

# Environmental and Social Responsibilities

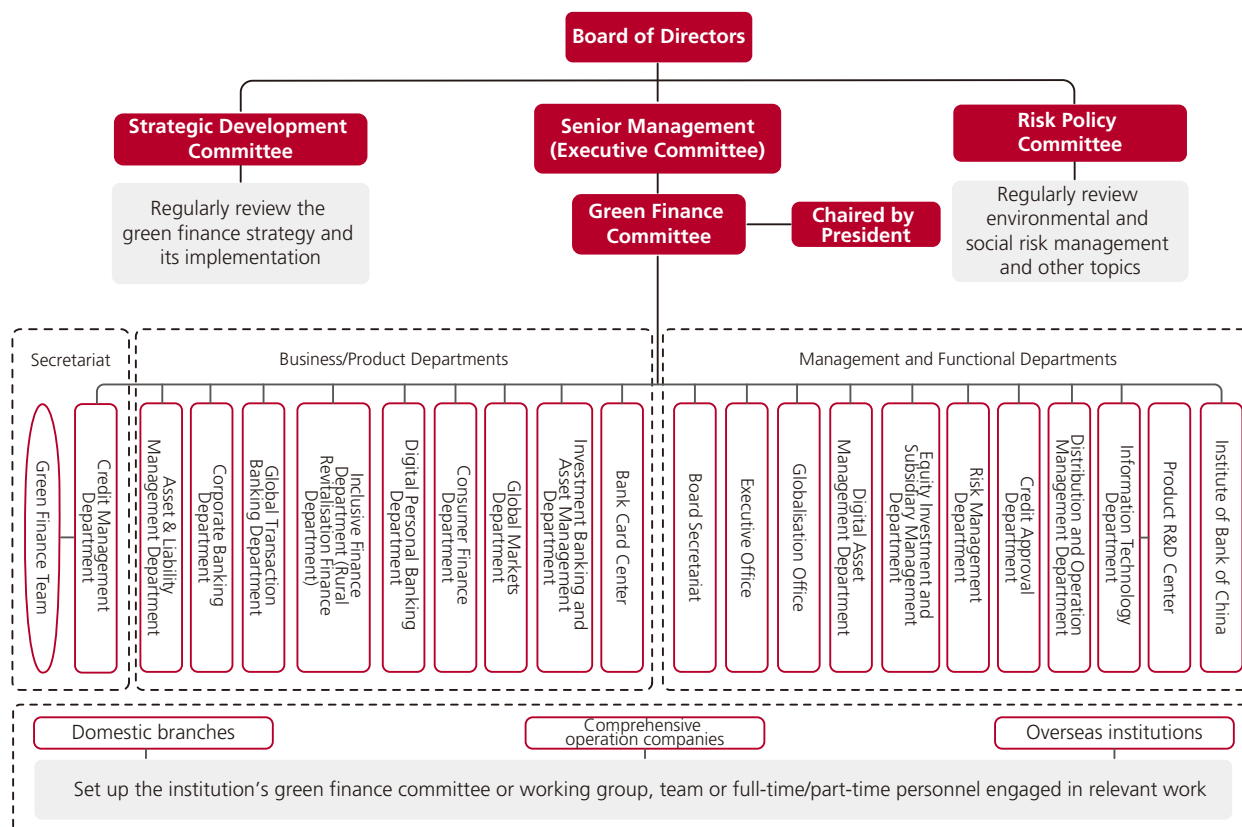
In 2021, the Bank actively undertook its responsibilities and missions as a major state-owned bank and integrated environmental, social and governance (ESG) concepts into all facets of its business management. Committed to deepening reform on all fronts and promoting business transformation, it made continuous efforts to strengthen the adaptability, competitiveness and inclusiveness of its financial services, and effectively enhanced its capabilities and performance in terms of serving the economic, social and environmental development, with the aim of creating value together with stakeholders while achieving high-quality and sustainable development.

