to offer a large selection of ESG funds on our investment platforms, and in 2024, we successfully introduced an ESG equity fund themed on China's net-zero transition. Throughout the year, we also continued to strengthen our support for green and sustainable finance by providing incentive points through internal funds transfer pricing ("FTP") for related deposit and loan businesses, as well as offering accounting support for green loan businesses of our Southeast Asian entities. These measures aim to encourage the expansion of green and sustainable finance business.

In the future, we will continue to introduce more products and services to fully support Hong Kong's development into an international green finance centre.

Corporate Green and Sustainable Financial Products and Services

We are committed to meeting the increasingly diverse needs of our customers for green and sustainable financial products and services, seizing significant business opportunities in green development in Hong Kong, the GBA and Southeast Asia, and continuing to innovate and develop diversified green financial products and services to help our corporate customers move towards a green and low-carbon transformation and achieve their sustainability targets. We provide customers with the most suitable solutions for their unique needs.

Our diversified range of green and sustainable finance products and services cover:

- Green, sustainability-linked, and social loans
- Green and sustainability-related bonds
- Green time deposits
- Advisory services

In supporting the transformation of enterprises, we have established a professional service team to assist our clients in achieving sustainable transformation in different areas. Through innovation and diversification of green products, we not only enhance our financial intermediation capabilities, giving full play to resource allocation, but also actively promote high-quality green industries development and further support low-carbon transformation of the real economy.

Through these innovative measures, we not only lead our corporate clients to achieve green transformation, but also actively promote the comprehensive upgrade of green and sustainable financial products and services, injecting new impetus into the low-carbon development of the regional economy.

Personal Green and Sustainable Financial Products

In order to actively respond to the growing demand of individual customers for green and sustainable financial services, BOCHK provides a wide range of personal green finance solutions, including ESG-themed funds, green deposits, green mortgages, green personal loans, and green retail bonds.

Financial Market

To meet the diversified green and sustainable investment needs of the market, we actively participate in the development of Hong Kong's green and sustainable finance market, and assist domestic and foreign institutions and multilateral organisations in issuing green and social responsibility fixed income products, which will gradually enrich sustainable finance products and provide more options to investors.

Southeast Asia Operations

In Southeast Asia, we actively implement climate and green finance strategies based on local contexts. In line with local regulatory requirements and the Bank's risk appetite, we actively promote the development of sustainable finance in our Southeast Asia branches. We utilise sustainability as a cross-culture breakthrough to build the Group's sustainable brand image and further enhance our influence and competitiveness in the region. As an example, BOC Thailand saw a 189% increase in its green loan balance by the end of 2024 and provided an USD80 million ESG-linked loan to a local energy company and a THB800 million credit to a state-owned power battery joint venture. The Jakarta Branch actively developed green finance and social responsibility. The Jakarta Branch collaborated with the Indonesian government to promote industrial upgrading and ecological protection, and completed several green loans, including the first SGS-certified bilateral green loan and a sustainability-linked loan with BOCHK. BOC Malaysia focuses on exploring ESG project opportunities, assisting management departments in formulating ESG strategies and supporting policies, and benchmarking against the *Green Loan and Sustainability-Linked Loan Guidelines* to enhance targeted marketing of key ESG projects, so as to work with clients towards a comprehensive green and low-carbon transformation.

For details of the Group's green and sustainable finance business in 2024, please refer to the Group's 2024 Sustainability Report.

2.2.2 Decarbonising Investment and Financing Portfolios

In order to foster the implementation of the Group's sustainability strategies and targets, and to enhance the resilience of our portfolio against climate change, the Group has committed to ceasing financing for new coal mining and coal-fired power projects outside of the Chinese mainland since the fourth quarter of 2021. This commitment has been progressively extended to include projects in the Chinese mainland and for the development of infrastructure dedicated to support the operation of new coal related projects, effective from October 2023 and November 2024, respectively. In addition, the Group has formulated its *ESG Sensitive Sector Strategy Statement*, which aims to promote the decarbonisation of customers in high-emitting industries in an orderly manner while considering the needs for securing stable energy supply. The Group will not indiscriminately terminate loans or withdraw financing; instead, we will implement appropriate industry control measures for customers who fail to provide acceptable low-carbon transition plan as required. This approach systematically promotes the reduction of carbon emissions within our investment and financing portfolios while supporting the low-carbon transformation of the Group's investment and financing portfolios in the energy sector.

Key ESG sensitive sectors	Detailed strategies and management requirements
Energy	Prioritise financing to green, decarbonisation/transition purpose and to promote and support customers' low-carbon transition in an orderly manner. The Group also pays attention to the impact of customers' operations on climate change, the environment, biodiversity and local residents, and formulates specific strategies and measures for highly-concerned energy industries with high carbon emissions.
Mining	In order to avoid causing significant environmental pollution and threatening the health of surrounding communities and wildlife, we promote customers in the mining industry, including coal, minerals and metals, to operate their businesses in accordance with good international practices. The Group will not provide financial services that fall into the scope of application to customers and projects involved in our prohibited scope, and will exit the existing businesses involved as soon as possible.
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 the financial services in scope of the policy which involve 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 gradually adopted a series of control measures effective from October 2023, which include the ceasing of project finance to new coal-fired power generation and coal mining projects or the development of infrastructure dedicated to support the operation of the new coal-fired power generation and coal mining projects, and controlling new customer onboarding.
Oil & Gas	As oil and gas still play a critical role as a transitional energy, the Group will continue to provide financing for the oil and gas sectors. We will pay attention to the customer's management on greenhouse gas emissions, environmental protection, operational safety and the handling of occurrence of major incidents, and evaluate and adjust our credit strategies as appropriate, while financing will be prioritised to green or decarbonisation/transition purposes. Given that some of the unconventional oil and gas projects will produce more greenhouse gas emissions or have significant adverse impacts to the environment, the Group will not provide project financing for unconventional oil and gas projects or projects in specific locations, e.g. oil and gas exploration and extraction projects in the Arctic and Amazon regions.
Forestry	In order to avoid damaging the natural forest habitat or affecting indigenous communities and biological species that depend on the associated forests, we promote and ensure our customers in the forestry industry to comply with good international practices. The Group will not provide financial services within the scope of application to customers/projects that have significant negative impacts on biodiversity or natural habitats. If existing business is involved, we will exit as soon as possible.
Agriculture (including palm oil industry)	We pay close attention to the impact of agricultural customers' operations on the environment and natural ecosystems in the course of their operations and avoid significant harm caused by customers' businesses or behaviours. The Group will not provide financial services within the scope of application to customers/projects that have significant negative impacts on biodiversity or natural habitats. If existing business is involved, we will exit as soon as possible. In addition, in order to avoid customers operating with inappropriate practices, such as burning forests or deforestation or developing palm oil plantations on peatlands that are high carbon sinks, we promote and ensure customers in the palm oil industry to comply with relevant sustainability principles.

2.2.3 Empowering Customers' Climate Action

As part of our low-carbon transition, we are committed to encouraging our clients to take meaningful climate action through their daily lives and investment decisions. By integrating innovative tools and resources into our banking services, we aim to improve our clients' understanding of environmental impact and provide them with the knowledge and tools they need to make sustainable investment choices.

Launched Hong Kong's first carbon footprint tracking feature in mobile application to support customers' low-carbon lifestyles

With growing public awareness of green lifestyles, BOCHK has introduced Hong Kong's first carbon footprint tracking feature in the "BeLeaf" Zone of our Mobile Banking app. This initiative further enhances the digital green transformation of banking and supports both customers and the Bank in embracing a sustainable, low-carbon lifestyle. Utilising artificial intelligence, this feature integrates and categorises transaction data from various accounts to estimate each customer's carbon footprint, i.e., the total direct and indirect greenhouse gas emissions resulting from their daily activities, and translates this footprint into relatable daily life equivalents, such as the distance travelled by car. Customers can also view their carbon footprint levels to gain insights into how their financial habits impact the environment.

