交通銀行
BANK OF COMMUNICATIONS

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2024 TCFD REPORT

Bank of Communications Co., Ltd. Hong Kong Branch

(A joint stock company incoporated in the People's Republic of china with limited liability)

About This Report

Bank Profile

Founded in 1908, Bank of Communications Co., Ltd. (hereinafter referred to as "the Head Office") is one of the banks with the longest history.

Bank of Communications Co., Ltd. Hong Kong Branch (hereinafter referred to as "Bank of Communications Hong Kong Branch", "the Branch") was established in 1934 and has been operating in Hong Kong for over 90 years, with the longest history and the largest overseas branches of the Bank of Communications.

In accordance with the regulatory requirements of the Hong Kong Monetary Authority, in January 2018, the banking business of the Bank of Communications in Hong Kong was split into Bank of Communications Hong Kong Branch and Bank of Communications (Hong Kong) Limited. Bank of Communications Hong Kong Branch mainly provides diversified and comprehensive corporate financial service solutions for major corporate customers, including corporate project financing and linkage solutions, cross-border trade settlement and financing services, cross-border cash management solutions, syndicated loans, mergers and acquisitions, debt capital markets and structured finance services, treasury products trading and market risk hedging solutions, etc.

In recent years, under the unified deployment of the Group, Bank of Communications Hong Kong Branch has strengthened its functions, made distinctive features and innovated measures in serving major national strategies such as RMB Internationalization and the development of the Guangdong-Hong Kong-Macao Greater Bay Area, as well as supporting the consolidation and enhancement of Hong Kong's status as an international financial center. Meanwhile, the Branch has been appointed by the Ministry of Finance of the People's Republic of China as the exclusive issuer and deposit agent for the institutional portion of RMB sovereign bonds as well as the fiscal agent for 15 consecutive years.

In the future, Bank of Communications Hong Kong Branch will continue to carry forward the brand and cultural heritage of Bank of Communication for over 90 years of long-standing presence in Hong Kong. By leveraging Hong Kong's resource endowment and geographical advantages, the Branch will better serve high-level opening-up to the world, focus on effectively promote the "five priorities" of finance, support the construction of Hong Kong as an international financial center, and contribute to Hong Kong's economic development and the improvement of people's livelihoods. Aiming to achieve operating results that reflect Hong Kong's role as a regional financial hub, the Bank of Communications' unique strengths, and its vision of becoming a world-class institution, Bank of Communications will fulfill its responsibilities as one of the leading state-owned financial institutions. This includes serving as a main force in supporting the real economy and acting a cornerstone in maintaining finance stability.

Reporting Scope

This report is based on the Branch, unless otherwise stated, covers the Branch and BCOM Finance (Hong Kong) Limited.

The report covers the period from 1 January 2024 to 31 December 2024. Unless otherwise stated, the data disclosed in the report are compiled by internal system of the Branch and monetary amounts are in Hong Kong dollars.

Principles

This report has been prepared in accordance with the Financial Stability Board's "Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) " and the Hong Kong Monetary Authority's (HKMA) "Supervisory Policy Manual" Module GS-1 "Climate Risk Management", covering the Branch's governance, strategy, risk management, metrics and targets for climate-related risks.

In case of any discrepancy in the contents of the report, the Chinese version shall prevail.

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PREFACE

With the increasing frequency of climate-related events, climate change has become a global issue. In September 2020, President Xi Jinping officially announced that China will strive to achieve Carbon Peak by 2030 and Carbon Neutrality by 2060, which has set the direction for China's sustainable economic development and societal transition to a low-carbon future. The establishment of the "1+N" policy framework for carbon peak and carbon neutrality has also provided clear guidance for comprehensively promoting decarbonization initiatives.

Following the publication of the first "Hong Kong Climate Action Plan 2030+" in 2017, the Hong Kong Special Administrative Region (HKSAR) Government actively responded to the national strategic requirements on climate change and published the "Hong Kong Climate Action Plan 2050" in October 2021, which has outlined the action plans for promoting carbon emission reduction and carbon neutrality in Hong Kong. It has also proposed the medium-to-long-term decarbonization targets of a 50% reduction in total carbon emissions before 2035 compared with the level in 2005 and carbon neutrality before 2050, as well as four decarbonization strategies of "Net-zero Electricity Generation", "Energy Saving and Green Buildings", "Green Transport" and "Waste Reduction", which has specified the key tasks of carbon emission reduction.

Lead by the national strategic requirements of "Carbon Peak and Carbon Neutrality" and the HKSAR Government's 2050 carbon neutrality action plan, the Branch has taken the initiative to serve and integrate into the national sustainable development agenda and integrate into its overall framework, working towards achieving the Head Office's climate-related objectives of "By 2025, the total amount of green loans shall not be less than RMB800 billion, striving to reach RMB1 trillion". The Branch has made green a defining feature of business development, consistently improved the service level of green finance, seized the opportunities in green financial innovation, and created the characteristics of a green financial enterprise. By enhancing the green financial system, expanding the green financial market, and enriching the green financial products and services, the Branch has directed the resources to green and low-carbon fields, providing diverse financial support for the corporate green transition.

The Hong Kong Green and Sustainable Finance Cross-Agency Steering Group has announced that relevant sectors must disclose their climate-related information in alignment with TCFD recommendations by 2025. The Branch has well understood that climate change poses significant challenges to social stability and economic progress, affecting production, operation, technology research and development, etc., in all aspects and at multiple levels. These risks may be transmitted to financial institutions and induce material financial risks. To strengthen top-down design, reinforce climate risk management, and enhance climate-related information disclosure, the Branch analysed and disclosed its own practices in response to climate risk and green investment concept across four dimensions: Governance, Strategy, Risk Management, Metrics and Targets, referring to the requirements of the Module GS-1 "Climate Risk Management" in the "Supervisory Policy Manual" issued by the HKMA, as well as TCFD's climate-related information disclosure framework.

In the future, the Branch will continue to shoulder the mission of promoting the green economy development, strengthen the green finance strategy, cultivate the green financial market and support the low-carbon transition of the real economy. The Branch will also consistently enhance the disclosure of climate-related information in the financial sector to fulfil its responsibility in advancing green finance.

01

Governance

To serve the national strategy of "carbon peak and carbon neutrality" and implement the concept of green development, the Head Office has actively taken measures to identify and address financial risks arising from climate change, explicitly incorporating climate and environmental risks into its comprehensive risk management system, and has officially become a supporting institution for TCFD. The Branch has monitored, evaluated and managed climate-related risks and opportunities, incorporated climate-related factors into strategic planning, formulated and implemented green finance-related policies, and strengthened the professional and management capabilities of management and employees in climate change to create a green banking image.

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Governance

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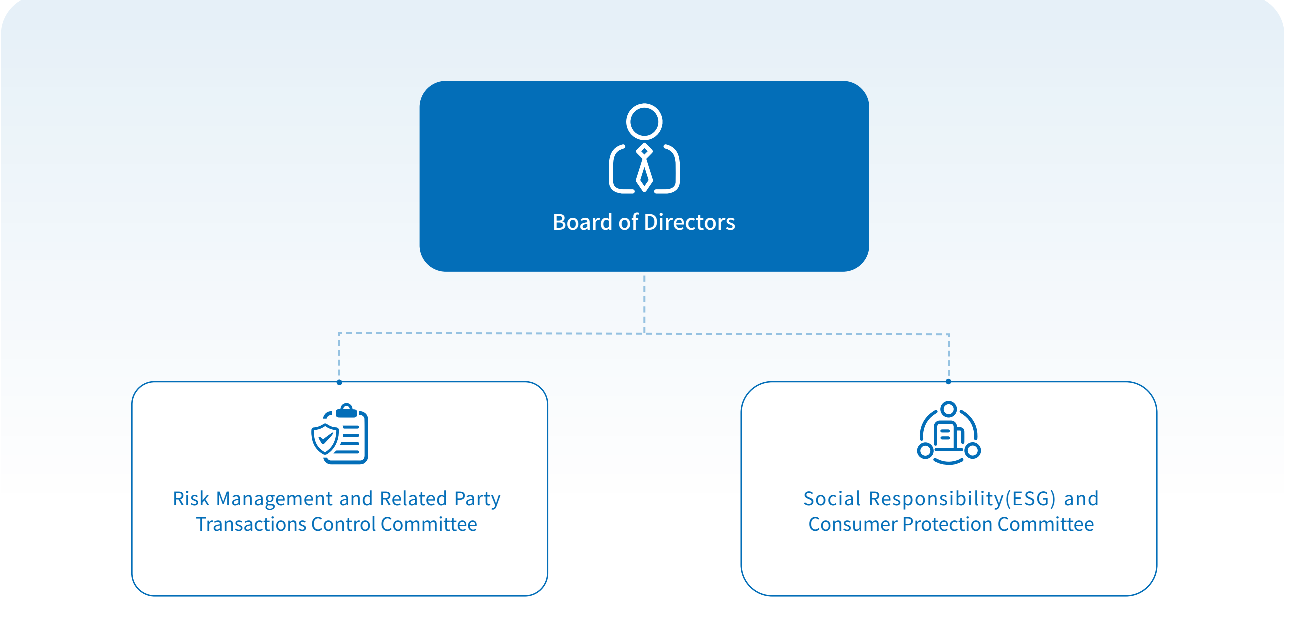
Board of Directors

The Head Office has attached great importance to the great challenges brought by climate change to financial institutions. It continuously improves its climate governance system, aiming to construct a governance system that is scientific, robust, and effective.