## Environmental Responsibilities

### Governance Structure

The Bank has placed great importance on green finance, and continuously improved its governance structure. In early 2021, the Bank set up the Steering Group for Green Finance and Industrial Planning and Development at the Group level that is led by the

Chairman of the Board of Directors. In 2021, four Steering Group meetings were organised to study and communicate the national green finance policies and review the Group's major green finance strategies and policies. The Board of Directors regularly reviewed issues related to green finance, guided and supervised major green finance tasks. It also heard the report on green finance development in 2020, reviewed and approved the Bank's 14th Five-Year Plan for Green Finance, covering the development of green finance business, environmental and social risk management and the Bank's green performance. The Bank incorporated green development, the environmental and social risk management and other factors into the performance appraisal system for senior staff, and allocated resources for green finance business to ensure the efficacy of green finance management. The Green Finance Committee was set up under the Executive Committee, with the President acting as the committee chairman, to advance the green finance work. The Bank continuously strengthened the building of a professional team, and created full-time/part-time green finance roles or set up teams in each branch/subsidiary.

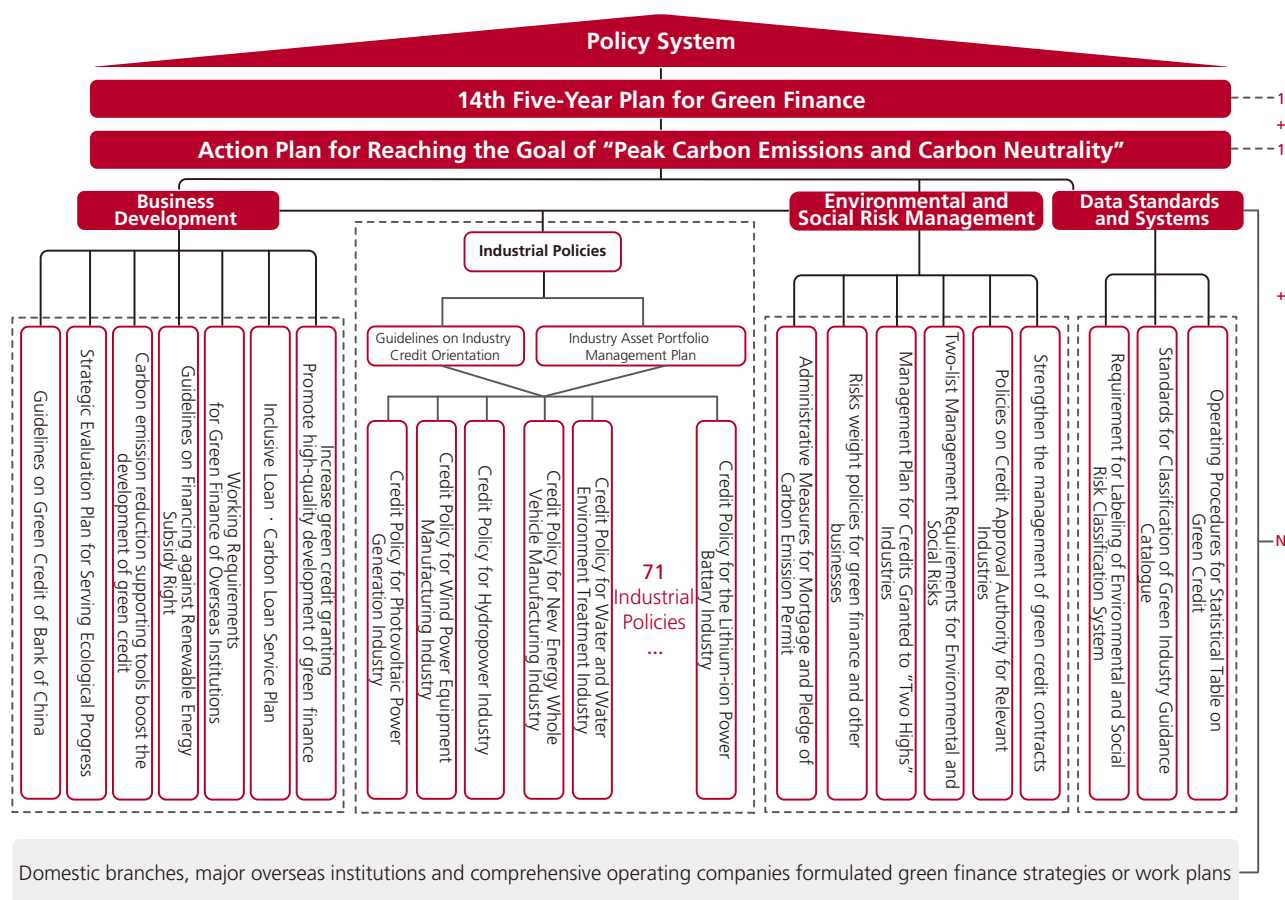


# Environmental and Social Responsibilities

## Strategy and Policy Systems

With the aim to achieve the national goal of “peak carbon emissions and carbon neutrality”, the Bank established a “1+1+N” green finance policy system and conducted the in-depth analysis over green finance development associated opportunities and challenges faced by the Bank. It developed the *14th Five-Year Plan of Bank of China for Green Finance*, which put forward four strategic objectives, namely, striving to become the bank of choice for green finance services, achieving leapfrog development of green finance business, properly managing environmental and social risks, and formulating the carbon neutrality action plan for operation and asset portfolios, as so to create a “One Body with Two Wings” pattern for green finance. The Bank rolled out *Bank of China Action Plan for Reaching the Goal of “Peak Carbon Emissions and Carbon Neutrality”*, setting detailed roadmaps in 15 aspects including

organisational structure, business development strategy, product innovation, green operation, stress test, international cooperation, capacity building and technology empowerment, to form a solid basis of green finance policy system with multiple pillars. Furthermore, the Bank enhanced support for green finance in terms of differentiated authorisation, innovative mitigation methods, optimisation of risk weight and economic capital management, green approval channel and preferential price application. It formulated credit management policies to target high energy consumption and high carbon emission (“Two Highs”) industries in China, strengthened credit structural adjustment, and put restrictions on blind expansions of projects in “Two Highs” industries. The Bank also took stringent management and control measures on financing new coal mining and coal-fired power projects outside of China, and ceased to provide financing for those projects from Q4 2021, except for contracted projects.