Supporting clients to enhance their knowledge of sustainable investing and net zero

We have introduced a new Sustainable Investing Information section in the Finance Academy to help our clients gain a deeper understanding of net zero and other sustainable investment opportunities in China. Customers can access the information of the Finance Academy through the BOCHK website or mobile banking to enhance their knowledge of wealth management.

2.3 Promoting Green and High-Quality Development: Achieving Green and Low-Carbon Operations

We are dedicated to minimising the environmental impact of our business operations by gradually implementing energy-efficient and low-carbon measures to attain carbon neutrality in our operations by 2030. Our *Sustainability Policy* outlines the key principles and actions for promoting green operations to drive the concept of green banking including:

- **Energy Conservation:**

Promote and implement energy-efficient technologies and practices to minimise energy consumption.

- **Reduce, Reuse and Recycle:**

Adopt the principles of reducing, reusing and recycling and implement paperless operations through innovative technologies to reduce waste generation.

- **Monitor Environmental Impacts:**

Monitor GHG emissions, exhaust emissions, energy consumption, water usage, and waste generation in our daily operations to protect the natural environment and conserve resources.

Our strategy follows the principle of "first reduce, then replace, and offset at last". We begin by implementing emission reduction measures in our daily activities and operations, followed by exploring the integration of renewable energy within our own properties, and lastly offsetting any remaining carbon emissions through alternative methods. The Group strives to minimise the environmental footprint in our own operations while collaborating with customers to collectively reduce our impact on the environment.

Green Banking – Environmental Management Measures

Reduce

A wide range of energy conservation and emission reduction measures are in place, primarily in terms of electricity conservation. The Group's energy consumption has been reduced and the energy efficiency of buildings and operations has been enhanced through the upgrade and renovation of major electrical equipment.

Energy conservation and emission reduction measures for self-owned properties and branches
In recent years, BOCHK has been committed to implementing various green and energy-saving measures and improvement works in its self-owned properties, incorporating green building elements to enhance the smart energy management. These initiatives include:

- Recalibration of mechanical & electrical systems
- Optimisation of central air-conditioning plant rooms and upgrading of air-conditioning systems
- Retrofit of lift system
- Installation of energy efficient equipment
- Introduction of smart lighting and smart metering systems
- Upgrade of façade lighting of the Bank of China Tower

Pilot projects and innovative technologies
While continuing to promote the traditional energy saving measures, the Bank has also explored innovative environmental technologies in the market and collaborated with several organisations to conduct pilot projects in major office buildings and branches. These include smart metering systems for branches, purification and energy-saving devices for air handling units, automated lighting control and energy management platforms for meeting rooms and pantries, and a study on the installation of a new solar energy system with glass curtain walls in a new building. In the future, BOCHK will continue to monitor new technologies in the market and explore the feasibility of their application in BOCHK's self-owned properties to help achieve carbon neutrality for the Group.

Replace

Installation of photovoltaic solar panels or wind power facilities on eligible properties to produce renewable energy:

- Solar photovoltaic panels have been installed at the BOC Cheung Sha Wan Building
- Renewable energy systems will be installed at the BOC Centre and BOC Prince Building

Offset

After implementing proactive decarbonisation measures, we procure appropriate carbon offset products in accordance with the BOCHK *Carbon Offset Strategy Statement* to offset the remaining carbon emissions. In June 2024, BOCHK became the first commercial bank in Hong Kong to achieve carbon neutrality for its owned properties, and its two landmark buildings, the Bank of China Tower and the Bank of China Building, were awarded carbon neutrality certification by the China Quality Certification Centre under the China Certification & Inspection Group and the Hong Kong Quality Assurance Agency. Both certification bodies have adopted the International Carbon Verification Standard ISO14064 and the International Carbon Neutrality Certification Standard PAS2060 for their professional assessment, ensuring certify compliance with the highest international standards. Prior to this, the two buildings had attained the BEAM Plus Existing Buildings V2.0 Platinum certification in 2022 and 2023, which is the highest rating possible under the certification.

Green Partners – Joining Hands with Customers to Protect the Environment

We actively encourage our customers to become "Green Partners" and work together to reduce our collective environmental footprint. In line with our digital transformation initiatives, in addition to providing high-quality and diversified online banking services, we are also committed to promoting paperless banking and low-carbon banks:

- Continue to promote the "Merchant No Slip Programme" to reduce the printing of payment receipts
- Encourage customers to opt for e-Statements and e-Advice
- Launched a self-service banking e-Advice function
- Launched Hong Kong's first mobile banking platform with IPO retail bond subscription and second-hand bond trading functions
- Through the "BeLeaf" Zone of our Mobile Banking app, we provide information on three scenarios: 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 Standardisation of Corporate Governance

We have established an efficient and transparent governance structure, continuously refining and optimising the Bank's governance policies and systems across all areas. This includes strengthening the internal governance mechanisms of the Group to ensure transparency, fairness and effectiveness in decision-making, and ensuring the effective supervision and management of the Group's affairs by the Board and the Management. We have enhanced our risk management and compliance supervision to ensure the robust and compliant operation of our business, aiming to safeguard the integrity and sustainability of our operations and foster a culture of accountability and excellence.

2.4.2 Improving ESG Disclosures

We adhere to the latest international standards and regulatory requirements. We actively monitor and benchmark against the latest developments and best practices in the international financial industry and integrate these insights into our disclosure framework and policies to continuously enhance the quality of our disclosures. We regularly assess and review our climate-related disclosures, continuously refining our processes to ensure they are robust and transparent to provide stakeholders with clear and comprehensive information on our climate-related performance.

2.5 Supporting Sustainable Finance Market Development

We play an important external advocacy role in the development of sustainable finance, aiming to raise public awareness and strengthen cooperation within the industry. By actively participating in policy consultation meetings and providing professional advice and recommendations, we not only contribute to the growth of sustainable finance, but also to the overall well-being of society and the environment.

For details of the Group's ecosystem collaboration in sustainable finance development, please refer to the Group's 2024 Sustainability Report.

RISK MANAGEMENT

The Group recognises the critical importance of climate risk management in our business financial performance and stakeholders. In pursuit of this objective, we have integrated climate risks into our overall risk management framework and established appropriate governance structures and processes to oversee climate risk management. These measures are designed to enhance awareness of climate-related risks and opportunities, enabling decisions that align with insights from our climate risk management and overarching strategy. By proactively addressing the challenges posed by climate change and leveraging emerging opportunities, we aim to promote sustainability in our financial operations.

3

3.1 Climate Risk Management System

We have integrated climate risk management into our comprehensive risk management system, with a clear policy that sets out the Group's risk management approach and related management processes to ensure that climate risks are systematically identified, assessed, and controlled within acceptable levels. The BOCHK Group *Risk Management Policy Statement* serves as the highest-level document for our risk management framework, and incorporates sustainability as one of the Group's core risk management principles.

In the *Sustainability Policy* of BOC Hong Kong (Holdings) Limited, we have established a robust climate risk governance framework, which includes a three-line defence system with clearly defined roles and responsibilities for all relevant entities, ensuring effective management and oversight of climate risks.

1st line of defence:

Individual Business Units

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

2nd line of defence:

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 (including climate risk) to the Board, Board Committees, and 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

3rd line of defence:

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

Through this three-line defence system, we ensure the comprehensiveness and effectiveness of our climate risk management, thereby enhancing the resilience and sustainability of our operations in the face of climate change issues.

3.2 Identification of Climate Risks

We recognise the significant threat that climate-related risks pose to the stability of our banking operations and the broader financial system. To effectively address these risks, we actively assess and manage climate-related risks, taking proactive steps to build resilience and adaptability. We will continue to monitor and study the impact of climate change on the financial system to ensure that our business remains safe and sound in a volatile environment.

Climate-related risks are divided into two main categories: transition risks and physical risks.