The Board of Directors is the highest decision-making body of the Head Office in promoting ESG and green finance. The Board of Directors has established a Risk Management and Related Party Transaction Control Committee (hereinafter referred to as the "RMRPTCC"), which is responsible for overseeing the management of climate and environmental risks and opportunities, supervising the implementation of the climate and environmental risk reporting mechanism, and ensuring that climate change risk factors are integrated into the comprehensive risk management system; the Social Responsibility (ESG) and Consumer Protection Committee (hereinafter referred to as the "ESGCPC") is responsible for green finance-related work, reviewing the green finance development strategy and green finance development goals across the Head Office, and guiding the establishment and promotion of green development concepts such as conservation, low carbon, environmental protection, and sustainable development throughout the Head Office. In 2024, after approval by the Board of Directors, the Head Office disclosed a special report on environmental information to the public for the first time, fully demonstrating the Head Office's specific practices in supporting the development of green finance, strengthening climate risk management, and serving the low-carbon transition of the real economy.



Climate Governance Structure of the Board of Directors

The Independent Director Dr. Ma Jun, served as Director of the Green Finance Committee of China Society for Finance, Co-Chairman of the Steering Committee of the "Belt and Road" Green Investment Principles, Chairman of the Hong Kong Green Finance Association, Chairman of the Sustainable Investment Capacity Building Alliance and other important positions during the reporting period. His professional background and practical experience strongly support and assist the Head Office's ESG strategic planning and business development.

Risk Management and Related Party Transactions Control Committee

The "RMRPTCC" of the Board of Directors is primarily responsible for reviewing and revising risk strategies, risk management policies, risk appetite, comprehensive risk management framework, internal control procedures, as well as supervising and evaluating comprehensive risk management. In terms of ESG and climate change management, the "RMRPTCC" regularly assesses climate risk management progress, guides the improvement of ESG risk management system, promotes the formation of green intelligent identification and ESG evaluation systems, and deepens research on climate risk stress testing methods.

Social Responsibility (Environmental, Social, and Governance) and Consumer Protection Committee

The Head Office places a great emphasis on the governance, strategies, goals, and progress management of ESG-related issues such as climate change, actively identifying the potential social and environmental impacts of its decisions and operational activities. To enhance the corporate social responsibility management system, the Board of Directors authorises the "ESGCPC" to formulate social responsibility strategies and policies, plan and implement social responsibility measures, as well as research, formulate, evaluate, and improve ESG performance. The committee is also responsible for green finance initiatives, promoting concepts of conservation, low-carbon, environmental protection, and sustainable development. During the reporting period, the "ESGCPC" identified green finance development goals and supervised and evaluated their implementation.

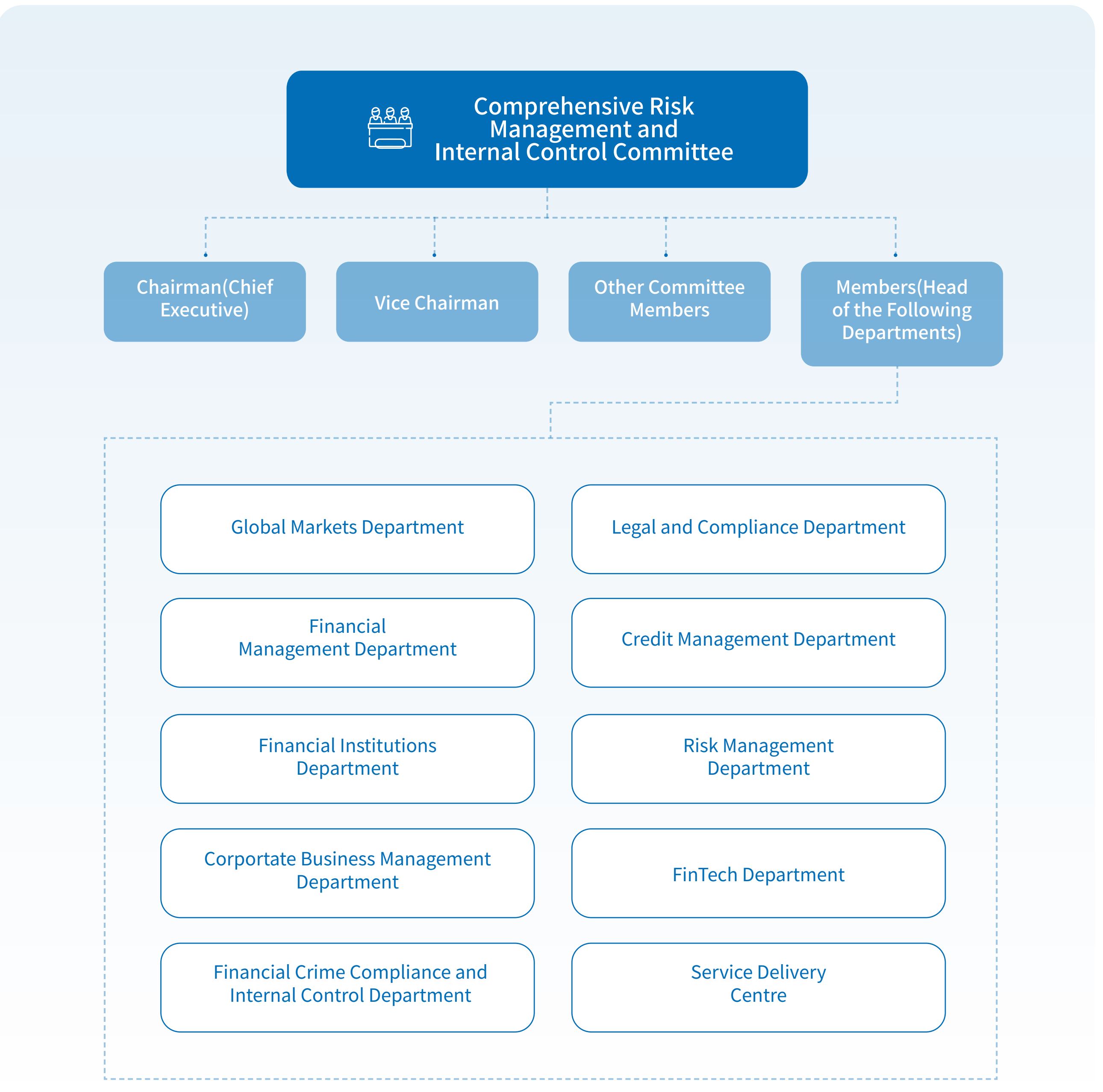
Senior Management

The senior management of the Head Office is responsible for formulating development strategies and goals, clarifying the responsibilities and authorities of each department, conducting internal control inspections and assessments, regularly reporting on green finance progress to the "ESGCPC" of the board of directors, and submitting them in a timely manner as required by the regulatory authorities.

The Green Finance Development Committee (hereinafter referred to as the "GFDC") serves as a permanent deliberative and coordinating body within the Head Office's business management domain. It makes decisions and arrangements on major policies, systems, important issues and topics for the group's green finance development, and actively promotes the establishment and improvement of the "Four Mechanisms" of green finance work (green finance policy research and transmission mechanism, green finance innovation and development mechanism, green financial resource allocation and guarantee mechanism, green finance target assessment and evaluation mechanism) and "Five Systems" (green financial governance system, green finance risk management system, green finance data governance system, green finance talent support system, green operation and ESG information disclosure system) to promote the improvement of green finance development capabilities. The main responsibilities of the "GFDC" include: reviewing the Group's major green finance development plans, green finance development strategies and goals, green finance-related policies and important systems; coordinating the planning and promoting the construction of the Group's green finance work system and mechanism, supervising and guiding various units to implement green finance business development and innovation requirements, etc.