## Environmental and Social Responsibilities

### **Environmental Risk Management**

The Bank intensified efforts in the identification, analysis, mitigation, control and reporting of environmental and climate risks, amended the *Comprehensive Risk Management Policy of Bank of China Limited*, and incorporated environmental and climate risks into the comprehensive risk management system. It comprehensively reviewed and streamlined the environmental and social risks of business processes, covering target customer access, business initiation, due diligence, credit approval, contract management and duration management. Restrictive requirements for environmental and social risk management were added in the credit policies on 71 industries such as agriculture, forestry, animal husbandry and fisheries, mining and metallurgical industry, oil and gas, rail transit and material manufacturing, prohibiting credit support for projects that would damage biodiversity.

The Bank adopted stratified management for corporate customers according to their environmental and social risk levels, and imposed stricter assessment and review measures over high-risk customers. It formulated the *List of Environmental and Social Risk Compliance Documents* and the *Checklist of Potential Compliance Risks* for medium and high-risk customers, imposing higher project assessment standards over aspects of climate change and energy management, cultural heritage preservation, labor conditions and community environmental health management, biodiversity and sustainable resource protection. It also adopted the

“One Vote Veto System” to stop credit support for projects that failed in national environmental impact assessment and other relevant standards. It carried out regular internal control compliance inspections to review and evaluate customers’ environmental and social risk levels and green credit labels. It also strengthened the communication with stakeholders, strictly complied with local laws and regulations on environmental protection, and integrated eco-environmental cost, risks and other factors into the management procedure to lower environmental and social risks. BOC Zhejiang Branch has established an ESG assessment system to integrate customers’ ESG assessment results into due diligence, project review etc. BOC Wealth Management and BOCI both incorporated ESG factors into their project screening, review and other relevant procedures as a reference for investment.

The Bank participated in stress tests on climate risk organised by the PBOC, and evaluated the potential impact of transition under the goal of “peak carbon emissions and carbon neutrality” on credit assets. The results show that the credit risks of customers in thermal power generation, steel and cement industries increased under the stress scenario, and the impact on capital adequacy is controllable. The Bank’s overseas institutions successively conducted stress tests. Bank of China (UK) Limited integrated the stress test in the climate risk scenario into the 2021 ICAAP report; BOCHK completed stress tests on transition risks and physical risks for several industries; Singapore Branch, Frankfurt Branch and Sydney Branch also have commenced work relating to climate risk stress test.