Climate-related Risks

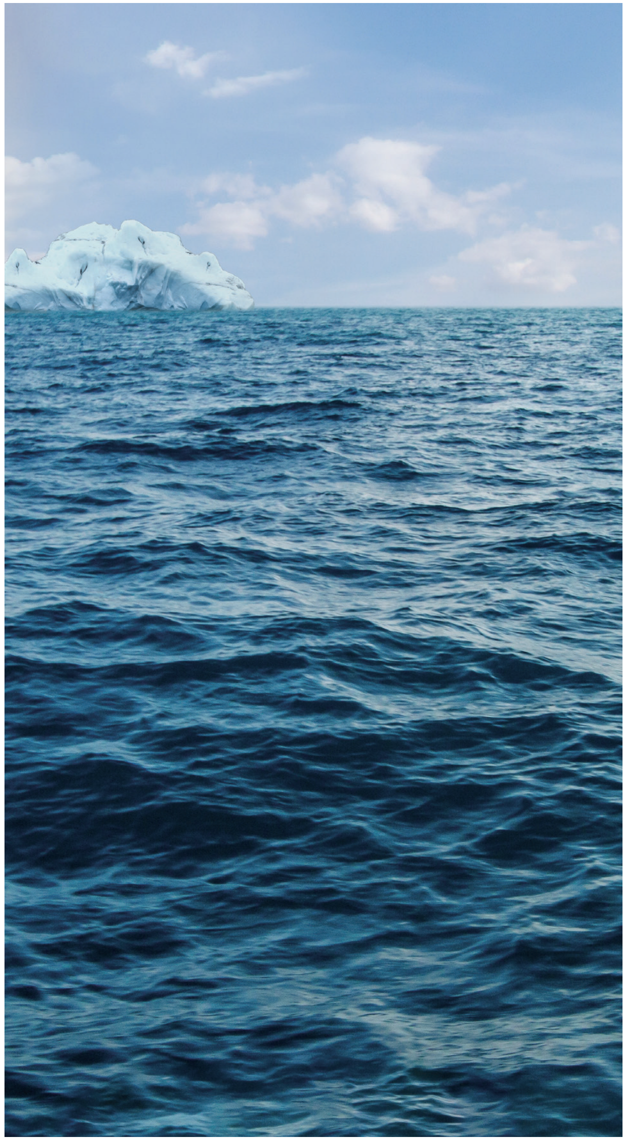
Transition Risks

Transition risks arise from factors such as policy adjustments, technological innovations, and changes in consumer preferences aimed at climate change mitigation and adaptation. These factors can lead to higher costs of GHG emissions, market demand and structural changes, which in turn will increase production costs, reduce profits and asset values, and ultimately increase default risks.

Physical Risks

Physical risks are caused by the direct negative impacts of climate change on the real economy, resulting in reduced production capacity, increased costs, premature asset write-off, and damage to infrastructure. These risks may arise from short-term, acute weather events (such as tornadoes, hurricanes, floods, or heatwaves) or from long-term, chronic changes in climate patterns (such as changes in average temperature or rainfall, rising sea levels).

Climate risk is global in nature, and its impact on banks is often manifested through its transmission to other traditional risk types. Based on the recommendations of the TCFD, we comprehensively identify the pathways through which climate risks may be transmitted to traditional risk types, and assess the impact of climate risks on various types of traditional risks.



Risk Type	Transmission Pathways of Climate Risk	Time Horizon[2]
Credit risk	• In the transition to a low-carbon economy, the business and financial situation of our clients may be affected by policy changes, technological advancements, changes in consumption and investment preferences, and emerging business models. In addition, customers' business operations and asset values may also be affected by ongoing climate change and extreme weather events. These factors can lead to a decrease in the customers' ability to repay their debts, which can increase their risk of default. • Extreme weather events or natural disasters, such as typhoons and floods, may cause loss or damage to real estate or fixed assets pledged to banks, which in turn may lead to a decrease in the value of the pledged assets.	Short to long-term
Market risk	• If market prices or valuations do not incorporate climate risk factors, it may trigger large-scale, abrupt and negative price adjustments. In addition, the collapse of the correlation between assets or a sharp decline in the market liquidity of a particular asset will further exacerbate the decline in market prices. • Price fluctuations in financial markets can affect the value of positions in assets such as bank stocks and commodities.	Short to medium-term
Operational risk and compliance risk	• Extreme weather events may disrupt the Group's business operations. In addition, the Group faces climate-related regulatory risks, which may result in increased capital and operating expenditures to comply with climate-related regulatory requirements.	Medium to long-term
Liquidity risk	• Climate risk drivers may cause counterparties to withdraw deposits and draw down credit line, reducing banks' access to finance and increasing liquidity risk.	Medium to long-term
Legal risk	• Climate, environmental and sustainability factors may give rise to legal risks. For example, if the Group's sustainability performance or disclosures fail to meet the expectations of stakeholders and the public, or if the Group becomes a related party to climate, environmental or sustainability litigation or disputes, it may be exposed to legal risks.	Short to long-term
Reputational risk	• As the market evolves and customers' preferences shift towards climate- and environmentally-friendly products, services and businesses, this leads to higher expectations of the public and interest groups for banks to be more socially responsible in addressing climate change and supporting the low-carbon transition. Failure to adequately consider environmental factors in business development may also affect the Bank's ability to establish or maintain good business relationships.	Short to long-term
Strategy risk	• Banks may lose their competitiveness in the market if they fail to adapt to changing market conditions, adequately address the growing demand for climate- or environmentally-friendly solutions or the Bank's operational preferences, or fully comply with increasingly stringent climate and environmental regulatory requirements.	Medium to long-term

2 Short-term: less than 1 year, Medium-term: 1 to 5 years, Long-term: More than 5 years.

3.3 Climate Risk Management Mechanisms

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.

In the formulation of business plans and strategic development goals, we take into account the Group's risk appetite and approach risk management and decision-making based on stakeholder expectations. Through regular risk assessments and monitoring, we develop appropriate control measures and management strategies to ensure that risks are controlled within acceptable limits and align with the Group's long-term and sustainability goals.

3.3.2 Climate Risk Management Process

We actively consider changes in the Group's sustainability strategy and regulatory requirements to identify and assess the transition and physical risks we face, along with their impacts. In all aspects of risk management, we fully integrate climate risk factors and develop corresponding risk response measures to enhance our comprehensive risk management system.

3.3.2.1 Managing Climate-Related Credit Risks

We steadily respond to the physical and transition risks arising from climate change, adhere to the principle of prudent risk management, continuously enhance credit risk management policies and guidelines related to climate risks, and clearly formulate risk management requirements for the identification, assessment, monitoring, stress testing and reporting of climate-related credit risks. Climate risks are integrated into the entire process of credit risk management and serve as an important basis for various credit business onboarding, approval, and post-lending management.

To support China's "dual carbon" goals while considering the needs for securing stable energy supply, we aim to promote the decarbonisation of customers in high-emitting industries in an orderly manner and avoid indiscriminate terminations of loans or withdrawals of financing. Meanwhile, we place great emphasis on the prevention and control of transition risks in these sectors. The Group has formulated the *ESG Sensitive Sector Strategy Statement* which covers our overall strategies and principles for sectors or customers that may pose significant adverse impacts towards climate change, environment and biodiversity, and society. The document also outlines the strategies and management requirements towards key ESG sensitive sectors, including energy, mining, coal-fired power generation, coal mining, oil and gas, forestry, agriculture, and palm oil sectors. When conducting various types of credit business (including corporate finance, project finance, etc.) and financial market-related business (including bond, equity investments, etc.), the relevant strategies and management requirements set forth in this policy must be strictly followed.

Furthermore, we have also formulated guidelines to gradually refine and enhance our climate risk assessment requirements, in order to standardise business onboarding standards, principles, and management requirements while highlighting the risks involved in conducting business with certain high-emitting industries, to facilitate the orderly development of business activities.

