

# Environmental and Social Responsibilities

The Bank actively carried out its responsibilities as a state-owned commercial bank. Leveraging the competitive advantages arising from its globalised and integrated operations, it fully integrated environmental, social and governance (ESG) concepts into its business operations, deepened its ESG practices, and devoted itself to promoting win-win cooperation with stakeholders and creating sustainable value for the environment, society and economy.

## Environmental Responsibilities

### *Governance*

In the first half of 2022, the Board of Directors assessed the implementation progress of the Bank's 14th Five-Year Plan for Green Finance, reviewed its corporate social responsibility report (ESG) and, for the first time, published annual disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and the Principles for Responsible Banking (PRB). The steering group for green finance and industry planning and development headed by the Bank's Chairman held two themed meetings to study national policies and guidance related to "carbon peak and carbon neutrality". At the same time, it approved the *2022 Work Plan for Green Finance of Bank of China*. The Green Finance Committee, chaired by the Bank's President, also achieved progress on several fronts. It reviewed developments including a report on the greenhouse gas emissions calculation of the Group's operations, the launch of its green credit system and progress in its pilot energy-saving transformation programme; approved the *Management Measures for Assessment of Domestic Green Finance Model Companies of Bank of China*, and formulated a differentiated assessment system, management mechanism and supporting measures for the Group's domestic branches. Moreover, the senior management

held several themed meetings to review and discuss matters concerning external ESG assessment, green operations and climate risk stress testing.

### *Policy System*

The Bank refined its preferential policies to support the development of its green finance business. It formulated customer marketing and credit review guidelines for industrial chains such as lithium-ion power batteries, photovoltaic manufacturing, sewage treatment and the upstream chain of new energy vehicles; introduced new credit policies for hydrogen energy and fuel cells, new energy metals, water and water environment treatment, forestry and other industries; and imposed measures to stop funding customers or projects that engage in illegal logging of natural forests, harm to biodiversity, or the poaching of wild animals, etc. The Bank also strengthened assessment guidance by incorporating green finance-related indicators into the performance assessment of its senior management members, linking the results to their remuneration. At the same time, it enhanced resource support for its green finance businesses by optimising economic capital management, implementing preferential pricing, adopting differentiated authorisation regimes, establishing green approval channels, adjusting industry credit strategies, allocating designated staff funds, and improving reward systems.

### *Environmental Risk Management*

The Bank proactively implemented the concept of responsible investment. In the first half of 2022, the Bank added a qualitative statement of its environmental and social risk appetite to its overall risk appetite statement. The Risk Policy Committee of the Board of Directors regularly reviewed the Bank's progress in environmental and social risk

management. For key overseas and comprehensive institutions, the Bank formulated an assessment plan for incorporating environmental and social risk management requirements. Restrictive measures related to environmental and social risk have been added to the Bank's credit policies, covering more than 70 industries including agriculture, forestry, animal husbandry and fisheries. The Bank revised its credit due diligence review reporting template for corporate customers to include reporting requirements related to their environmental and social risks. Furthermore, it continually promoted climate risk stress tests for key industries and established sensitivity analysis models based on local conditions in Australia, Singapore and other regions, to quantify the risk exposures and financial impacts of different scenarios and to conduct region-specific climate risk stress tests.

### ***Indicators and Objectives***

The Bank met its target quantitative indicators for green credit, green bonds, green wealth management, and green insurance as scheduled. It received the "Model Entity in Green Bank Evaluation" award from China Banking Association, as well as five awards from *Global Finance* including the "China Sustainable Finance Awards 2022". In the first half of 2022, the Bank placed first among Chinese banks in the Bloomberg Global Green Loan rankings.

As at 30 June 2022, the green credit balance (according to CBIRC standard) of the Bank's domestic institutions was equivalent to RMB1.73 trillion, with a low NPL ratio of green credit. In the first half of 2022, the Bank issued the world's first green bond under the updated *Common Ground Taxonomy*, and issued its first green bond in the Chinese mainland. Its total

global green bond issuance in the first half of 2022 ranked first among Chinese banks. The Bank's domestic and overseas green bond underwriting volumes were RMB112.1 billion and USD19.8 billion respectively, leading its Chinese peers. It also participated in the issuance of the first batch of transition bonds in China's inter-bank market and secured the top position in investors of green debt financing instruments from China's National Association of Financial Market Institutional Investors (NAFMII).