# Environmental and Social Responsibilities

## Performance of Green Finance

The Bank's major green finance targets and the performance in 2021 are shown below:

	Objectives	Completion Progress	Other Indicators
14th Five-Year Plan Period	<b>RMB1 trillion</b> Providing financial support of no less than RMB1 trillion for green industries	An increase of <b>RMB500 billion</b> , overfulfilling the phased goal with the 2021 balance of green credits reaching <b>RMB1,408.6 billion</b> (CBIRC statistics)	<b>Green bonds</b>  The amount of BOCL's green assets is <b>RMB10.6 billion</b> , about <b>28%</b> of its total leasing assets
	Balance of green credits <b>increase on a yearly basis</b>	Year-on-year growth of <b>57%</b> (CBIRC statistics)	<b>Investment — No. 1</b> Ranking first on NAFMII's list of investors with green bonds in 2021
	<b>No less than 30% striving for 60%</b> Annual average growth rate of personal green consumption credits by domestic operations	Year-on-year growth of <b>over 60%</b>	<b>Undertaking — No. 1</b> — The amount of domestic green bonds underwritten reached <b>RMB129.4 billion</b> , ranking first among commercial banks — The amount of overseas green bonds underwritten reached <b>USD23.4 billion</b> , ranking first among Chinese institutions on Bloomberg's ranking of the world's offshore green bonds
	Assets quality was maintained at a good level	Non-performing ratio of green credits was lower than 0.5% (CBIRC statistics), lower than the overall NPL ratio of the Group level	<b>Issuance — Most active</b> A total of <b>USD10.7 billion</b> equivalent green bonds were issued overseas, making the Bank the most active Chinese green bond issuer

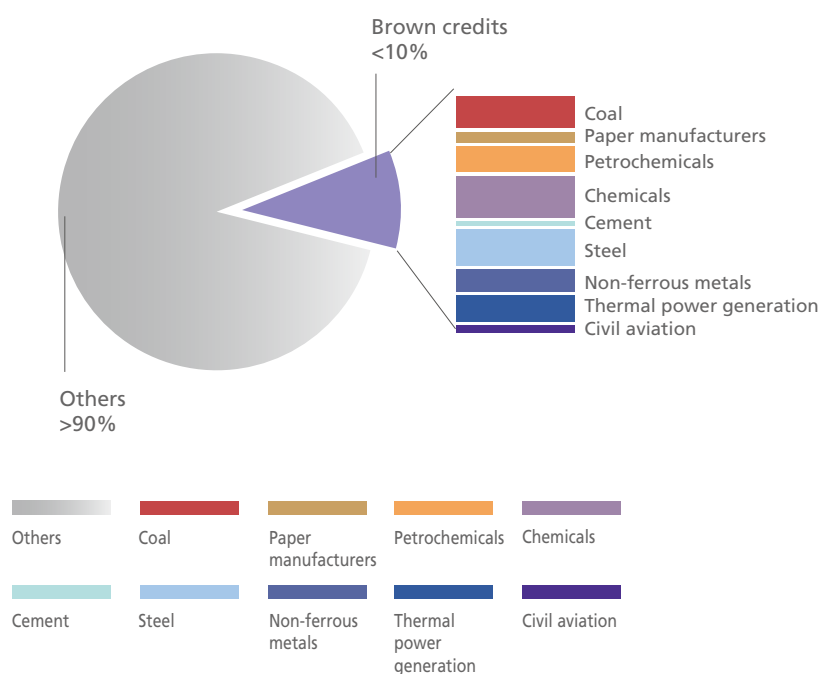


## Environmental and Social Responsibilities

Environmental performance of the Bank's green credits:

	Environmental performance of green credits in 2021
Equivalent to emission reduction standard coal in equivalent (10 thousand tons)	11,702
CO <sub>2</sub> equivalent emission reduction (10 thousand tons)	25,380
COD emission reduction (10 thousand tons)	67
Ammonia nitrogen emission reduction (10 thousand tons)	52
Sulfur dioxide emission reduction (10 thousand tons)	1,385
Nitrogen oxides emission reduction (10 thousand tons)	1,374
Water saving (10 thousand tons)	12,992

In 2021, the credit of brown industries<sup>9</sup> takes less than 10% of the total domestic corporate credit, a decrease of over 5 percentage points from 2017.