Risk identification and assessment

As the first line of defence in risk management, relevant credit staff are required to understand the specific climate risks faced by customers and assess their risk resilience. We have incorporated climate risk factors into the due diligence of various types of credit businesses (including corporate finance, project finance, etc.) through two dimensions. First, we assess the climate impact of our clients' businesses, understand whether they have properly controlled and managed various types of emissions and energy consumption levels in their business process. Clients are also required to understand and comply with relevant local laws and regulations such as those related to environmental and biodiversity conservation with respect to the financing projects, ensuring alignment with international best practices. Additionally, we assess the level of specific climate risks faced by our clients and the potential financial impacts associated with transition risks, and evaluate whether relevant mitigation strategies are in place and whether a low-carbon transition target has been established and implemented in a progressive and orderly manner. For physical risks, we consider the impact of climate change on our clients' business continuity, the stability of their supply chains, and the value of their assets or collateral. Based on these considerations, we will categorise and manage our clients according to their climate risk levels and adopt corresponding credit strategies.

We have developed a customer questionnaire to systematically assess the abovementioned risks of 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 the customers' climate risk.

Additionally, to fully incorporate ESG factors, including climate risks, into our internal rating framework, we have also established a framework for adjusting the customers' internal ratings based on ESG factors, using the results of customer questionnaires and other internal and external ESG information to calculate customers' ESG Impact Assessment Grade ("EIA grade"), which is applied to potential adjustment on the customers' internal ratings. This mechanism has been gradually implemented since 2024.

For the aforementioned customer risk assessment tools, we continuously review their applicability and make timely improvements, and their corresponding electronic process (E-flow) was also implemented during 2024 to enhance the integration between the assessment tools and the credit application process.

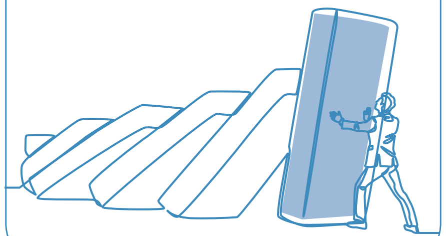
Risk control and mitigation

Differentiated credit strategies

Differentiated credit strategies are implemented based on the climate risk associated with customers or projects. For customers with higher risk, we adopt appropriate risk control and mitigation measures. For example, we require our customers to commit to developing and implementing risk mitigation measures or transition plans within a reasonable period of time as a precondition to provide credit business, and continuously follow up and periodically review the implementation of customers' risk mitigation measures or transition plan. If a customer fails to meet the requirements within a reasonable time period, we will consider control measures such as tightening the lending terms, adopting reduction or exit strategies as appropriate.

Risk escalation process

Ecologically sensitive loans should be categorised as "specialised credit transactions", which require careful assessment and strict control to prevent any violations of the Group's sustainability strategy. These transactions are also subject to more rigorous credit approval requirements (at a minimum, approval by senior management level of the relevant member institution), to ensure alignment with the Group's credit risk appetite and strategy.



Risk monitoring, reporting and portfolio management

We integrate credit customers' climate risk information into the daily monitoring process, continuously monitor the business operations of relevant customers and projects, and include the latest climate risk profile of customers and the progress of high-risk customers in implementing risk mitigation measures or transition plans in the scope of credit review reports, so as to regularly re-evaluate the customers' ability to address climate risks. Risk alerts and thematic reviews may be conducted when necessary. If higher risk is identified during re-evaluation or when high-risk customers fail to meet the relevant requirements within a reasonable time, we will consider control or mitigation measures, such as tightening the lending terms and implementing reduction or exit strategies as appropriate. In the event of unexpected climate risk incidents, timely re-evaluation and reporting will be initiated and handled according to the on-going post-lending negative information procedures and processes. Trigger incidents specifically include:

- A major natural disaster that damages a customer's place of operation or causes a disruption in the supply chain of a customer's business;
- A major natural disaster that damages the financing asset or property collateral, etc.

Furthermore, in the aspect of portfolio management, we continuously track the risk metrics (such as probability of default ("PD"), exposure at default ("EAD"), etc.) of our climate risk-related (including transition risk and physical risk) credit portfolio to monitor changes in credit quality, and report to the Management on a regular basis. In addition, we have established a definition of brown industries to specify the scope of high-emitting industries of significant concern to the Group and regularly report to the Board on the credit portfolio of customers in these brown industries.

3.3.2.2 Managing Other Climate-Related Risks

Key risk types	Management and mitigation mechanisms
Market risk	• We have established policies and practices for market risk management, and through continuous improvement of these policies and practices, we ensure that the climate-related risks are fully considered in market risk management. • In terms of stress testing, we have established a basic methodology for climate risk scenario analysis and stress testing, covering physical and transition risks in different scenarios and time horizons. 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 whether new products have climate risks through new product due diligence, and conduct climate risk assessments based on industry classification when accessing trading book stock lists.
Operational risk and compliance risk	• Policies and administrative measures for operational and compliance risk management have been established, which adequately consider climate-related risks and are continuously improving the mechanism for collecting data on operational losses caused by climate risks. • Climate risk considerations are included in the risk management principles for external events in the *Operational Risk Management Policy*. • We actively utilise a variety of risk management methods and tools to identify climate risks and assess the impacts of climate change on our business. • In accordance with the HKMA's Supervisory Policy Manual TM-G-2 "Business Continuity Planning", we have formulated corresponding *Business Continuity Plans* tailored to different business operations, outlining the management requirements, processes, structure, and roles and responsibilities. We have considered the possible impacts of extreme weather events and have developed appropriate contingency plans to ensure effective response during such events. • In response to HKEX's consultation paper on "Securities and Derivatives Trading under Severe Weather Conditions" and related regulatory announcements, cross-departmental cooperation has been coordinated to develop various affected scenarios and plans, ensuring their effective implementation to maintain trading operations under severe weather conditions.
Reputational risk	• In the development of our products, services and business, we take full consideration of the impact of climate risks, gradually establishing and improving climate risk management mechanisms to prevent potential reputational risks. For business operations and risk management processes that may trigger or have already triggered reputational risks, we will undergo the risk identification, assessment, monitoring, early warning, reporting and handling process in accordance with the *Administrative Measures for Reputation Risk Management*. • The Group will continuously improve relevant risk management policies and administrative measures to ensure that climate-related risks are fully considered in the monitoring and management of reputational risks.
Legal risk	• We have established relevant legal risk management policies and administrative measures. Through continuous improvement of these risk management practices, we ensure that the impact of climate-related risks is fully considered in the monitoring and management of legal risks. In their day-to-day management and business operations, all units shall promptly identify, prevent, monitor, assess, report and handle legal risks that may arise from climate factors in accordance with the procedures stipulated in the *Administrative Measures for Legal and Compliance Risk Management*.

3.4 Climate Risk Stress Testing

3.4.1 Background and Scenarios

Stress testing and scenario analysis are key components to our approach to assessing and quantifying climate risks. In alignment with the Group's business development and regulatory requirements, we conduct stress testing and scenario analysis on climate risks, and integrate into conventional risk analysis tools where appropriate. Implementing climate risk stress testing and scenario analysis enables us to evaluate the impact of physical and transition risks, thereby assessing the effects of various climate scenarios on our profitability and capital adequacy. 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 are among the first batch of banks to participate in climate risk stress tests in Hong Kong. Following the launch of the Pilot Climate Risk Stress Test exercise in 2021, the HKMA issued guidelines for the second round of climate risk stress testing in April 2023, requiring banks to conduct tests on specified short-term and long-term scenarios. With the support of external consultants, we refined our stress testing methodology and related workflows in accordance with the latest guidelines and completed the tests for short-term and long-term scenarios. Additionally, we actively engage in the HKMA's Climate Risk Stress Testing Forum and the HKMA's industry consultation on the Physical Risk Assessment Platform, maintaining close communication with regulators and the industry.

In 2023-2024, we conducted climate risk stress tests in accordance with the HKMA's 2023 Guidelines for Banking Sector Climate Risk Stress Test. The test included a short-term scenario that combines climate-related shocks and a macroeconomic downturn (the "Short-Term Scenario"), as well as three long-term scenarios based on the Network of Central Banks and Supervisors for Greening the Financial System ("NGFS") scenarios: "Below 2°C", "Delayed Transition", and "Current Policies". For more details, please refer to the HKMA's Guidelines for Banking Sector Climate Risk Stress Test.