The "Four Mechanisms" and "Five Systems"

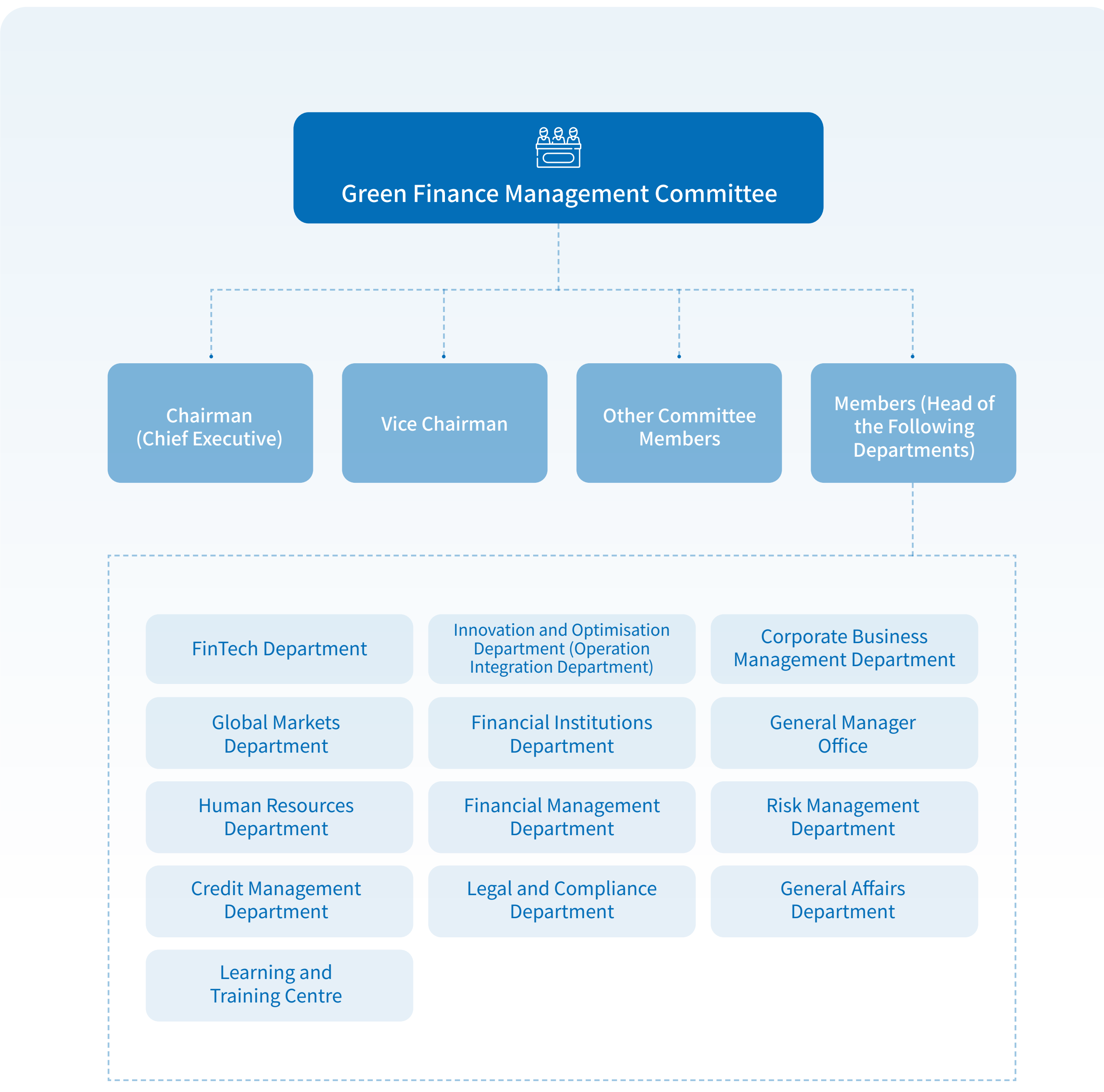
In order to align with the HKMA Supervisory Policy Manual and Head Office's risk management strategies, set risk control targets and strengthen risk management, the Branch has established the Comprehensive Risk Management and Internal Control Committee (hereinafter referred to as the "CRMICC") at the management level. Through regular meetings, the "CRMICC" collectively reviews and evaluates climate risks defined by the HKMA and discusses major issues related to risk management. The Chief Executive of the Branch serves as the chairman of the "CRMICC", and the vice chairman is the Deputy Chief Executive in charge of the Risk Management Department, other members of "CRMICC" consist of all other members in the General Manager Office. The responsibilities of the " CRMICC " include, but are not limited to, coordinating the planning and promoting the architecture of comprehensive risk management and internal control system, as well as supervising and guiding each business line and department to effectively implement risk management strategies, the requirements of risk appetite and risk limits, and internal control. It also has responsibilities in reviewing and conducting regular assessments on the Branch's risk status, reviewing the implementation of key risk management indicators, and reviewing and evaluating on major risk issues, etc.



Organisational Structure of the Comprehensive Risk Management and Internal Control Committee

Furthermore, in order to promote the establishment and improvement of the "Four Mechanisms" and "Five Systems" of green finance according to the Head Office's green finance policies, the Branch has established the Green Finance Management Committee (hereinafter referred to as the "GFMC") at the management level to promote the formulation of the Branch's green finance objectives and strengthen green finance management.

The "GFMC" is chaired by the Chief Executive of the Branch. It collectively reviews and evaluates various objectives, action plans, major issues and topics related to environmental (climate change), social and governance risks by holding regular or irregular meetings. The main responsibilities of the "GFMC" include implementing the Head Office's green finance development strategy and achieving the goals of carbon peak and carbon neutrality. It is also responsible for coordinating the planning and promoting the construction of institutional mechanisms for green finance, evaluating the governance and development situation of green finance regularly, and tracking the implementation status of major regulatory indicators, etc. in accordance with the Hong Kong's local regulatory requirements.



Organisational Structure of the Green Finance Management Committee

During the year, three (3) meetings of the Green Finance Management Committee were convened and the following major tasks were performed:

1.Reviewed and approved climate-related disclosure of the Branch;

2.Reviewed and approved the governance measures related to green finance;

3.Received a briefing on the report on green finance development, climate risk management, market and regulatory trends.

Reporting procedure of climate-related issues:

The Branch regularly reports or submits reports on climate-related risks and green finance to the "CRMICC" and "GFMC" and asks for their approval or decisions on other major issues and topics relevant to climate-related risks and green finance.

Apart from planning and daily management of climate and other ESG risks through the "CRMICC" and "GFMC", the Branch also integrates climate and other ESG risk management into the business process of credit granting. The Branch's Credit Assets Management Committee (hereinafter referred to as the "CAMC") holds two meetings per year. During these meetings, the "CAMC" reviews factors related to climate risks, including reviewing the distribution of green loans, the proportion of loans in industries with higher climate and other ESG risks and the direction of credit granting development of green finance. The "CAMC" is specifically responsible for formulating and adjusting credit asset management policies and credit deployment. The main focus of the "CAMC" is on providing strategic-level guidance on credit asset management, including target formulation, indicator setting, coordination, promotion, review, evaluation, and monitoring of progress and effectiveness. It does so through its specialised Loan Review Committee (hereinafter referred to as the "LRC"), which is responsible for conducting loan reviews for large credit exposures. For large exposures cases that met Loan Review committee's review threshold due to limit amount, if the cases involved relatively higher climate risk, the concerned risk and risk mitigation measures would be discussed in Loan Review Committee's meeting in particular for more detailed assessment.

Human Resource Management

Remuneration Policy

The Head Office has incorporated green finance-related content in the performance appraisal mechanism for key management personnel, and the appraisal results are linked to compensation distribution. The Head Office has integrated green finance development and climate risk management requirements into the performance evaluation system of operating institutions. By establishing quantitative indicators such as the proportion of green finance and restoring value creation related to green finance, it has improved the green finance-related indicator system to promote green finance product innovation, business feature creation, and the implementation of interbank cooperation results.

To encourage all levels to prioritize climate-related issues and promote the formulation, implementation and monitoring of climate-related strategies and targets, the remuneration policy of the Branch has stated its consistency with the climate risk management strategy. By integrating the climate considerations into the remuneration system, the Branch promotes the involvement of all employees in climate related projects.

During the reporting period, the Branch continued to include "e-Diversion Rate" and "e-Coverage Rate" as assessment criteria in the performance evaluation of relevant members of the General Manager Office.

Meanwhile, the Branch incorporated "supporting the Branch's climate risk management strategy and relevant business or projects during the reporting period" into the performance assessment of staff members (including heads of departments).

Qualification Certification Course

Around 150 Employees Participated

Courses on Green and Sustainable Development

Nearly 6,200 Attendees

Employee Cultivation

To ensure that the senior management and all employees are kept abreast of the latest information related to sustainable development and climate-related issues, the Branch implemented the sustainability training strategy during the reporting period to cultivate green finance and ESG talent. The Branch provided differentiated ESG-related training tailored to the job requirements of different positions, aiming to enhance our employees' ESG skills and experience, and to support the Branch's progress in its ESG journey. The Branch also collaborated with the Chinese University of Hong Kong and the Hong Kong Institute of Bankers to organize the "Enhanced Competency Framework - Green and Sustainable Finance" certification programmes for our key ESG personnel. Over 150 employees have completed the training and obtained the certification, which further enhanced the Branch's ESG capabilities and green finance talent. Additionally, the Branch introduced a Green and Sustainable Finance Talent Development Programme, offering four training series on climate risk and sustainable development to help employees understand latest regulatory trends, green finance business cases, ESG risk management, climate-related information disclosures, and green and sustainable finance products, the management of "green washing" risk and more. Over 50 ESG-related training sessions were delivered. Over 6,200 individuals have participated in these training initiatives. The following table lists some key training courses held during the reporting period.