The Bank is committed to green operation. It strengthened management to save energy and reduce its consumption, and decreased the use of water, power, paper, oil and other resources in work, hence raising energy efficiency. As the exclusive official banking partner of 2022 Beijing Winter Olympics, the Bank implemented the "Green Olympics" concept and realised carbon neutralisation in delivering financial services.

<sup>9</sup> Refer to the eight emission control industries that have been included and are to be included in the carbon market as per national standards and the coal industry, specifically, coal, thermal power generation, steel, petrochemicals, chemicals, non-ferrous metals, cement, paper making and civil aviation.

## Environmental and Social Responsibilities

The Bank has completed the operation emission calculation<sup>10</sup>, covering over 11,000 branches and comprehensive operation companies in the Chinese mainland and 62 countries and regions. The calculated data will be used to support the carbon neutralisation plan for operation of the BOC Group and is shown below<sup>11</sup>:

Indicators	2021	2020	2019
Total energy consumption (MWh)	2,754,463	2,717,945	2,825,765
Greenhouse gas emissions (tCO <sub>2</sub> e)	1,534,060	1,512,554	1,587,180
Greenhouse gas emissions intensity per FTE (tCO <sub>2</sub> e/FTE)	4.99	4.89	5.12

### Social Responsibilities

Guided by its corporate mission of “Bridge China and the World for the Common Good”, the Bank focused on the key areas of economic and social development, continuously innovated financial business models, optimised the supply of finance, and served to build the new development pattern featuring dual circulations with financial power, so as to meet the people’s growing needs for a better life. At the same time, the Bank assumed its share of responsibility for building an inclusive and happy society, deepened its efforts in paired assistance and public charity, and worked with relevant parties to build a better home for all.

#### Promoting global integration

Leveraging the unique advantages of its global services, the Bank made use of various open platforms to build cross-border financial channels, scaled up support for imports and exports, and promoted the integration and innovation of global factors and resources, as part of its efforts to boost the smooth flow of capital and trade between China and the world. In 2021, the Bank deepened its implementation of the national policy of “ensuring stable foreign trade” by increasing its input to stabilise foreign trade,

and optimising its credit policy to expand the coverage of its credit insurance financing, with the international settlement volume of domestic institutions reaching USD3.32 trillion, representing a year-on-year increase of 38.9%. In light of new business patterns in foreign trade such as cross-border e-commerce, the Bank pushed forward the online, intelligent and digital development of cross-border finance, upgraded the “BOC Cross-border E-commerce Connect” product, and provided inclusive payment and collection services for the import and export of cross-border e-commerce, recording total financial settlement volumes of over RMB140.0 billion for the whole year. It launched the “BOC Cross-Border E-Procurement Express” to provide online convenient foreign exchange collection and settlement services for enterprises engaged in procurement and trade. The Bank also successfully hosted the Trade and Investment Matchmaking Conference of the Forth China International Import Expo (CIIE), which attracted over 1,400 Chinese and foreign enterprises from 55 countries and regions and reached nearly 300 cooperation intentions.

As at the end of 2021, the Bank had established overseas institutions in 62 countries and regions, including 41 countries and regions along the Belt and Road. It followed up with more than 700 major overseas projects in countries along the Belt and Road

<sup>10</sup> The *GHG Protocol* formulated by the World Resources Institute and the World Business Council for Sustainable Development classifies corporate carbon emissions into scopes 1, 2 and 3. The Bank’s operational control covers scopes 1 and 2 of the *GHG Protocol*.

<sup>11</sup> Statistics caliber is in accordance with *Corporate Social Responsibility Report of Bank of China Limited for 2021 (Environmental Social Governance)*.



## Environmental and Social Responsibilities

accumulatively, and granted a variety of credit facilities exceeding USD223.0 billion to countries along the route accumulatively. At the same time, the Bank actively developed RMB internationalisation products, cultivated the RMB offshore market, and provided diversified services such as RMB settlement, investment and financing for domestic and foreign customers. The Group recorded a cross-border RMB settlement volume of RMB11.26 trillion for the year, up 22.36% year on year, and a clearing volume of RMB632 trillion, up 34% year on year.

