

Environmental and Social Responsibilities

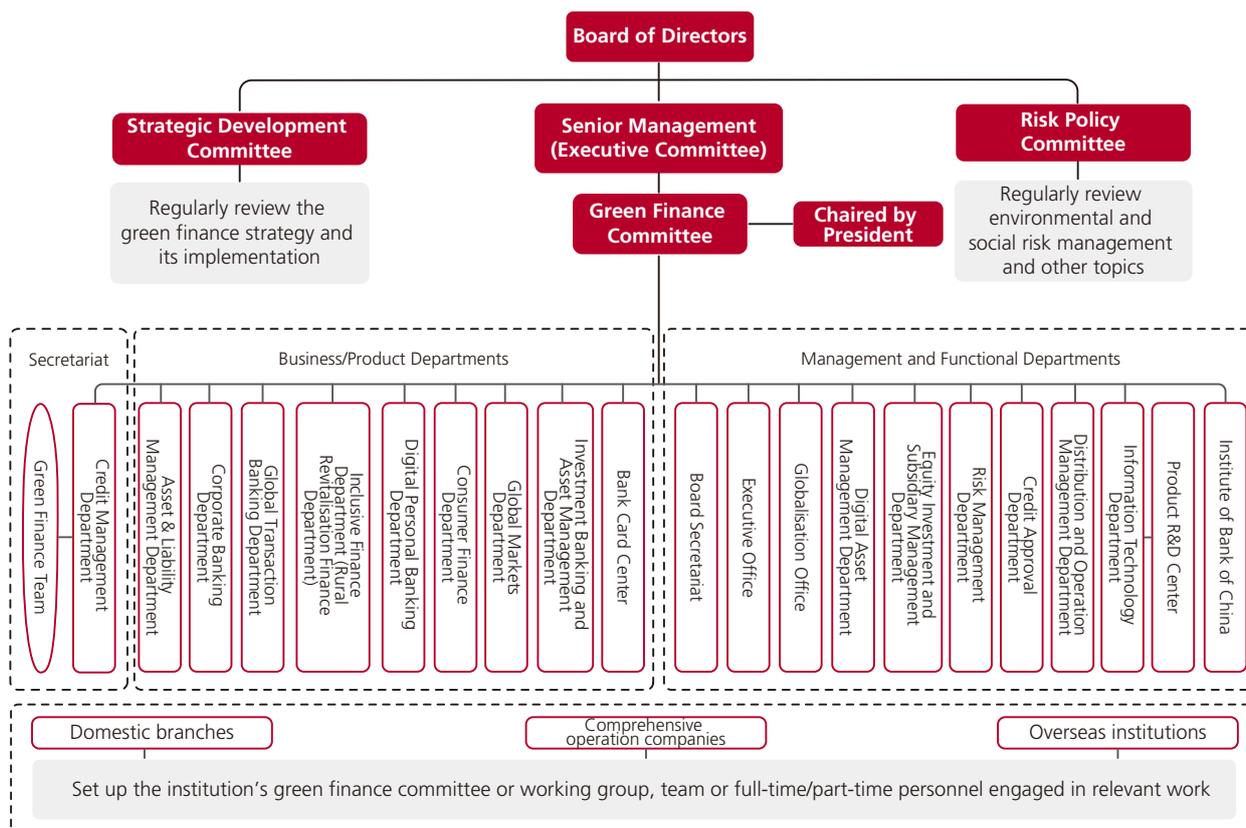
In 2021, the Bank actively undertook its responsibilities and missions as a major state-owned bank and integrated environmental, social and governance (ESG) concepts into all facets of its business management. Committed to deepening reform on all fronts and promoting business transformation, it made 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.