No.	Category	Training Course Titles
1	Green Finance	Promoting Green Development Financing along the Belt and Road
2	Green Finance	Green Finance Empowerment
3	Green Finance	Development Strategies, Financial Products, and ESG Management Strategies of Commercial Banks under the "Dual Carbon Goals"
4	Green Finance	Experience and Practice of Leading Banks in Developing Green Finance
5	Green Finance	Latest Developments and Green Finance Cases in China's Construction and Cement Industries
6	Green Finance	Credit Risk and Green Development in China's Steel Industry
7	ESG and Sustainable Development	ESG Corporate Sustainability and the Insurance Industry
8	ESG and Sustainable Development	Environmental, Social and Governance (ESG) Performance Assessment
9	ESG and Sustainable Development	ESG Fund Selling
10	ESG and Sustainable Development	Hong Kong Sustainable Finance Taxonomy
11	ESG and Sustainable Development	Innovative Practices in ESG and Green Finance Development in Banking Industry
12	Climate Risk Management	EU Carbon Border Adjustment Mechanism
13	Climate Risk Management	Climate Risk Management and Green Finance Development
14	Climate Risk Management	IFRS Sustainability Disclosure Standards
15	Climate Risk Management	Refresher on Climate Risk Management for Banks
16	Climate Risk Management	Banks Strategies for Climate Risk Management and Carbon Neutral Operations

Green Finance-related Training and Lecture Activities Held in 2024

Strategy 02

Focusing on the issues of climate change and following the strategic deployment of the Head Office, the Branch has comprehensively built a green financial system and constructed a high-quality service platform for green finance. In order to expand the impact of green finance, the Branch has increased the development of green bonds, and other financial instruments. Moreover, the Branch has paid close attention to the green and low-carbon transition of the real economy, to promote the whole society to take resolute steps towards the goal of sustainable development.

Vigorously Develop Green Finance to Serve the Goals of "Carbon Peak and Carbon Neutrality" 20

Improve Climate and Environmental Risk Management Levels 21

Strengthen Green Operations and Strive for Operational Net Zero 21

Enrich Green Financial Products to Empower Enterprise Green Transition 22

Strategy

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Vigorously Develop Green Finance to Serve the Goals of "Carbon Peak and Carbon Neutrality"

In response to the national climate target of "carbon peak and carbon neutrality", the Head Office has formulated "Outline of the Development Plan of Bank of Communications Co., Ltd. for the 14th Five-Year Plan Period (2021-2025)" and constructed a "2+N" green finance policy system, providing directional deployment for the high-quality development of green finance and high-quality service to support the national "carbon peak and carbon neutrality" strategy goals across the entire bank.

The Branch actively engages to accomplish the climate change-related objectives set by the Head Office, adhering to the requirements of both the "Outline of the Development Plan of Bank of Communications Co., Ltd. for the 14th Five-Year Plan Period (2021-2025)" and the "2+N" green finance policy system to anchor its business development in green. The Branch continues to explore green, low-carbon, and sustainable business models both to offer customers comprehensive green financial services and to promote the national strategy of "carbon peak and carbon neutrality".

The "2" represents two top-down design documents: the "Green Finance Policy of Bank of Communications Co., Ltd." and the "Action Plan of Bank of Communications for Carbon Peak and Carbon Neutrality Goals"

The "N" represents various specialised green finance policies, mainly including organisational structure, business management, supporting tools, segmented industries, product integration, policies related to credit approval, assessment and evaluation etc.

The Head Office's "2+N" green finance policy system

Improve Climate and Environmental Risk Management Levels

In order to effectively manage climate and environmental risks, the Head Office has formulated the "Risk Management Plan of Bank of Communications Co., Ltd. for the 14th Five-Year Plan Period (2021-2025)", requiring to anchor its business development in green, as well as incorporating the climate and environmental risks into the comprehensive risk management system to serve the green finance article and to promote the national strategy of "carbon peak and carbon neutrality" with high-quality.

The Branch adheres to the guidance of the Head Office and considers green finance as a long-term development strategy.

01 Firstly, at the business development level, the Branch has been reasonably allocating credit resources and strengthening risk prevention to promote the expansion and quality improvement of green finance. While developing its business, The Branch continues to enhance its ability to prevent ESG risks, climate risks and other emerging risks and integrate climate risk management requirements into the comprehensive risk management system.

02 Secondly, the Branch has incorporated climate-related issues into financial planning and deployment. By consolidating budgeting information on climate-related risks and opportunities from various frontline units, and strengthening communication with them or relevant departments, the Branch conducts a comprehensive assessment of asset portfolios and business nature of its customers. These factors are then taken into consideration for future asset allocation as part of financial planning.

03 Finally, the Branch has continued its regular review on the relevance and importance of climate risks, and utilized scenario analysis tools to comprehensively assess, manage, supervise climate-related risks, and to deeply analyze the impact of climate change on business activities.

Strengthen Green Operations and Strive for Operational Net Zero

The Head Office has always adhered to the concept of green operation, strictly abiding by the "Environmental Protection Law of the People's Republic of China", "Law of the People's Republic of China on Energy Conservation" and other relevant laws and regulations, and is committed to promoting the conservation and efficient use of energy resources.

The Branch actively implemented the requirements of the Head Office's "Green Operation Implementation Plan of Bank of Communications Co., Ltd.", focusing on improving the level of green operations by creating a green office model, strengthening energy management, actively utilizing renewable energy, promoting green and environmentally friendly procurement concepts, actively advocating eco-friendly transportation, establishing a green and low-carbon operation indicator system, strengthening green and low-carbon environmental protection campaigns, and studying the purchase of carbon offset quotas.

Enrich Green Financial Products to Empower Enterprise Green Transition

Create a Green Business Identity

During the reporting period, the Branch successfully held the launching ceremony for the "Bank of Communications Serving Hong Kong for 90 Years" event and launched the "Green Infinity" brand at the Connect Hall of the Hong Kong Stock Exchange. The launch of "Green Infinity" symbolises that the Branch's commitment to using green finance as a bond to integrate all industries and achieve sustainable development, and exploring unlimited possibilities with customers in the field of green finance. The Branch will seize the expansion opportunities of the "Green Infinity" brand, continue to delve deeper into the field of green finance, collaborate with all sectors of society, strengthen the green finance brand, share the success stories of Hong Kong's green finance, and fully support Hong Kong in building an international green finance centre.

Mr. Zhu Bin, Deputy Chief Executive Officer of the Branch, delivered a speech at the "Green Infinity" brand launch event

"Green Infinity" Brand

The Branch Continues to Develop Green Financial Products

The volume of Climate-Aligned Finance that will be necessary to achieve a scenario of limiting temperature rise to 1.5°C will have to grow to over USD 100-150 trillion cumulative in the next three decades. Green finance plays an indispensable role in gathering and guiding such a large amount of funds. Banks can expand emerging markets and business opportunities by innovating and enriching green financial products.

The Branch's climate-related financial products include: green and sustainable development deposits, green loans and sustainable development loans, green and sustainable bonds, etc.

The green deposit and loan business have shown stable growth. During the reporting period, the Branch has continued to promote the "Green and Sustainable Development Deposit Scheme" which features "sustainable development elements" and is certified by independent third-party certification agencies. The funds raised will be utilised for the financing and/or refinancing of green and sustainable development-related loan projects that comply with the "Green Loan Principles (2023 Edition)" and "Sustainable Development Linked Loans (2023 Edition)".

Lead the Low-carbon Transition for Clients

By investigating the climate-related risks and opportunities faced by our clients in different industries and keeping abreast of future policy and market emission reduction trends, the Branch continues to provide valuable advice to clients for exploring low-carbon transition, assists and encourages our clients to set climate-related goals and action plans by developing related businesses and products.

03 Risk Management

The Branch has integrated climate risk management into the comprehensive risk management system for implementing climate-related strategies and achieving climate-related action targets. By optimising the existing risk management process to achieve effective identification and assessment of climate risks, the Branch has taken proactive measures to manage, respond to and mitigate the possible impacts of climate risks.

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Risk Management

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Climate Risk Management Framework

In the existing risk management framework, the Branch has emphasised the climate risk factors and continuously enhanced the three lines of defence for risk management. The Branch has also assigned climate risk management responsibilities to all relevant departments and promoted the dissemination of risk culture.

Three Lines of Defence for Climate Risk Management

The First Line of Defence: Business Units

- Conduct various business activities as the front-line department directly;
- Take the responsibilities of identifying, assessing, managing and reporting business related risk exposures;
- Adjust the current credit approval procedure, integrate the consideration of climate risk factors, and control the potential climate risks caused by business activities.

The Second Line of Defence: Risk Management Function

- Formulate, review and revise internal climate-related risk policies and procedures as the risk management-specific department;
- Assess, monitor and report independently on the risks for each business line's activities;
- Conduct regular climate risk assessments of the various assets held by the Branch.