3.4.2 Transition Risk – Credit Risk and Market Risk

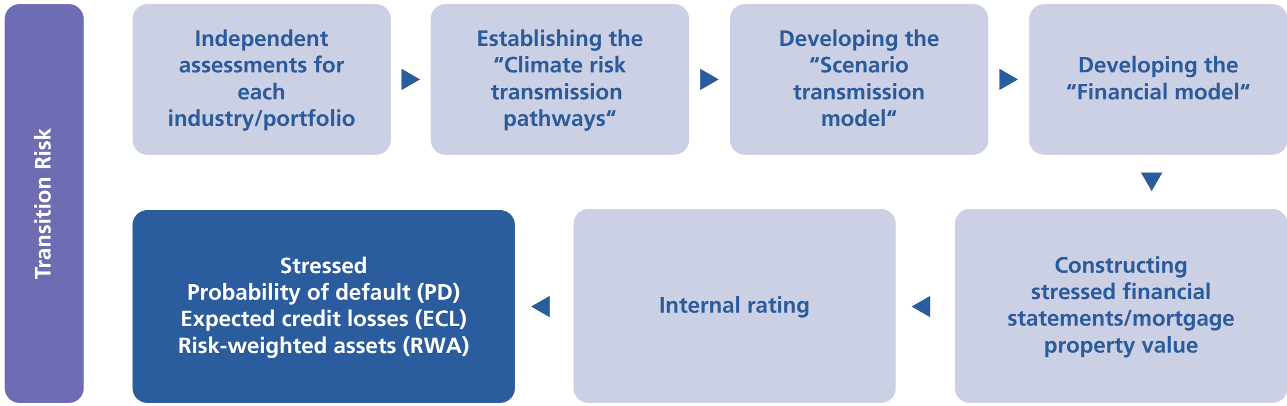
Credit risk

We adopted the internationally recognised bottom-up approach, utilising internal rating models and climate risk models to conduct counterparty level assessment. These methodologies and assumptions are in line with the requirements of HKMA's Supervisory Policy Manual GS-1 "Climate Risk Management" and IC-5 "Stress-testing".

In line with the HKMA's latest guideline in 2023, we have enhanced our stress testing methodology and related workflows. These enhancements include expanding the scope of industries, refining the climate risk transmission pathways, enhancing the collection of counterparty level climate risk information and procuring external climate risk data. These improvements help us better understand and quantify the impact of counterparties' exposure to climate risk on our credit portfolios.

Based on the sector classification of counterparties, we focused on the 11 high-emitting industries – coal, oil and gas, chemicals, cement, steel, non-ferrous metals, paper, construction, airlines and freight logistics, marine, and electric utilities (excluding renewable and nuclear electricity) – as specified in the HKMA's 2023 stress testing guidelines, which together account for 18% of the corporate exposure at default.

We conducted an independent assessment for each industry or portfolio to establish their own specific "climate risk transmission pathways". On this foundation, we developed the "scenario transmission model" to transform climate scenario parameters into financial drivers. These financial drivers are applied to the counterparty financial data of an industry or portfolio through the "financial model" to construct stressed financial statements of counterparties. The stressed financial statements are then applied into the Bank's conventional credit model to re-evaluate 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 HKMA's scenarios, these high-emitting industries face higher transition risks under both the short-term and long-term scenarios of "Below 2°C" and "Delayed Transition". The implementation of carbon taxes, carbon reduction policies and emission reduction technologies will lead to a decrease in the profitability of these industries, affecting the counterparties' ability to repay, thereby increasing the probability of default. Based on the results of the stress tests in the relevant scenarios, coal, oil and gas, steel, marine, chemicals and electric utilities (excluding renewable and nuclear electricity) industries will have a relatively large impact. We will continue to monitor and evaluate these risks to ensure that the overall risks are manageable.

Market Risk

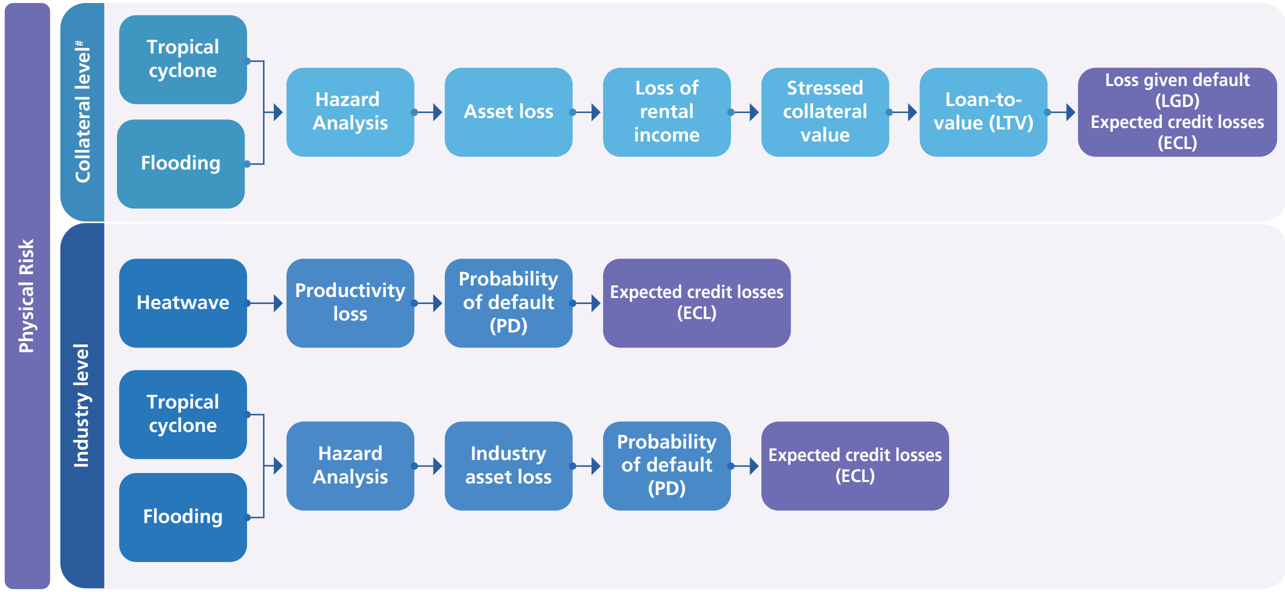
Extreme weather events can cause disruptions to a company's operations or damage to its facilities. These impacts are reflected in a company's financial statements and ultimately affect the valuation of its equity and bonds. We assess the impact of transition risks on the cash flow and credit spreads of corporate bonds and stock-related products in the trading books, taking into account macroeconomic factors to estimate the changes in the market value of stressed stocks and corporate bonds.

According to the stress test results, in the short-term and long-term scenarios (including "Below 2°C", "Delayed Transition" and "Current Policies"), the holdings of corporate bonds and stock-related products exposed to transition risks in the trading books are small, the impact of transition risks on market risks is limited, and the overall risks remain controllable.

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

In our physical risk stress testing, we integrated historical and projected data from multiple international institutions, including the NGFS, the World Resources Institute ("WRI"), and ETH Zürich's tropical storm assessment tool, Climada, etc. Additionally, we incorporated geographic and environmental information provided by local institutions such as the research from Hong Kong Observatory, the National Climate Centre of China, and the Civil Engineering and Development Department of Hong Kong ("CEDD"). This comprehensive approach allows us to assess the impact of various climate disasters effectively.