In the first half of 2022, the balance of BOCL's green leasing business reached RMB13.8 billion, with the proportion of green leasing assets accounting for 32.5% of total leasing assets. BOC Wealth Management has launched 39 green finance-themed products with a total scale of over RMB13.9 billion, and its green bond-related assets under management amounted to RMB42.2 billion. BOC Insurance revised and developed its environmental pollution liability insurance, including 11 policy provisions, assuming insurance liabilities of RMB29.0 billion through green product and portfolio innovation. BOC-Samsung Life has cumulatively invested a total of RMB889 million in the green finance industries. BOCIM has developed 17 green and ESG mutual fund products under the three categories of low-carbon and green development concept funds, social responsibility funds and ESG concept themed funds, achieving a scale of RMB16.0 billion.

The Bank actively contributed to accelerating the realisation of "carbon peak and carbon neutrality" goals in accordance with national objectives and timetables. In the first half of 2022, it formulated a green conduct employee initiative and green action guidelines for all staff, providing BOC institutions with clear guidance on target setting and achievement

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pathways. BOC Wealth Management and BOC Aviation<sup>6</sup> continued to carry out green operations after achieving carbon neutrality in 2021. BOCI published a low-carbon action plan and formulated corresponding emission reduction approaches and measures. Comprehensive energy-saving renovations are underway in the office buildings of the Head Office in Beijing, BOCHK, the London Branch and the Shanghai Branch. The Bank has formulated the *Green Construction Specifications for Bank of China Outlets* to standardise green construction requirements in terms of layout and site selection, indoor environment, decoration, resource utilisation, and so on.

### ***International Cooperation and Capacity Building***

The Bank participated in the PRB framework review working group and helped to prepare China's disclosure guidelines; assumed the responsibility of co-chair of the Green Finance Products Innovation working group of the Green Investment Principles (GIP) for the Belt and Road; became the only Chinese commercial bank to join the Green Finance Working Group of the International Finance Forum (IFF); assisted the International Sustainability Standards Board (ISSB) in its sustainable standards development; participated in the technical committee responsible for the development of ISO standards relating to sustainable finance (ISO/TC322) and played a part in the Green Bond Standards Committee. At the branch level, BOC London Branch became the only Chinese bank to join the Initiative to Measure and Promote Aviation's Carbon-free Transition (IMPACT).

The Bank invited experts to provide high-level green finance training to the Board of Directors. It held a Green Finance Learning Day event for all employees and provided lectures and workshops on green finance-related topics such as environmental disclosure and climate risk management. The Bank also provided specialised and tailored green finance training courses to cultivate "green talents" internally from all BOC institutions. Branches in London, New York, Paris, Sydney, Zhejiang and Jiangxi respectively issued green finance and ESG-themed periodicals to enhance internal communication and exchange of views on the latest developments in international green finance and ESG trends.

### **Social Responsibilities**

#### ***Strengthening Financial Services for Rural Revitalisation***

As the leading financial power serving the nation's rural revitalisation strategy, the Bank upheld its responsibilities, in a bid to consolidate its achievements in poverty alleviation and provide consistent support to rural revitalisation. It signed a strategic cooperation agreement with the Ministry of Agriculture and Rural Affairs and the National Rural Revitalisation Administration, and formulated the *Support Plan for Key Counties to Receive Assistance in Pursuing Rural Revitalisation* to enhance the financial service capabilities of the key counties. It accelerated the development of featured outlets for rural revitalisation. The Bank built a unified system of diversified businesses with commercial banking as the pillar, village finance as

<sup>6</sup> BOC Wealth Management achieved carbon neutrality in its operations in 2021, with an independent assurance report from relevant institution. BOC Aviation reached 100% carbon neutrality in direct carbon emissions (including the emissions generated by employees' air travel).

a supplement, and consumer finance and public welfare finance as unique features. As at 30 June 2022, the Bank's outlets covered 1,171 counties, with a coverage ratio of 62.8%. The balance of agriculture-related loans amounted to RMB1,964.4 billion. The balance of inclusive agriculture-related loans amounted to RMB246.2 billion. BOC Fullerton Community Bank had 132 village banks with 189 sub-branches, covering 22 provinces and municipalities nationwide, making it the largest domestic village bank group in terms of total number of institutions and scope of business.