The Third Line of Defence: Internal Audit Department

- Conduct independent audits of the management effectiveness for the business units and risk management functions as the last line of defence for risk management;
- Regularly assess the overall performance of the Branch's climate-related risk management;
- Monitor and enhance the construction and improvement of risk control capabilities.

Three Lines of Defence for Climate Risk Management

Climate Risk Management Process

Climate Risk Identification

According to the definition of TCFD, climate risk refers to the uncertainty brought about by climate factors such as extreme weather, natural disasters, global warming, and the transition to sustainable development to economic and financial activities. It can be categorised into physical risk and transition risk. The physical risks identified and assessed by the Branch can be further divided into acute physical risks and chronic physical risks. Acute physical risks include the financial impact of increasingly frequent extreme weather events such as hurricanes, cyclones or floods. Chronic physical risks, on the other hand, include the financial impact of rising sea levels or persistent heat waves caused by long-term changes in climate patterns. The transition risks identified and assessed by the Branch refer to the low-carbon transition of the economy in response to climate change trends, which may involve changes in policies and regulations, as well as shifts in technology and markets dynamics, potentially affecting the Branch's financial performance and reputation.

The Branch has paid great attention to climate risk identification and assessment. To identify climate-related risks accurately and comprehensively, the Branch has analysed the pathway and timescale through which various climate risks are transmitted to traditional risks.

Risk Category	Specific Risks		Overview of Potential Financial Impact	Affect Scopes and Duration
Physical Risks	Acute Physical Risks	Extreme climate events (such as deadly heat waves, floods, blizzards, droughts , etc.).	Production and supply are interrupted and operating costs rise.	Short term: Production costs surge and the value of high-risk assets fluctuates. Medium and long term: The proportion of high-risk assets increases, exacerbating financial pressure.
	Chronic Physical Risks	Ecosystem pollution (such as soil, air, water, marine pollution and environmental accidents).	Both production costs and insurance premiums for high-risk assets increase.	Medium and long term: Equipment is damaged and the risk of asset impairment increases. Long term: Cost of environmental restoration affects the sustainable development of enterprises.
		Geographic changes caused by long-term climate change (such as sea level rise, monsoon belt shift, glacier melting, etc.).	Production costs and insurance premiums for high-risk assets continue to rise.	Medium and long term: Health problems occur frequently and labor efficiency declines. Long term: The risk of disease transmission increases and business operating costs further increase.
		The destruction and shortage of natural resources (such as desertification of arable land, shortage of fresh water resources, etc.).	Revenues plummet and premiums on riskier assets rise.	Short, medium and long term: The labor force is negatively affected and the overall operational efficiency of the enterprise declines.
Transition Risks	In terms of policies and laws: strictly control the scale of some carbon-intensive industries, implement carbon trading mechanisms to encourage the reduction of greenhouse gas emissions, limit the use of energy with intensive carbon emissions or inefficiency, increase environmental law enforcement, levy and increase environmental taxes, and promote sustainable land use measures.		Production is hampered and environmental remediation costs increase.	Short, medium and long term: Existing assets retires earlier; asset impairment increases, and operating costs rise.
	In terms of science and technology: technological breakthroughs will be achieved in new energy, production efficiency, carbon storage, etc. The original carbon-intensive emission technologies and production systems will be eliminated by new low-carbon industries, resulting in the phenomenon of " creative destruction " .		Production is hindered and expenditure on technological research and development increases.	Medium and long term: Existing assets retires earlier, reducing demand for products and services.

Risk Category	Specific Risks	Overview of Potential Financial Impact	Affected Scopes and Duration
Transition Risks	In terms of market: In an environment where climate change issues are prominent, the relationship between market supply and demand will change significantly. Consumers will be more inclined to choose low-carbon and environmentally friendly products and services, and investors in stocks and bonds will be more inclined to invest in green financial assets.	Revenues decline and market share decreases.	Short, medium and long term: Financing becomes more difficult and market uncertainty increases; raw material prices rise and asset revaluation is affected.

Note: "Short term" refers to the next 1-3 years, "medium term" refers to the next 3-5 years, and "long term" refers to the next 5-10 years.

Financial impact analysis of climate change

Risk Type	Impact Paths	Time Range	Impact
Credit Risk	Climate risk drivers may reduce collateral value, borrowers' repayment ability or banks' recovery of the loan outstanding in the event of default. Regarding corporate credit, climate physical risks (such as cyclones damaging factories) may directly weaken the value of collateral such as real estate, factories, and equipment of enterprises; transition risks (carbon emission rights' fulfillment and expensing, carbon tariffs, capitalization of carbon reduction projects, etc.) lead to a decline in cash flow of companies in carbon-intensive emission industries represented by energy companies. Regarding personal loans, extreme weather (such as typhoons) may cause a drop in housing prices in a community, affecting the value of collateral for personal mortgage loans.	Medium to Long Term	Medium to High
Market Risk	A large, sudden and negative price adjustment may be triggered when climate risk is materialised. The effect would be accelerated if there is a sudden change in correlations between assets or a sharp reduction in market liquidity for particular assets.	Short to Medium Term	Low to Medium
Interest Rate Risk	Climate risks may reconstruct the interest rate curve. Frequent extreme climate events may change market expectations of inflation, further affecting interest rate policies and causing the short/long end of the yield curve to steepen or flatten.	Short Term	Low to Medium
Liquidity Risk	Access to funding sources could be reduced, where climate risk drivers may cause counterparties of banks to withdraw deposits.	Short to Long Term	Low to Medium
Operational Risk	Extreme weather events may damage bank premises, affect the safety of bank employees and customers, as well as the operation of critical infrastructure, systems, and service providers. This will impact the branch's operational capabilities and cost expenditures.	Short to Long Term	Low
Reputational Risk	The Branch may face increasing reputational issue with changing market and consumer sentiment towards more climate or environmental-friendly products, services and business practices, such as expectations / concerns from the public for a bank to take up more social responsibilities in combating climate change and support the transition.	Long Term	Medium
Legal and Compliance Risks	Climate-sensitive investments and business activities face increasing legal / liability and regulatory compliance costs.	Long Term	Low to Medium
Strategic Risk	The Branch may lose its competitiveness and market standing for failing to respond timely to the changing market environment along with increasing scrutiny and preference towards climate or environmental-friendly solutions and responsible banking practices.	Long Term	Low

Note: "Short term" refers to the next 1-3 years, "medium term" refers to the next 3-5 years, and "long term" refers to the next 5-10 years.

Transmission paths of climate risk impact on the Branch

Climate Risk Assessment

Scenario Analysis and Stress Testing

The impacts of climate change are characterised by long time horizons, high uncertainty, far-reaching impacts, etc. Climate-related risks may exceed the risk appetite level set by the Branch, leading to substantial financial impacts.

To enhance the resilience of development strategies under different climate change scenarios, the Branch incorporates climate-related risks into stress testing scenarios. Future physical risks, transition risks, and climate-related opportunities are identified and analysed for their impacts. By conducting stress testing, the potential financial impacts of climate-related risks are assessed.

During the reporting period, the Branch completed the second round of climate risk stress testing("CRST") organized by the HKMA. According to the " Guidelines for Banking Sector Climate Risk Stress Test " issued by the HKMA, assets within the jurisdiction of Hong Kong and assets outside Hong Kong (including the Mainland China and other regions) were tested, and the scenario settings include Short-term scenario, Below 2°C scenario, Delayed Transition scenario and Current Policies scenario.

Short-term Scenario

The Short-term scenario specifically represents an extreme scenario, where amid a global economic downturn and a rise in extreme weather, the regulatory authorities in the Mainland China and Hong Kong are determined to accelerate the transition and development. Established by the HKMA, this scenario serves as a representation of an extreme tail event for the financial industry to use in climate risk stress testing.

Below 2°C Scenario

The Below 2°C scenario is one of the three long term development scenarios provided by the HKMA. This scenario represents climate policies that are introduced immediately and gradually become more stringent to achieve an orderly transition.

Delayed Transition Scenario

The Delayed Transition scenario is one of the three long term development scenarios provided by the HKMA. This scenario represents a scenario where new climate policies are not introduced until 2030, resulting in a disorderly transition.

Current Policies Scenario

The Current Policies scenario is one of the three long term development scenarios provided by the HKMA. This scenario represents the situation in which no new climate policies are introduced in the future and provides relevant climate policies implemented before the end of 2022.

The climate-related risks identified and assessed by the Branch include two main categories: physical risks and transition risks.

Physical risk: Physical risk stress testing is mainly carried out by predicting the frequency and intensity of extreme weather events under short-term scenarios and current policy scenarios, mainly including strong typhoons and heavy rainfall, and the risk was transmitted to the collateral value of properties held by the Branch and increased the Loss Given Default (hereinafter referred to as "LGD") of property mortgage loans as well as the Expected Credit Loss (hereinafter referred to as "ECL"). It was found that the majority of properties held by the Branch as collaterals are located in areas less influenced by tropical cyclones by 2050 and are less likely to be exposed to the risks of climate change issues. Taken as a whole, the impacts of climate change-related physical risks on the ECL of property mortgage loans are immaterial.