Credit Risk



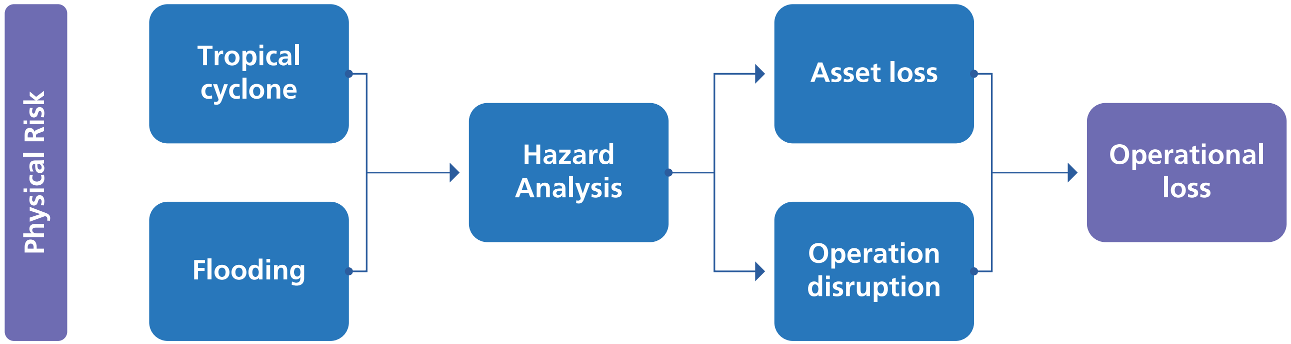
For collaterals in Hong Kong, their geographical granularity is determined by the Tertiary Planning Unit (TPU) provided by the Planning Department of Hong Kong. For collaterals in other regions, their geographical granularity is determined by provinces/cities.

The scope of the credit risk stress test includes: 1) Property-related credit exposures (including residential/commercial mortgage loans, property development and investment-related credit lending) in the Chinese mainland, Hong Kong and Southeast Asia; 2) Industries that are particularly susceptible to extreme climate events (e.g. tropical cyclones/flooding, heatwaves), such as utilities, construction and transportation.

Under the scenarios set by the HKMA, higher physical risks are projected in the short-term scenario and long-term "Current Policies" scenario (i.e. maintaining climate policies that were in place prior to 2022 without taking new actions). Based on the stress test results of these scenarios, the impact of physical risk on our collaterals and industry-level is not significant. The overall risks remain manageable, and we will continue to closely monitor the relevant risks.

Operational Risk

In addition to credit risk, operational risk is another traditional risk that can be exacerbated by physical risk. As climate-related risks increase the likelihood of extreme weather events, we assessed the impact of business disruption and facility damage as part of operational risk. We progressed with data collection, developed testing methods, and conducted short-term and long-term scenario testing and related workflows. According to the scenarios set by the HKMA, we completed the stress testing of climate risk scenarios (including super typhoons and heavy rains), which covered the operational sites of BOCHK in Hong Kong and Southeast Asia.



According to the results of the stress test, the impact of climate risk on the operational risk of the Bank is relatively limited under both short-term and long-term ("Current Policies") scenarios. We will continue to monitor the impact of climate risks on its operations and regularly report on events arising from climate risks to assist the Management in decision-making.

Market Risk

In addition to credit risk and operational risk, market risk is also influenced by physical risk. We utilised the results of the credit risk and industry-level analyses of physical risk to assess the impact of these risks on the cash flow and credit spreads of corporate debt and equity-related products in the trading book. By combining these insights with macroeconomic factors, we estimated the changes in the market value of these assets under stressed conditions.

According to the results of the stress test, in the short-term and long-term ("Current Policies") scenarios, the trading book holds a small position of corporate debt and equity-related products exposed to physical risks. The impact on market risk is limited, and the overall risk remains within a manageable range.

3.4.4 Limitations of Climate Risk Stress Testing

As climate risk stress testing continues to evolve, it is important to understand its uncertainties and limitations to ensure that the test results are appropriately interpreted and applied:

Methodology

As the scope of stress testing applications expands and industry practitioners and regulators gain experience, stress testing methodologies are expected to continue to be updated and improved. Users must stay informed about these changes and adjust their assessment models accordingly.

Time Horizon

The time horizons for a stress test may vary depending on the purpose and context of the test. With the increasing applications of stress tests, users need to be aware of any changes in the time horizon and make necessary adjustments to their models.

Data

Bottom-up analysis at the enterprise level requires granular data, but there remain challenges in terms of data availability, granularity, and accuracy. As industry and regulators focus more on climate risk scenario analysis, the quality and availability of data are expected to improve in the coming years.

3.5 Climate Risk Data Management

In order to continuously improve climate risk data, we focus on the internal collection of climate-related data. For example, in credit risk management, we have established a credit risk ESG database and gathered clients' climate-related data through customer questionnaires to assist in evaluating their climate risk levels.

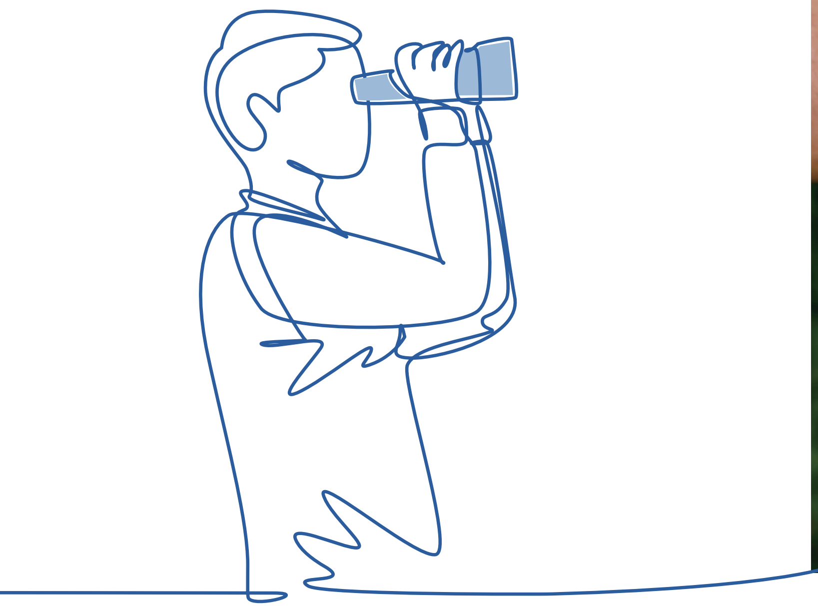
Additionally, we actively procure climate and environmental data from external suppliers, which has already been applied in various climate risk management contexts, such as financed emissions calculation and climate risk stress testing. We have assessed the quality and reliability of the data obtained from these external suppliers.

The Bank will continue to closely monitor the development of climate risk data management at the global, national, and regional levels and gradually improve the mechanisms for collecting, storing, managing, and applying climate data. This will enable us to obtain the necessary data for effectively implementing our sustainability strategy and enhancing our climate risk management capabilities.

3.6 Challenges and Outlook

We have integrated climate change considerations into the Bank's core decision-making processes, including strategic planning, risk management, capital assessment and business decision-making, which will help us to seize opportunities while minimising risks and navigating the climate transition. As awareness of climate change grows, new requirements may emerge from local regulators. We will actively follow these guidelines to ensure that our risk management policies and procedures are in line with regulatory standards.

In the future, we will closely monitor regulatory requirements and market developments, and continuously improve risk management policies and processes, striving to control climate risks at an appropriate level and continuously strengthen our capability to identify, assess, monitor and mitigate climate risks.



METRICS AND TARGETS

We continuously monitor the Group's performance in addressing climate change by tracking and analysing a range of climate-related metrics to ensure the effective implementation of the Group's strategic plan, assess our progress and identify areas for improvement.

4

4.1 Green Operations[3]

The Group is committed to minimising the environmental impact of its business operations and actively advocates for green banking in achieving carbon neutrality by 2030. We are progressively implementing energy-efficient and low-carbon operational measures, and collaborating with our customers on environmental protection by offering online and paperless digital banking services. We have developed our *2021-2025 Sustainability Plan*, which sets clear targets for four key environmental metrics and establishes a systematic approach to assess our environmental performance. These metrics include electricity consumption, GHG emissions, water consumption, and paper consumption.