### ***Consolidating Achievements in Poverty Alleviation***

As a major state-owned banking group, the Bank leveraged its strength and resources in funds, talents and technology to provide paired assistance to the four counties of Xunyi, Chunhua, Yongshou and Changwu in Xianyang, Shaanxi Province (the "four counties in Xianyang"), consolidating its achievements of poverty alleviation and rural revitalisation as well as enhancing the synergies between them. As at 30 June 2022, the Bank had invested RMB39.80 million of anti-poverty grant funding to the four counties in Xianyang, and launched more than 30 assistance projects including donating insurance to prevent rural residents from slipping back into poverty, supporting county-level epidemic prevention and control, improving the rural

living environment and delivering the "BOC Rural Revitalisation School" training programme, directly benefiting more than 450,000 people. In addition, it organised training courses for a total of 24 thousand primary-level officials, rural revitalisation leaders and professional and technical personnel from the four counties in Xianyang, and purchased and sold more than RMB60.00 million worth of agricultural products from the poverty-alleviated areas nationwide.

### ***Contributing to Public Welfare***

Upholding the principles of "serving society, contributing to society and repaying society", the Bank continuously explored specialised public welfare programmes as well as the integrated development of online public welfare and its banking businesses. In the first half of 2022, the Bank supported 111 charitable donation programmes initiated by 203 organisations through the "Bank of China Philanthropy" platform, raising a total of RMB7.9556 million (including the Bank's matching funds), with donations from nearly 173 thousand people. It also continued to support government-sponsored student loans, providing a total of RMB25.2 billion government-sponsored student loans as at 30 June 2022 and helping more than 1.80 million students from impoverished families to finish school education. Together with the Ministry

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of Education, the Bank launched an action plan for “Supporting the Development of Vocational Education” to jointly promote the high-quality development of vocational education. To mitigate the impact of scattered outbreak of the pandemic, the Bank adopted multiple financial measures to ease the difficulties faced by micro and small-sized enterprises and self-employed individuals, and supported key industries such as public welfare to ensure steady production and sufficient supply, maintain stable employment and promote business start-ups.

### *Supporting the Healthy Development of the Sports Industry*

As the official banking partner of the 2022 Beijing Winter Olympic Games and Paralympic Winter Games, the Bank provided high-quality financial services to Beijing Winter Olympic Games and Paralympic Winter Games and achieved a record of “zero infection, zero accident, zero mistake and zero complaint”. It cooperated with mainstream media to build a comprehensive multimedia advertising and promotion campaign, generate an “Olympic atmosphere”, promote the Olympic spirit and support Chinese athletes to strive

courageously for Olympic medals. In the future, the Bank will continue to leverage its advantages as the official banking partner of both the Winter and Summer Olympic Games in order to promote the development of China’s sports industry and serve to the national strategy of building a healthy China that excels in sports.

### *Fully Ensuring the Rights and Interests of Consumers*

Practising its customer-centric operation and management concept, the Bank fully integrated consumer protection into its corporate culture. It strengthened management of complaint handling, standardised marketing activities, ensured personal information protection, and promoted healthy business development by safeguarding consumer rights and interests. In the first half of 2022, the Bank handled 86 thousand consumer complaints, achieving a completion rate of 100%. It also launched a series of education and publicity campaigns such as the “3·15” protection of consumer rights, the “Promoting Financial Knowledge, Protecting Personal Wealth” and the “Financial Knowledge Popularisation”, so as to raise the consumers’ risk awareness and enhance their ability to protect their legal rights.