### *Expanding inclusive finance*

The Bank followed the requirements of national strategy, formulated and released the inclusive finance plan for the 14th Five-Year Plan period, and comprehensively optimised the service system for inclusive finance. In 2021, taking digital and inclusive finance as the bellwether, the Bank launched the “Inclusive Loan” brand, which leverages big data, intelligent risk control and other technologies to develop a series of online products. This allowed for online automated operation of inclusive finance loans and provided micro and small-sized enterprises with “contactless” online application, drawdown and repayment services, matching their needs for short-term, small, frequent and prompt financing. For micro and small-sized enterprises engaged in science and technology innovation, pandemic prevention and control, and rural industries, the Bank created an innovative “MSE Benefit Loan” service plan to review and ratify the short-term working capital loans, as part of its efforts to support the stable and healthy development of micro and small-sized enterprises. Keeping a close eye on regulatory policies and industry trends, it also pushed forward the development of online personal inclusive loan products for individual businesses, micro and small business owners and innovative entrepreneurs. By working with local human resources and social security departments, employment guidance centres, science and technology innovation industrial parks and other relevant institutions, the Bank sought to provide financial support to individuals with capital needs for business start-ups or re-employment.

As at the end of 2021, the balance of the Bank’s inclusive loans for micro and small-sized enterprises under the target of “two no-less-than and two control” amounted to RMB881.5 billion, an increase of 53.15% from the beginning of the year. The number of loan customers was 620,000, an increase of 32% compared with the beginning of the year. The balance of online personal business loans reached RMB11.726 billion, up 563.61% from the beginning of the year.

### *Improving people’s wellbeing*

To support people’s need for a better life, the Bank continuously increased its credit support for transportation infrastructure, government-subsidised housing, education, health, elderly care and other areas concerning people’s livelihood, following the principles of legal compliance and commercial sustainability. It proactively directed real estate-related credit resources towards government-subsidised housing, and provided comprehensive financial support to eligible educational, healthcare and elderly care institutions. The Bank piloted the convenient demonstration project of mobile payment and introduced more customer-friendly services for bus transport scenarios, enabling fare payment via mobile banking code scanning in 46 cities/regions. It also launched the convenient Railway e-Card service, with the total number of Railway e-Cards issued in the Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area and Hainan Free Trade Zone amounting to 1.18 million (total number of Railway e-Cards issued nationwide as at the end of December 2021). At the same time, the Bank gave full play to its FinTech advantages to facilitate financial support for people in the areas of education, medical care and daily payments, and worked with renowned partners to expand special life service modules in areas such as medical care, catering, housing, travelling, entertainment and learning, so as to enrich its ecosystem of people-focused life scenarios and help the general public to enjoy better lives.

As at the end of 2021, the balance of the Bank’s loans granted to the education sector was RMB35.116

## Environmental and Social Responsibilities



billion, with a growth rate of 26.43%. The balance of loans granted to the healthcare sector posted RMB46.83 billion, with a growth rate of 14.91%. The total number of electronic social security cards issued by the Bank amounted to 8.2999 million.

### **Boosting rural revitalisation**

Fully capitalising on the strategic opportunities arising from rural revitalisation, the Bank formulated the *Action Plan for Rural Revitalisation of Bank of China* and the *Action Plan for the Business Development of County-level Finance of Bank of China*, established the Rural Revitalisation Finance Department at the Head Office, and optimised the organisational structure for rural revitalisation in its domestic institutions. It accelerated the allocation of professional personnel, and actively participated in the county-level economic development and the building of a rural financial service system, aiming to boost rural revitalisation through sustained financing flows. Making full use of its advantages in integrated operations, the Bank established a rural financial service system featuring “unity in diversity”. Within this system, BOC Fullerton Community Bank has set up 126 village banks nationwide in line with its development philosophy of

“focusing on county area development, supporting farmers and small-sized enterprises”, becoming the largest domestic village bank group in terms of number of institutions and business scope. The Bank also made huge efforts to innovate products and services and launched the “Inclusive Loan • New Agriculture Connect”, “Inclusive Loan • Farmland Loan” and “Inclusive Loan • MSE Benefit Loan” service programmes, focusing on supporting new agricultural business entities as well as enterprises engaged in high-standard farmland construction and agricultural product processing with diversified and multi-level financial services. As at the end of 2021, the balance of the Bank’s agriculture-related loans stood at RMB1,740.8 billion, up 15.8% from the beginning of the year. The balance of inclusive agriculture-related loans registered RMB188.8 billion, up 46% from the beginning of the year.