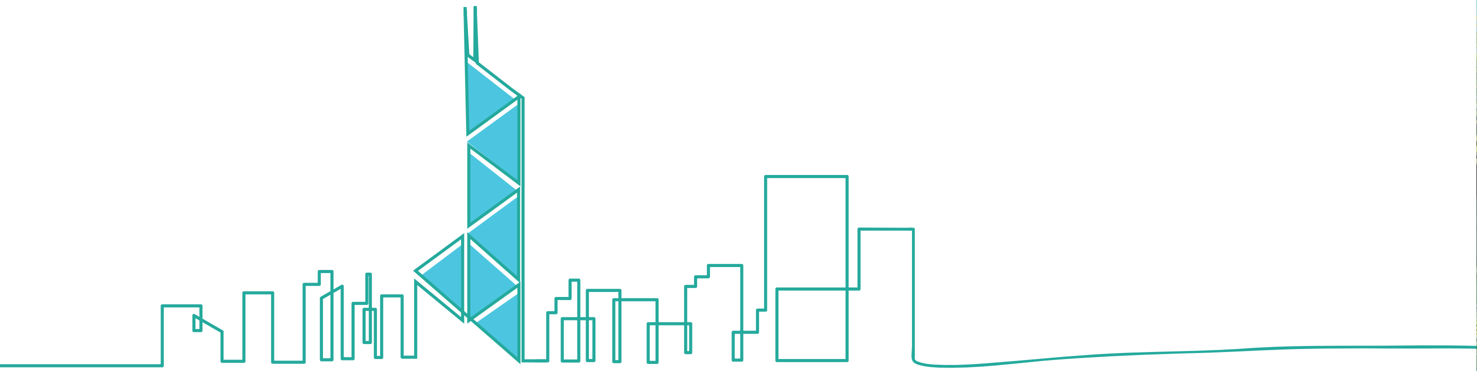
We continue to strengthen our green database by improving the collection and system processing of ESG related data. Through our carbon emission data collection platform, we have improved the efficiency of data collection, ensuring greater accuracy, completeness and timeliness. This data analysis provides valuable insights to support business management decisions.

Additionally, we have further expanded our operational carbon emissions data collection to include three categories of Scope 3 emissions: purchased goods and services, capital goods, and business travel. We are progressively refining the calculation of carbon footprint in our own operations.

3 GHG emissions in operations refer to Scope 1 emissions from direct operations, covering 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 and gas.

To reduce GHG emissions from our own operations, we have implemented emission reduction measures in three key areas: self-owned properties, branches, and daily operations to support the development of green banking operations and encourage customers to become green partners to jointly reduce our environmental impact. Details of the Group's green operations can be found in the 2024 Sustainability Report.

Greenhouse gas emissions (Operation)[4]	Unit	2022	2023	2024
Direct greenhouse gas emissions (Scope 1)[5]	Tonnes of carbon dioxide equivalent ("tCO_2e")	575	548	517
Indirect greenhouse gas emissions (Scope 2)[6]	tCO_2e	48,522	50,953	50,537
Other indirect greenhouse gas emissions (Scope 3)[7]	tCO_2e	86	89	79
Total greenhouse gas emissions (Scope 1 & 2)	tCO_2e	49,097	51,051	51,054
Total greenhouse gas emissions (Scope 1, 2 & 3)	tCO_2e	49,182	51,590	51,133



4 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 (CO_2), methane (CH_4), and nitrous oxide (N_2O); hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3) are not applicable.

5 Including GHG emissions from diesel and petrol consumption by corporate fleet.

6 Including GHG emissions due to purchased electricity and gas.

7 Including 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 financed emissions from investment and financing portfolios is a complex and rapidly evolving field. These emissions data are critical for financial institutions, a key basis for green investment decisions, and a basis for managing climate risks and seizing transition opportunities. This Report marks the first disclosure of the quantitative financed emissions from our investment and financing portfolios.

4.2.1 Approach to Financed Emissions

Scope

In the initial phase of our financed emissions calculation exercise, we have calculated the financed emissions for two sectors: Oil and Gas, and Power and Heat. These sectors were selected for the initial phase as they have significant impact on real-economy decarbonisation. Understanding their carbon emissions is critical to accelerating global decarbonisation efforts.

Methodology

To ensure consistency and standardisation in the calculation of financed emissions, we adopt the Partnership for Carbon Accounting Financials ("PCAF")'s Global Greenhouse Gas Accounting and Reporting Standard for the Financial Industry ("PCAF Standard"). PCAF is an international coalition of financial institutions dedicated to developing a globally consistent methodology for measuring financed emissions from investment and financing portfolios. The PCAF Standard is internationally recognised and aligns with the Corporate Value Chain (Scope 3) Accounting and Reporting Standard of the Greenhouse Gas Protocol. It accounts for GHG emissions corresponding to the value of assets by tracking financial flows.

PCAF also defines data quality scores to evaluate the reliability of emissions data used in financed emissions calculations. Data quality is scored on a scale from 1 to 5, with 1 indicating the highest quality and 5 the lowest, reflecting the robustness of the data based on the GHG Protocol's five accounting principles: completeness, consistency, relevance, accuracy, and transparency. In the calculation of our financed emissions, the Bank prioritises verified, publicly available emissions data whenever possible. For non-listed corporate clients, we systematically gather information on their emissions through customer questionnaire. In addition, for clients who do not disclose their own carbon emissions data, we use estimated figures from professional external data providers based on the company's business activities or financial performance, in line with market practice. To efficiently manage and utilise this data, we have established a database that aggregates client's emissions data from various sources. This database enhances our data integration and management processes, improving our monitoring and analysis capabilities.

Limitations

At present, financed emissions calculations face several limitations that affect their accuracy and reliability:

Accuracy of client-disclosed data: The accuracy of financed emissions calculations heavily relies on the data disclosed by clients. Clients may restate their emissions data or optimise their reporting methodologies, which can create inconsistencies that hinder meaningful year-over-year comparisons. This variability complicates the assessment and monitoring of financed emissions.

Data lag: There are limitations due to delays in clients' emissions data disclosure, where our clients' emissions data for the most recent financial year may not be readily available when we conduct our financed emissions calculations. This lag can result in outdated assessments that do not accurately reflect the client's current operational practices or emissions, ultimately affecting the accuracy of our financed emissions calculations.

Variability in estimation methods: Different external data suppliers utilise various methods to estimate emissions. Change in suppliers may result in significant adjustments to emission data, affecting our ability to track performance accurately over time.

Quality of estimates from external suppliers: Some emission data are sourced from an external data provider which are estimated by machine learning models based on a company's financial data or industry benchmarks. These models may have limitations, including the interpretability of variables, the representativeness of training samples, and their predictive accuracy.

Dependency of the attribution factor used in the financed emissions estimation: The financed emission data estimated is sensitive to changes in market value of the client and may fluctuate throughout the economic cycle.

Classification of clients into sectors: Due to the complex structure of conglomerates and clients' multiple business activities, the classification may change in the future.

4.2.2 Results of Financed Emissions Calculations

The following table shows the financed emissions, in absolute terms (tCO_2e), of two sectors in our investment and financing portfolios: Oil and Gas, and Power and Heat. The calculation is based on clients' data from 2021 to 2023, as the carbon emissions data and financial data for 2024 from our clients were not yet disclosed during the calculation exercise.

Sector	Year	Absolute emissions[8]		PCAF data quality score[9]	
		Scope 1 + 2	Scope 3	Scope 1 + 2	Scope 3
Oil and Gas[10]	2021	1,454,453	22,980,458	3.5	4.0
	2022	1,372,181	17,952,810	3.5	3.9
	2023	1,047,465	12,149,678	3.5	4.0
Power and Heat[11]	2021	16,598,754	N/A	2.9	N/A
	2022	12,561,412	N/A	2.8	N/A
	2023	12,900,824	N/A	2.8	N/A

4.2.3 Outlook

BOCHK has disclosed its financed emissions from its investment and financing portfolios for the first time this year, facing several limitations in the quantification. Building on the progress made and insights gained this year, we aim to further enhance the accuracy of financed emissions quantification of our investment and financing portfolios. We are committed to closely monitoring developments in regulatory requirements and industry best practices for climate-related financial disclosures to ensure that our measurement approaches and disclosures remain compliant. At the same time, we will deepen the collaboration with our clients to expand coverage across more industries, obtain higher-quality data, further improve the accuracy of the quantification, and gain a more comprehensive understanding of the impact of financed emissions across the economy.