Transition risk: To embed transition risks into stress test scenarios, pressure was exerted on the loan customers and bond issuers' financial abilities and credit ratings were conducted to estimate the impact on the ECL of loans and market value of bond investments for the eleven high carbon emission industries (oil and gas, coal, chemicals, cement, steel, non-ferrous metals, paper, construction, airlines, freight logistics and electric utilities). The test result concluded that the impact of transition risks on ECL is immaterial.

Credit Granting Assessment

Currently, the Branch has incorporated clients' climate risks and ESG risks into the "Implementation Rules for Credit Granting" with ESG risk assessment being one of the mandatory requirements for credit applications. The Branch conducts an annual review of internal credit-related policies, including the "Implementation Rules for Credit Granting" and the "Implementation Rules for Credit and Risk Policy Outline". Additionally, in the event of any climate-related risk incidents that poses a potential significant credit risk, the Branch promptly initiates risk investigations and dynamically adjusts management strategies and customer admission requirements for clients with higher risk exposures.

Principal assessment guidelines/requirements for climate risks (mainly for medium or large-scale enterprise credit customers or other non-personal credit customers with credit lines exceeding the equivalent of HKD200 million):

Additional assessment requirements for credit-related businesses in industries greatly affected by climate change: the impacts of climate change or extreme weather events on the supply of production resources, production and potential financial losses should be incorporated into the feasibility analysis (if applicable), scenario analysis and stress testing of relevant projects. The sustainable risk assessment of debtors or credit-granting projects should be improved.

Focus on the potential transition risks posed to debtors during the low-carbon transition: the Branch evaluates the market development prospect and market structure changes. Carbon-intensive industries (e.g. fossil fuel-related industries) will be restricted from operating or confronting a decline in resource value. Meanwhile, traditional products' market acceptance and competitiveness are decreasing in response to consumer expectations and industry technology transformation trends. The risk of phasing out by market is also increasing. The strategic plan and implementation pathways developed by the clients in carbon-intensive industries for achieving "carbon peak" and "carbon neutrality" should be understood. Moreover, their technical and financial capability for technology transformation should be assessed.

Climate Risk Monitoring, Reporting and Control

To coordinate with the climate risk management strategies, the Branch has incorporated the climate risk into the responsibility scope of the "CRMICC". Regular meetings will be held on issues such as climate risk-related management policies, risk status assessment, risk index tracking, etc., to ensure timely monitoring and management of climate risk and make proportionate strategic adjustments to the climate risk situation to mitigate the impacts of climate risks.

- The Branch has incorporated the "Green Asset Proportion" as a climate risk indicator in the risk appetite statement to identify and quantify the climate-related risks of business activities effectively and systematically. To steadily increase the green credit ratio, this indicator is monitored quarterly and reviewed at least once a year to align with the Branch's development pace and macroeconomic situation. The Branch will continue to improve its climate risk indicators.
- The Branch also regularly reports on the status of assets in both high-energy-consuming and carbon-intensive industries to the GFMC and sets early warning limits for monitoring. In addition, the Branch regularly tracks the latest developments on climate-related issues at the GFMC.
- The Branch has enhanced its response measures to extreme weather disasters to ensure business continuity. In order to strengthen the production and operation capabilities of the Branch and ensure the smooth flow of key business transactions under extreme circumstances, the Branch formulated relevant contingency measures during the reporting period. This included purchasing VPN equipment, and integrating it with multiple authentications, access whitelists, automation tools and business virtual desktops to provide a controlled and secure environment for relevant departments, ensuring access to that transaction and office systems under severe weather conditions.
- During the reporting period, the Branch conducted climate risk management audits covering four areas: organisational structure and strategy for climate risk management, climate risk stress testing, due diligence procedures for green and sustainable products, and disclosure of climate risk-related information, which effectively promoted business improvement and satisfied development needs.

Climate Risk Management Enhancement

The Branch has developed the methodology for quantifying the financed emissions and has conducted the calculation and disclosure for financed emissions. In the future, the Branch will further expand the collection scope of carbon emission data, redouble the effort in performance analysis and monitoring for financed emissions, support and promote the development of green finance and transition finance.

The Branch will remain attentive on the evolution of global, national, and regional climate risks, gradually enhance the process of climate risk identification, assessment, and management, while improving its risk information and data collection system. Considering the long-term nature, uncertainty and complexity of climate risks, the Branch will consistently enrich the types of climate risk indicator and strengthen the capability and adaptability in climate risk management.

04

Metrics and Targets

In 2024, in response to the Head Office's arrangements for climate and environmental risk management and to fulfil obligations under the "Supervisory Policy Manual" Module GS-1 "Climate Risk Management" by the HKMA, the Branch continues to implement climate risk-related tasks and has made progress in areas such as enhancing carbon emission disclosure at operational and investment levels, optimising internal compensation policies, and promoting the development of green finance at the business level.

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Metrics and Targets

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The Branch's Key Initiatives

The Branch calculates the corresponding financed emissions for clients in the portfolio and refines the relevant methodology to enhance data accuracy.

In order to comprehensively analyse and identify the risks and opportunities arising from climate change, the Branch has established a qualitative and quantitative assessment process from 2022 onwards and quantified the financed emissions in loan and bond portfolios with reference to "The Global GHG Accounting and Reporting Standard for the Financial Industry" published by Partnership for Carbon Accounting Financials (PCAF). High-emission sectors have been identified through internal risk analysis and prioritised for understanding the current carbon performance of its portfolios.

Operational GHG Emissions

Operational GHG Emissions Accounting

The Branch strictly complies with relevant national laws and regulations, embraces green development principles, and continues to provide green financial services to customers. In its own operations, the Branch actively promotes green office initiatives, popularizes environmental awareness among employees, reduces energy consumption and carbon emissions, and strives to become a practitioner of energy conservation and carbon reduction.

The Branch is committed to promoting the development of green finance. Some of the new renovations also incorporate green elements, demonstrating the Branch's active ESG practice. The Branch leverages diverse strategies to foster the growth of green and sustainable finance.

The Branch's operational GHG emissions are reported together with the Bank of Communications (Hong Kong) Limited and BCOM Finance (Hong Kong) Limited. In 2024, the Branch's operational emissions intensity (including Scope 1 and Scope 2) was 2.48 tons of carbon dioxide equivalent (CO_2e) per person and 0.11 tons of carbon dioxide equivalent (CO_2e) per square metre.

Index	Unit	2024
Total GHG emissions (Scope 1 and 2)	tons	5,059.60
GHG emissions per unit floor area (Scope 1 and 2)	tons/square metre	0.11
GHG emissions per capita (Scope 1 and 2)	tons/employee	2.48
Total GHG emissions (Scope 1, Scope 2 and Scope 3)	tons	12,125.00
GHG emissions per unit floor area (Scope 1, Scope 2 and Scope 3)	tons/square metre	0.26
GHG emissions per capita (Scope 1, 2 and 3)	tons /employee	6.11
Direct GHG emissions (Scope 1)	tons	173.12
Fuel	tons	173.10
Fugitive emissions	tons	0.01
Indirect GHG emissions (Scope 2 - market-based)	tons	4,886.49
Purchased electricity (market-based)	tons	4,886.49
Indirect GHG emissions (Scope 2 – location-based)	tons	4,886.49
Purchased electricity (location-based)	tons	4,886.49
Indirect GHG emissions (Scope 3)	tons	7,065.40
Carbon Offset	tons	0

Note: 1. The accounting is reported together with Bank of Communications (Hong Kong) Limited and BCOM Finance (Hong Kong) Limited. When calculating the GHG emissions per square metre of floor area, the floor area is based on the average value at the beginning and end of the year; when calculating per capita GHG emissions, the total number of people is calculated using the average value at the beginning and end of the year. More specially, the number of personnel including both the formal employees and the outsourced personnel is used to calculate the per capita GHG emissions in Scope 2 and part of Scope 3, while the number of formal employees is used to calculate the per capita GHG emissions in Scope 1 and the rest of Scope 3.

2. The Branch's Scope 1 GHG emissions are broken down as follows: carbon dioxide (160.01 tons of CO_2 equivalent), methane (0.22 tons of CO_2 equivalent) and nitrous oxide (12.87 tons of CO_2 equivalent).

3. Due to data limitations, fugitive emissions accounting results do not include fugitive emissions from air-conditioning refrigerants.

4. The market benchmark is calculated based on the specific energy purchasing decisions of the enterprise and takes into account the environmental attributes of the energy purchased by the enterprise.

5. In the disclosure, The Branch reported its significant Scope 3 GHG emissions in accordance with the 15 categories set out in the GHG Protocol: Corporate Accounting and Reporting Standard. Regarding Category 15 - Investment, please see the summary of greenhouse gas emissions at the investment and financing level for details.