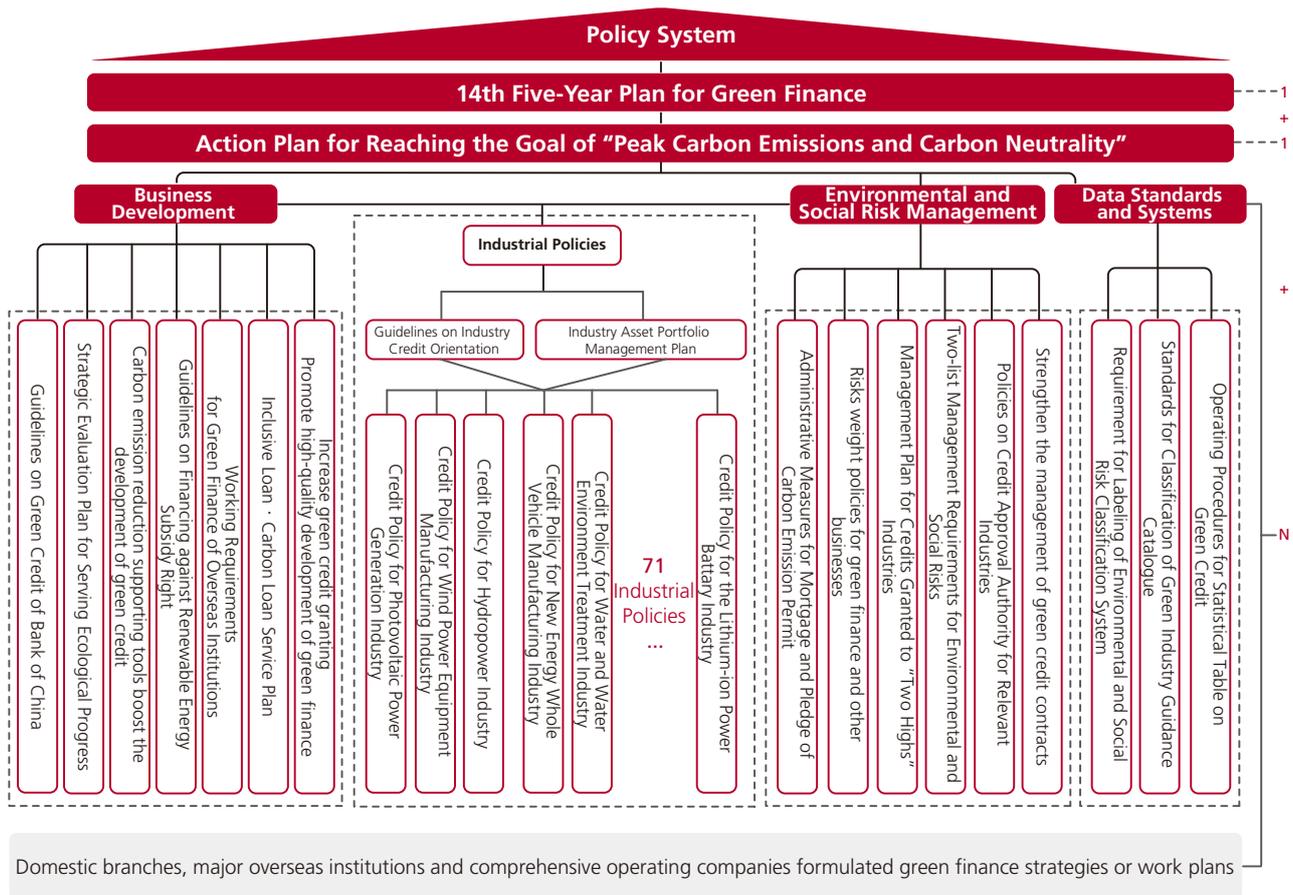


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Strategy and Policy Systems

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.



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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.

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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	RMB1 trillion Providing financial support of no less than RMB1 trillion for green industries	An increase of RMB500 billion , overfulfilling the phased goal with the 2021 balance of green credits reaching RMB1,408.6 billion (CBIRC statistics)	The amount of BOC's green assets is RMB10.6 billion , about 28% of its total leasing assets
	Balance of green credits increase on a yearly basis	Year-on-year growth of 57% (CBIRC statistics)	BOC Asset Investment invested RMB27.9 billion in green industries, accounting for over 40% in its investment portfolio
	No less than 30% striving for 60% Annual average growth rate of personal green consumption credits by domestic operations	Year-on-year growth of over 60%	BOC Insurance launched 9 environmental pollution liability insurance products, with total committed liability at around RMB8.3 billion
	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	BOCIM issued the BOX SHCH 0-5 Year ADBC Bond Index fund, with the amount reaching RMB5.1 billion
			BOC Wealth Management issued 30 green finance themed products, with the product balance exceeding RMB12.9 billion
			BOCG Investment invested in 8 green projects during the year, with the balance of investments totaling RMB11.1 billion
			BOCI underwrote 24 overseas green and sustainable development bonds for whole year 2021, with the amount exceeding USD8 billion in equivalent
			Green bonds
			Investment — No. 1 Ranking first on NAFMII's list of investors with green bonds in 2021
			Undertaking — No. 1 — The amount of domestic green bonds underwritten reached RMB129.4 billion , ranking first among commercial banks — The amount of overseas green bonds underwritten reached USD23.4 billion , ranking first among Chinese institutions on Bloomberg's ranking of the world's offshore green bonds
			Issuance — Most active A total of USD10.7 billion equivalent green bonds were issued overseas, making the Bank the most active Chinese green bond issuer

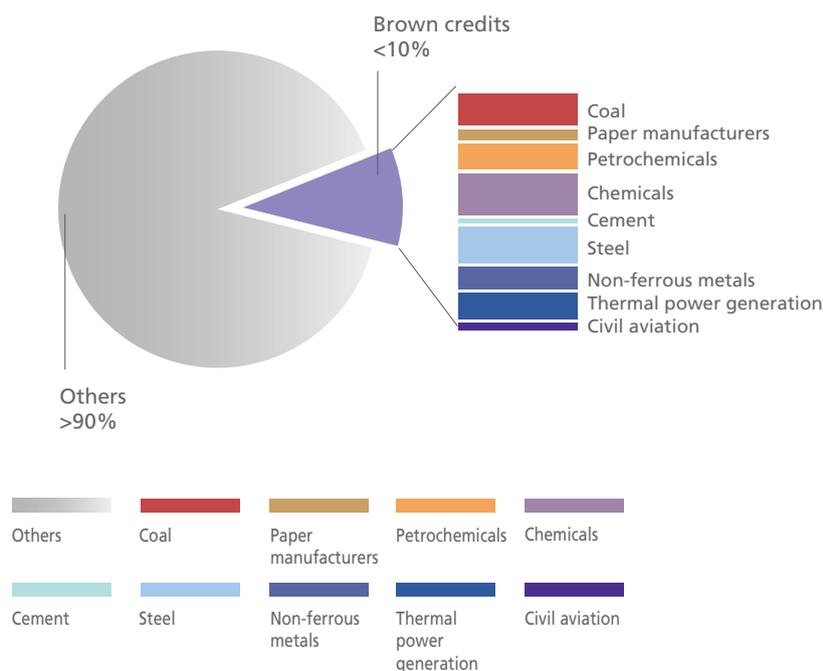


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Environmental performance of the Bank's green credits:

	Environmental performance of green credits in 2021
Equivalent to emission reduction standard coal in equivalent (10 thousand tons)	11,702
CO ₂ 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 industries⁹ 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.

⁹ 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.

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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)*.