The Bank actively implemented national requirements for consolidating and expanding the effective connection of achievements of poverty alleviation and rural revitalisation and leveraged its financial strength to promote rural revitalisation of areas under the paired assistance projects. As the designated entity for providing paired assistance to the four counties



## Environmental and Social Responsibilities

of Yongshou, Xunyi, Chunhua and Changwu in Xianyang, Shaanxi Province (the “four counties in Xianyang”), the Bank followed the guiding principles of General Secretary Xi Jinping’s important speeches and instructions on rural revitalisation and paired assistance, implemented the decisions and plans of the CPC Central Committee and the State Council on all fronts, strictly implemented the requirements of shaking off no responsibilities, policies, assistance and regulations even when poverty has been shaken off, and made every effort to provide paired assistance to the four counties in Xianyang, with all tasks progressing steadily. In 2021, the Bank directly invested and introduced RMB107 million of anti-poverty grant funding to the four counties in Xianyang, implemented nearly 100 various assistance projects, including livelihood projects, industrial assistance and infrastructure construction, organised training courses for 28.9 thousand primary-level officials, rural revitalisation leaders and professional and technical personnel from the four counties in Xianyang, and purchased or sold RMB177 million worth of agricultural products of the poverty-stricken areas, directly benefiting over 30,000 people.

### ***Ensuring the rights and interests of customers***

Practising its “customer-centric” operation and management concept, the Bank fully integrated consumer protection into its corporate culture, effectively fulfilled its responsibilities and obligations to protect the rights and interests of financial consumers, and promoted the healthy development of business through ensuring consumer rights and interests, thus enhancing customer satisfaction. In terms of complaint management, the Bank continuously fulfilled its responsibilities, streamlined its service processes, improved customer service experience and effectively protected the legitimate rights and interests of consumers, with the number of complaints declining. In terms of the education and publicity of financial knowledge, the Bank launched

publicity and education activities in various interesting forms themed on “3.15 Rights • Responsibilities • Risks, Financial Consumer Rights Day”, the “Promoting Financial Knowledge, Protecting Personal Wealth”, the “Financial Knowledge Popularisation” and the “Month of Financial Knowledge Popularisation” as well as regular consumer publicity and education campaigns through online and offline channels such as official website, WeChat official account and outlets, which were recognised by regulatory authorities and consumers.

In 2021, the Bank’s external customer satisfaction rate reached 93%, the same as last year. The number of customer complaints reached 148 thousand, a decrease of 21.1% year on year. The complaint handling completion rate stood at 100%. In addition, the total amount of suspicious transactions intercepted by the Bank’s “Cyber Defence” system during the year surpassed RMB15.070 billion.

### ***Contributing to public welfare***

Upholding the principles of “serving society, contributing to society and repaying society”, the Bank actively cooperated with charitable social organisations and organised various charitable fundraising activities by relying on public welfare vehicles such as BOC Charity Foundation, the “Bank of China Philanthropy”<sup>12</sup> platform and Zhongyi Shanyuan, for the purpose of mobilising warm-hearted people from the Bank and wider society to participate in poverty alleviation and public welfare undertakings. In 2021, the “Bank of China Philanthropy” platform actively explored the integrated development of online public welfare and the Bank’s financial businesses, with a focus on poverty alleviation, flood relief, rural revitalisation, talent cultivation in universities, education aid, elderly care and so on. Moreover, the Bank participated in 188 public welfare programmes initiated by 73 organisations, raising a total of RMB17.3631 million (including the Bank’s matching funds), with nearly 160,000 people involved in

<sup>12</sup> The “Bank of China Philanthropy”, established by BOC, is an online fundraising information platform for charitable organisations selected by the Ministry of Civil Affairs of the PRC.