6. The Branch has not purchased any carbon credits during the reporting period.

7. The factors used in the calculation of each category in Scope 3 are from the main text of the "ESG Report Preparation Guidelines" and the annex "Appendix 2 Reporting Guidelines for Environmental KPIs" issued by the Hong Kong Stock Exchange (HKEX), the "Guidelines for Accounting and Reporting of GHG Emissions and Reductions for Buildings (Commercial, Residential or Public Purpose) in Hong Kong (2010 Edition)" issued by the Electrical and Mechanical Services Department and the Environmental Protection Department (EMSD) of Hong Kong, the "China Product Life Cycle GHG Emission Coefficient Set (2022)" issued by the Environmental Planning Institute of the Ministry of Ecology and Environment of China, and the China Environmental Input-Output Database (CEEIO) and other sources.

GHG emissions at the Branch's operational level (2024) (Unit: tons CO_2e)

Other Environmental Indicators	Unit	2024
Power consumption	MWh	8,717.04
Water consumption	m^3	14,449.80
Gas consumption	MJ	1,354,992.00
Paper consumption (A4)	ton	84.09
Paper consumption (A3)	ton	3.01

Note: Water consumption includes water bill, bottled water and barreled water.

Other environmental indicators of the Branch

Operational Net Zero Emissions Target

To align with the Head Office's key initiatives for climate and environmental risk management, the Branch has set its own operational level emission targets, taking its own business situation into account.

Emissions Targets (Operational)	2035	2050
Absolute GHG emissions at operational level	Reduce GHG emissions at operational level by half in 2035 (2022 as baseline)	Achieve net-zero GHG emissions at operational level in 2050

Operational GHG Emissions Target of the Branch

The Branch is also actively studying the related goals of "Sustainable Finance Action Agenda" announced by the HKMA, and will follow the progress of regulatory policy releases and review the Branch's operational net zero emissions target.

Operational Net Zero Initiatives and Achievements

In its own operations, the Branch strictly abides by relevant national laws and regulations, embraces green and sustainable development principles, actively promotes green office, popularizes environmental awareness among employees, and strives to be a practitioner of energy conservation and carbon reduction.

In terms of system infrastructure, the data centre is committed to reducing carbon footprint and improving energy efficiency, including the complete virtualization of servers to reduce power consumption and heat emissions. It has also upgraded to backup lithium batteries to ensure reliable power supply and replaced the precision air conditioners in the computer room with environmentally friendly refrigerants to save energy consumption.

The Branch is committed to promoting the development of green finance. Some of the new renovations also incorporate green elements, demonstrating the Branch's active ESG practice. The Branch leverages diverse strategies to foster the growth of green and sustainable finance.

In addition to operational GHG emissions metrics, the Branch also actively utilizes digital technology tools to enrich its online financial service channels and collect relevent information.

The Branch received the "2023/2024 Certificate of Merit for Commendation Scheme on Source Separation of Commercial and Industrial Waste" issued by the Environmental Protection Department

The Branch is recognised as "Hong Kong Green Organisation" certified by Environmental Campaign Committee

As a close partner of Friends of the Earth (HK), our branch actively supports and participates in the "Earth Forum 2024" event jointly organized by Friends of the Earth (HK), the Financial Services Development Council and the China Sustainable Investment Forum. This involvement helps to comprehensively explore the green and sustainable customer market and further shape the positive image of Bank of Communications' green finance brand.

The Branch received a certificate of appreciation for supporting WWF-Hong Kong's "Earth Hour 2024" event

The Branch received the "Hong Kong Green Organisation Certification" certified by Environmental Campaign Committee

In the future, the Branch will continue to strengthen the collection and management of relevant information, promote green office and green procurement, and reduce resource consumption and greenhouse gas emissions while providing customers with green, low-carbon, high-quality and convenient financial services.

Financed GHG Emissions

Financed GHG Emissions Accounting

Based on information such as the company's disclosures, industry classifications, and industry average emission factors, the Branch used the proportion of its credit and other asset balances to the client's total debt and equity (total debt and total market value for listed companies) as the attribution factor to quantify and analyze the emission data across its investment and financing portfolio in 2024.

In 2024, the quantification of the Branch's financed emissions covers assets from its loan and bond portfolios. The in-scope assets amount to HKD192.123 billion, with a total carbon emission(Scope 1 and Scope 2) of approximately 2.3673 MtCO_2e. The average asset carbon intensity of loans and bonds is approximately 12.32 tCO_2e per million Hong Kong dollars.

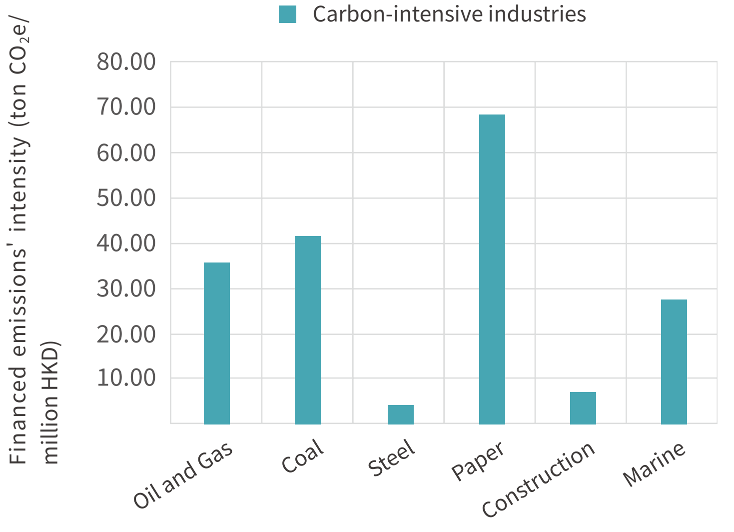
Category	Financed Emissions (10,000 tCO_2e)	Percentage (%)	Emission Intensity(tCO_2e/ million HKD)	Data Quality	Coverage Percentage (%)
Loan	65.14	27.52	8.43	4.01	100.00
Bond	171.59	72.48	14.93	3.66	100.00
Total	236.73	100.00	12.32	3.80	100.00

Note: 1. The calculation strictly complies with PCAF's Global GHG Accounting and Reporting Standards for the Financial Industry.

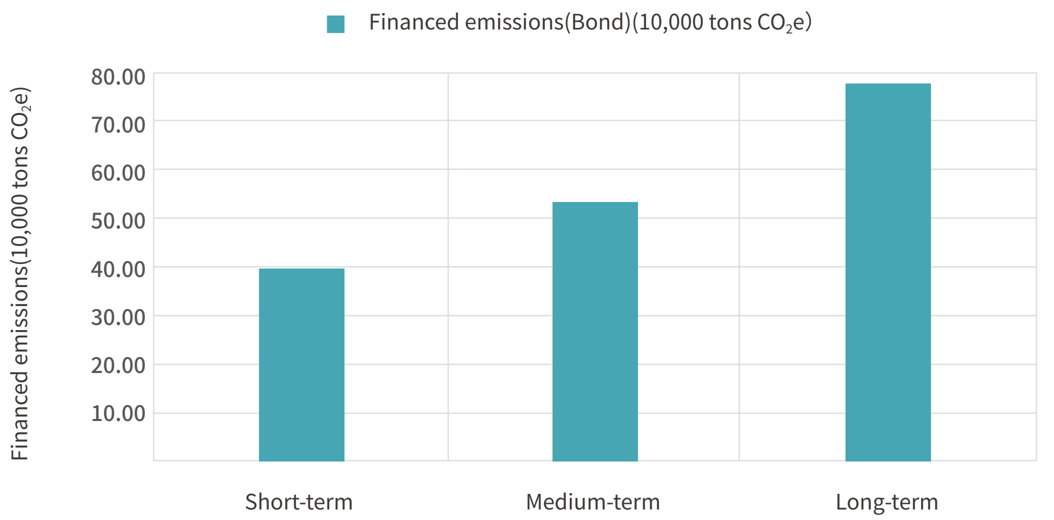
2. When calculating emissions for loans and bonds, only Scope 1 and Scope 2 emissions of enterprises are included if they are involved while Scope 3 emissions of enterprises are currently excluded due to limitations in data availability, comparability, and quality.

3. The PCAF methodology categorizes data quality for financed emissions accounting outcomes on a 1–5 scale (1=low uncertainty, 5=high uncertainty), directly reflecting uncertainty levels.

Financed Emissions (Loans & Bonds) of the Branch in 2024 by Category



Financed Emissions' WACI (Loans & Bonds) of representative Carbon-Intensive Industries in the Branch in 2024 (by Industry Category)



Note: "Short term" refers to the next 1-3 years, "medium term" refers to the next 3-5 years, and "long term" refers to the next 5-10 years.

Financed Emissions (Bonds) of the Branch in 2024 by Tenor

Financed Net Zero Emissions Target

Currently, the Branch has set targets for carbon emissions at the investment and financing levels.

Emissions Targets (Financed Emissions)	2060
Absolute financed emissions	Achieve net-zero financed emissions by 2060

Financed GHG Emissions Target of the Branch

The Branch is also actively studying the related goals of "Sustainable Finance Action Agenda" announced by the HKMA, and will follow the progress of regulatory policy releases and review the Branch's financed emission target.