Looking ahead, BOCHK will continue to strengthen its practices related to climate risks and opportunities, guide the Group's capital flows in line with the path of climate adaptation, assist the Group to gradually reduce the impact of investment and financing activities on climate change in a practical and achievable manner, and provide strong support for the transition to a low-carbon economy.

8 Absolute financed emissions, measured in tonnes of CO_2-equivalent ("tCO_2e"), are calculated based on exposure at default ("EAD"), and only include on-balance sheet items, covering commercial loans and bond investments. Emissions data are obtained from publicly available company disclosures, where available. For clients with no emissions disclosures, emissions data are estimated using models provided by external data providers.

9 The PCAF establishes data quality scores on a scale from 1 to 5, where 1 represents the highest quality and 5 indicates the lowest. The scores provided in this table are weighted average scores based on the EAD for on-balance sheet financed emissions. The data quality scores for Scope 1+2 are distinct from those of Scope 3, as the quality of data differs between these categories.

10 For the Oil and Gas sector, clients' Scope 1, 2, and 3 emissions are included in the financed emissions calculation.

11 For the Power and Heat sector, clients' Scope 1 and 2 emissions are included in the financed emissions calculation.

4.3 Green and Sustainable Finance Services

We actively invest in innovation and research to develop climate-related financial products and services that meet the evolving needs of our customers and inspire companies to set more ambitious sustainability goals. To effectively manage the risk of greenwashing, we have continuously refined our systematic management mechanisms, reaching a more mature stage in the governance of green and sustainable products. The Group is committed to promoting sustainable financial solutions and has achieved significant business growth over the past year.

Balance of green and sustainability-related loans

Progress from 2023

↑ 28.8%

Balance of ESG bond investment

Progress from 2023

↑ 25.3%

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 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 1.1.1 The Board and its Committees 1.3 Sustainability and Climate-Related Performance Evaluation 1.4 Sustainability and Climate-Related 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 1.1.2 The Management and its Committees 1.1.3 The Sustainability Strategy Working Group 1.3 Sustainability and Climate-Related Performance Evaluation 1.4 Sustainability and Climate-Related 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 2021-2025 Sustainability Plan: Solidify & Grow 2.2 Promoting Green and High-Quality Development – Driving Low-Carbon Transition of Business Portfolio 2.3 Promoting Green and High-Quality Development – Achieving Green and Low-Carbon Operations 2.4 Strengthening Efficient and Transparent Governance 3.2 Identification of Climate Risks 3.3 Climate Risk Management Mechanisms

TCFD Recommendations:	Report Section	
Supplemental Guidance for Banks		
Banks should describe significant concentrations of credit exposure to carbon-related assets. Additionally, banks should consider disclosing their climate-related risks (transition and physical) in their lending and other financial intermediary business activities.	2.2.2 3.2	Decarbonising Investment and Financing Portfolios Identification of Climate Risks
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.	1.2 2.1 2.2 2.3 2.5 3.2 3.4	Sustainability and Climate-Related Policies 2021-2025 Sustainability Plan: Solidify & Grow Promoting Green and High-Quality Development – Driving Low-Carbon Transition of Business Portfolio Promoting Green and High-Quality Development – Achieving Green and Low-Carbon Operations Supporting Sustainable Finance Market Development Identification of Climate Risks Climate Risk Stress Testing
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 are considered.	3.2 3.3 3.4 3.6	Identification of Climate Risks Climate Risk Management Mechanisms Climate Risk Stress Testing Challenges and Outlook

TCFD Recommendations:	Report Section	
Supplemental Guidance for Banks		
Banks should consider characterising their climate-related risks in the context of traditional banking industry risk categories such as credit risk, market risk, liquidity risk, and operational risk. Banks should also consider describing any risk classification frameworks used (e.g., the Enhanced Disclosure Task Force's framework for defining "Top and Emerging Risks").	3.2	Identification of Climate Risks
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 3.5	Climate Risk Management Mechanisms 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 3.2 3.3	Climate Risk Management System Identification of Climate Risks Climate Risk Management Mechanisms
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 4.1 4.2 4.3 *	Climate Risk Stress Testing Green Operations Promoting Green Transition Green and Sustainable Finance Services The Group has not disclosed information on internal carbon prices.

TCFD Recommendations:	Report Section	
Supplemental Guidance for Banks		
Banks should provide the metrics used to assess the impact of (transition and physical) climate-related risks on their lending and other financial intermediary business activities in the short, medium, and long term. Metrics provided may relate to credit exposure, equity and debt holdings, or trading positions, broken down by: — Industry — Geography — Credit quality (e.g., investment grade or non-investment grade, internal rating system) — Average tenor Banks should also provide the amount and percentage of carbon-related assets relative to total assets as well as the amount of lending and other financing connected with climate-related opportunities.	2.2.2 3.3 3.4 4.3 *	Decarbonising Investment and Financing Portfolios Climate Risk Management Mechanisms Climate Risk Stress Testing Green and Sustainable Finance Services The Group has not disclosed information on the amount and percentage of carbon-related assets relative to total assets.
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 4.2	Green Operations Promoting Green Transition
Supplemental Guidance for Banks		
Banks should disclose GHG emissions for their lending and other financial intermediary business activities where data and methodologies allow. These emissions should be calculated in line with the Global GHG Accounting and Reporting Standard for the Financial Industry developed by the Partnership for Carbon Accounting Financials (PCAF Standard) or a comparable methodology	4.2	Promoting Green Transition
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 Operations

APPENDIX 2: VERIFICATION STATEMENT

HKQAA
HONG KONG QUALITY ASSURANCE AGENCY
香港品質保證局

Scope of the verification

Hong Kong Quality Assurance Agency ("HKQAA") has been engaged by the Bank of China (Hong Kong) Limited ("BOCHK") to undertake an independent verification for the BOC Hong Kong (Holdings) Limited Climate-related Financial Disclosures Report 2024 (the "Report") to be issued by BOCHK that reference to 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures (October 2021)' released by Task Force on Climate-related Financial Disclosures and the climate risk management disclosure requirements of the Module Code GS-1 of the Supervisory Policy Manual by Hong Kong Monetary Authority ("HKMA"). The scope of HKQAA's verification covers the general content of the Report and data disclosed in the Report for the period from January 1, 2024 to December 31, 2024 (the "Selected Information").

Level of Assurance and Methodology

The process applied in this verification was based on the principles of the International Standard on Assurance Engagements 3000 (Revised) – 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board (ISAE 3000). Our evidence-gathering process was designed to obtain a reasonable level of assurance as set out in ISAE 3000 for the purpose of devising the verification conclusion and the extent of this verification process undertaken was provided for the Core Elements of Task Force on Climate-Related Financial Disclosures.

HKQAA's verification procedure covered verifying the framework for disclosures, mechanisms for collecting and analysing relevant information, and internal controls of reporting and reviewing of supporting evidence pertaining to the Statement. In addition, interviewing responsible personnel with accountability for preparing the disclosed contents and verifying the selected representative sample of data and information were covered. Raw data and supporting evidence of the selected samples were also examined during the verification process.

Independence

BOCHK was responsible for the collection and presentation of the information presented. HKQAA did not involve in establishing the disclosure framework, analysis of scenarios and risks, formulation of action plans and measurements as well as compiling or in development of the Report. Our verification activities were independent from BOCHK. There was no relationship between HKQAA and BOCHK that would affect the independence of HKQAA for providing the verification service.

Conclusion

Based on the verification results and in accordance with the verification procedures undertaken, HKQAA has obtained reasonable assurance and is in the opinion that the Report has been prepared with reference to 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosure (October 2021)' and the climate risk management disclosure requirements of the Module Code GS-1 of the Supervisory Policy Manual by HKMA. The operational emissions data disclosed in the Report is reliable.

Our assurance was limited to the selected information in the Report, and did not include statutory financial statements, financial statements and economic performance. Our assurance is limited to policies and procedures in place as of 31/12/2024.

Signed
on behalf of the Hong Kong Quality Assurance Agency

Teresa Leung

Teresa Leung
Director
Finance Business
8 May 2025