## Environmental and Social Responsibilities

donations, further gathering the warm hearts of the Bank's staff, customers and institutions as well as the general public. The BOC Charity Foundation and the "Bank of China Philanthropy" platform also jointly launched the "BOC Love" campaign, introducing ten charity programmes from six charitable organisations to the four counties in Xianyang. A total of 66 thousand people from the public society participated in the campaign, bringing in RMB6.40 million of donations.

The Bank actively promoted the public service platform of mutual aid for the elderly, advocated the mutual pension concept and model of "saving time of assisting the elderly to exchange for pension services". It helped local governments to foster a cultural norm of caring for the elderly, improved the voluntary service system, and standardised urban and community governance, thus improving wellbeing and happiness among the elderly. As at the end of 2021, the Bank had cooperated with more than

70 government departments, enterprises, social organisations and universities, reaching more than 210,000 elderly people and volunteers with a total service time of more than 5,800 hours.

In 2021, in response to extreme weather and flood disasters in Henan, Shanxi and Shaanxi provinces, the Bank took immediate actions to donate funds and support rescue efforts, while continuing to provide financial services to disaster-hit areas, making its contribution to flood control, relief and post-disaster reconstruction. After the disaster hit Henan Province, the Bank donated RMB20 million to the province on July 26. Through the "Bank of China Philanthropy" platform, the Bank launched five fundraising activities, with 4,459 people donating RMB377.1 thousand. After the floods in Shanxi and Shaanxi provinces, it launched three charity fundraising activities, with more than 6,800 people donating RMB915.6 thousand.



## Environmental and Social Responsibilities

### **Responding to challenges of the pandemic**

In 2021, the COVID-19 pandemic was basically under control in the Chinese mainland, with high clusters and sporadic outbreaks in some areas across the country. In comparison, overseas outbreaks continued to occur frequently, with the prevention and control situation remaining grim and complex. The Bank continued to improve its business continuity management system, and formulated the *Distribution and Operation Business Continuity Plan of Bank of China Limited (Version 2021)*, which standardised its procedures and requirements for response, disposal and recovery in the event of interruptions to its channels and operations, clarified the management responsibilities of branches, required daily monitoring as well as efficient epidemic prevention and control in local outlets during major events or statutory holidays. To reduce the risks associated with the pandemic, the Bank implemented a national centralised transaction processing service for corporate loan transactions. Through the development of relevant systems, the transaction processing workload of pandemic-affected branches could be directly undertaken by other branches, thus effectively ensuring continuity in credit operation.

### **Intensifying Efforts in Anti-Corruption and Building a Clean Bank**

The Bank was committed to preventing integrity risk, resolutely punished corruption, established a sound monitoring and restraint mechanism for key areas such as credit management, non-performing loan disposal and centralised procurement, and kept a tough anti-corruption stance. It deepened the building of a long-effect anti-corruption mechanism, adhered to

the principle of “not daring to corrupt, not being able to corrupt and not wanting to corrupt”, promoted Bank-wide special prevention and control, stepped up the investigation and punishment of violations of laws and disciplines, and improved the mechanism of power restriction. Carrying forward its excellent clean culture of “loftiness, clean and determination”, the Bank extensively carried out the cultivation of an integrity culture, continuously conducted warning education, held special warning education conferences, and compiled and published typical cases, thus consolidating the ideological foundation of the whole staff to resist corruption and prevent degeneration.

Attaching great importance to the integrity building and anti-corruption supervision of its overseas institutions, the Bank established a leading mechanism for integrity risk prevention and control and corruption governance in its overseas institutions. The overseas institutions strengthened their anti-corruption efforts and risk prevention and control in the light of the actual situation in local countries and regions. It enhanced education and supervision, and continuously promoted a strong atmosphere of integrity and compliance in its overseas institutions. Moreover, it established and improved the supervision system for the integrity of its overseas institutions, introduced management measures, stepped up efforts of supervision and promoted the implementation of the requirements of building a clean bank.

For details of the Bank’s environmental, social and governance performance, please refer to the *Corporate Social Responsibility Report of Bank of China Limited for 2021 (Environmental Social Governance)*.