In the future, the Branch will continue delivering relevant training for front-line units such as account managers, primarily focusing on key emission industries, maintaining close communication with customers and suppliers. Beyond enhancing the risk management of its financing portfolio and supply chain, the Branch is also dedicated to facilitating the green transition of clients across industries, collaborating to capture market opportunities in the green and low-carbon sector.

Incorporate Climate Risk into Remuneration Policies

The Branch's "Remuneration Policy" has stated its consistency with the climate risk management strategy. In the annual performance assessment of departments, climate risk considerations have been incorporated, including:

"e-Diversion Rate" and "e-Coverage"

"e-Diversion Rate" and "e-Coverage Rate" are included as performance assessment criteria of the related departments to encourage better climate risk management.

Through the application of digital technology, operational efficiency can be enhanced. Resources consumption and carbon emission can be reduced. As a key ESG initiative, the Branch has implemented a paper-free account opening system for customers. This not only significantly improves business efficiency but also substantially reduces paper usage, thereby mitigating environmental impact.

"Strategic Projects"

Points would be awarded for related departments completing projects in green finance, technology-based finance, digital transformation business etc. This encourages departments to support their clients in green and low-carbon transition to actively mitigate climate change.

"Digital Transition"

Points would be awarded or deducted for frontline/middle/back office departments according to their completion of digital transformation projects in accordance with their functions, with a view to optimise business processes, reducing operational costs and improving customer experience.

"Support for Climate Risk Management Strategies and Social Responsibility (ESG) Projects"

Points would be awarded for departments according to their implementation of initiatives in support of climate risk management strategies and ESG principles during the assessment period (such as obtaining relevant awards).

Continue to Push Forward Green Finance

The Branch consistently adheres to the implementation of new development concepts, engaging in various green financial services. The Branch has successively launched green time deposits, green mortgages and acted as a broker for Hong Kong Government Green Bonds among various green financial initiatives, to promote green and sustainable development. The Branch is supporting the comprehensive green transition of the national economy and society, and helping Hong Kong establish a "Green Financial Hub" in Guangdong-Hong Kong-Macau Greater Bay Area.

Green Loans

Key Achievements:

As of the end of the reporting period, the outstanding balance of the Branch's green loans and sustainability-linked loans amounted to the equivalent of HKD **4.5** billion.

Key Achievements:

During the reporting period, the branch made **320** green deposits, involving an amount of approximately HKD **6.44** billion.

Green Bonds

Key Achievements:

As of the end of the reporting period, the Branch's investment balance of green bonds reached HKD **15.78** billion with a year-on-year increase of over **30**%, and supported sectors including clean energy, green infrastructure upgrades, energy conservation, environmental protection, and clean production.

Highlight Practice 1:

The Branch successfully facilitated the HKSAR government's HKD25 billion equivalent green bond issuance.

On July 17, 2024, the HKSAR Government successfully issued green bonds worth equivalent of HKD25 billion in Hong Kong. The issuance encompassed multiple tranches: RMB2 billion each for the 2, 5, 10, 20 and 30-year with totaling RMB10 billion, a 3-year USD1 billion bond and a 7-year EUR750 million bond. The funds raised will be allocated to the Capital Works Reserve Fund to finance environmentally beneficial and sustainable projects. This is an important measure to promote Hong Kong's low-carbon transition and consolidate the development of Hong Kong as a green and sustainable financial center. The bond issuance garnered strong market interest, attracting a diverse investor base, including policy banks, sovereign funds, commercial banks, insurance companies, mutual funds and private banks. The peak order book reached HKD120 billion equivalent, achieving 4.8x oversubscription. The Branch leveraged its extensive experience as the sole issuance, lodging and fiscal agent for China government bonds over the years. As a Joint Global Coordinator, the Branch played a pivotal role in assisting HKSAR government to ensure the successful completion of the bond issuance. Its professional services and proactive market coordination not only contributed to the advancement of green and sustainable finance in Hong Kong but also reinforced the city's status as a key regional centre for green financial activities, setting a benchmark for regional green financial cooperation and prosperity.

Highlight Practice 2:

The Branch facilitated the Shenzhen Government's successful issuance of RMB7 billion of green bonds.

On August 8, 2024, the Shenzhen Government successfully issued RMB7 billion in Hong Kong. The issuance comprised four tranches: a 2-year RMB900 million social bond where the funds raised will be invested in high school construction and other projects, a 3-year RMB2.7 billion low-carbon city theme green bond where the funds raised will be invested in metro and other projects, a 5-year RMB2.4 billion bond where the funds raised will be invested in railway and other projects, and a 10-year RMB1 billion sustainable development bond where the funds raised will be invested in healthcare, education, infrastructure, and renovation of old communities and other projects. The bonds were listed on the Hong Kong Stock Exchange, and the interest income will be exempt from personal income tax, corporate income tax and stamp duty in Mainland China, as well as profits tax and stamp duty in Hong Kong. Immediately upon announcement, the bonds attracted strong global investor interest, achieving a peak order book of RMB48.2 billion and an impressive 6.9x oversubscription. The Branch, leveraging its extensive expertise as Joint Global Coordinator and Financial Agent, played a pivotal role in ensuring the successful completion of the issuance. This effort underscores the Branch's commitment to fostering interconnectivity between Mainland China and Hong Kong bond markets and highlights its significant contribution to establishing the Greater Bay Area as a green finance hub, driving regional sustainable development and green finance collaboration.

The Branch Facilitated Shenzhen Government's Successful Issuance of RMB7 Billion Green Bonds

Highlight Practice 3:

The Branch supported Hainan government's third consecutive successful issuance of RMB3 billion offshore bonds in Hong Kong.

On October 17, 2024, the Hainan Government successfully issued RMB3 billion offshore bonds in Hong Kong for the third consecutive year, which was the first biodiversity-themed green bond issued by a local government in China. The issuance included three-year sustainability bonds, and ten-year blue bonds. The funds raised will be primarily allocated to livelihood security projects such as healthcare and education, as well as key areas such as marine protection and water pollution control, and will support the construction of key projects such as Wenchang International Aerospace City. This initiative contributed to the implementation of sustainable strategies, accelerated the construction of a national ecological civilization demonstration zone, and supported Hainan in becoming an important practice site for new quality productivity. The bonds were listed on the Hong Kong Stock Exchange. Notably, this was the first time the Hainan Free Trade Port Multi-Function Free Trade Account ("EF Account") was used for bond fund settlement, demonstrating its effective application in diversified cross-border capital scenarios, and accumulating pilot experience for capital account liberalization in further reform and opening-up efforts. For the third consecutive year, the Branch, together with the Hainan Branch of Bank of Communications, served as the joint global coordinator, joint bookrunner and financial agent for the bond issuance. The Branch led the organisation of the Hong Kong roadshow itinerary and publicity efforts. Leveraging its strengths as a state-owned commercial bank, it effectively guided order placement and provided cornerstone order support with its own funds. Ultimately, it secured an order allocation of RMB840 million, successfully ensuring the bond issuance's completion and helping the issuer achieve its targets for price and scale. This achievement highlights the Branch's significant role in driving regional green finance development and cross-border financial cooperation.

The Branch Supported Hainan Government's Third Consecutive Successful Issuance of RMB3 Billion Offshore Bonds in Hong Kong

Recognized with Multiple Awards in Climate Risk Management and Green and Sustainable Development

Recognized with

Multiple Awards

The first offshore green bond of the Branch won awards from The Asset and the Hong Kong Quality Assurance Agency.

The Branch assisted the Head Office in establishing a green bond framework and successfully issued the first offshore green bond under the framework. This offshore green bond won the "Best Offshore Green Bond Award for Chinese Financial Institutions" in the 2024 Sustainable Finance Awards awarded by The Asset, and received both" Outstanding Award for Green and Sustainable Bond Lead Manager (Sector: Financial Institutions) - Visionary Green Bond Framework" and "Outstanding Award for Green and Sustainable Bond Issuer (Sector: Financial Institutions) - Visionary Green Bond Framework" from the Hong Kong Quality Assurance Agency (HKQAA).

The Branch has won multiple Hong Kong Quality Assurance Agency "Hong Kong Green and Sustainable Finance Awards" for three consecutive years

On October 18, 2024, the Branch was awarded the "Hong Kong Green and Sustainable Finance Award 2024" organized by the HKQAA. It was recognized for its sustainability-linked loans to large nuclear energy companies. Additionally, this year the Branch received its first "Pioneer Award for Advisory Institutions" from the HKQAA, reflecting the Branch's significant contribution to promoting green finance business development, which has been affirmed by the local industry.

The Branch has been recognized with multiple HKQAA "Hong Kong Green and Sustainable Finance Awards 2024"

The Branch was honored as one of the "Best Chinese USD Green Bond Underwriters" by Wind, China's leading financial information platform

In the 2024 "Wind Best Investment Bank Selection" held by Wind, China's leading financial information platform, the Branch was selected as one of the "Best Chinese USD Green Bond Underwriters".

APPENDIX

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