交通銀行
BANK OF COMMUNICATIONS

# 2023 TCFD Report

## Bank of Communications Co., Ltd.
## Hong Kong Branch

(A joint stock company incorporated 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 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.

## 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 2023 to 31 December 2023. 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, and disclosure of 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 indicated the direction of China's sustainable economic development and low-carbon transition of society. The establishment of the "1+N" policy framework for carbon peak and carbon neutrality has also provided clear guidance for comprehensively promoting decarbonization actions.

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.

Leading 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 overall national sustainable development, implement the Head Office's climate-related objective of "by 2025, the balance 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 of 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 steered the resources to green and low-carbon fields and provided 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 is posing great challenges to social stability and economic progress, affecting production, operation, technology research and development, etc. in all aspects and at multiple levels, by which the risks may be transmitted to financial institutions and induces material financial risks. In order to strengthen the top-down design, reinforce climate risk management, and enrich the form of climate-related information disclosure, the Branch analysed and disclosed its own practices in response to climate risk and green investment concept by 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 HKMA, and the climate change-related information disclosure framework formulated by TCFD.

In the future, the Branch will continue to shoulder the mission and tasks of promoting the green economy development, consolidate the green finance strategy, cultivate the green financial market, and support the low-carbon transition of real economy. The Branch will also consistently boost the disclosure of climate-related information in the financial sector to fulfil its responsibility in the development of 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 followed the governance mechanism of which the Head Office takes comprehensive leadership, the Board of Directors makes strategic decisions, the Board of Supervisors supervises according to law, and Senior Management is authorised for operations, to monitor, evaluate, and manage climate-related risks and opportunities, integrating climate-related factors into strategic planning. The Branch formulates and implements policies related to green finance, while simultaneously enhancing the professional and managerial capabilities of management and staff in addressing climate change, thus building an image of a green bank.



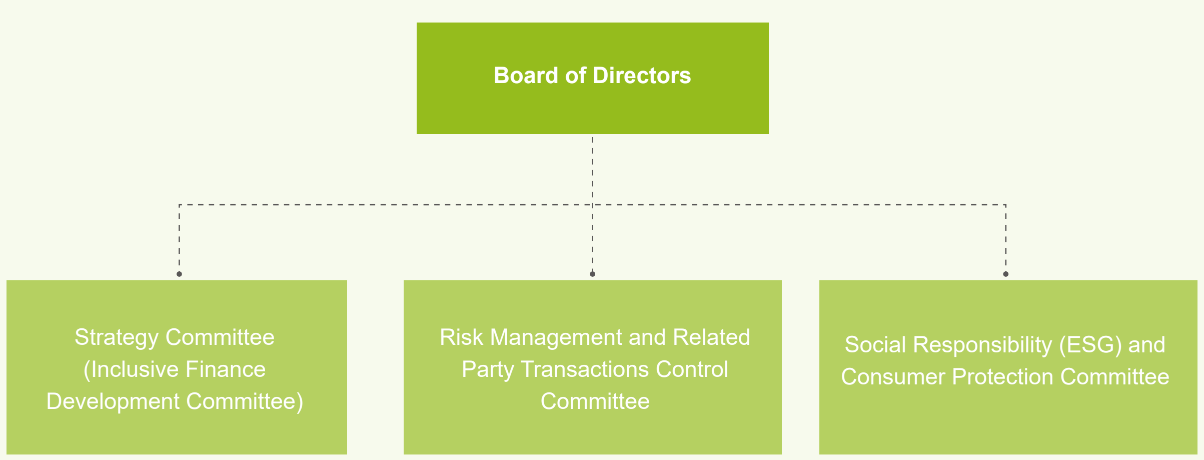
# Board of Directors

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.

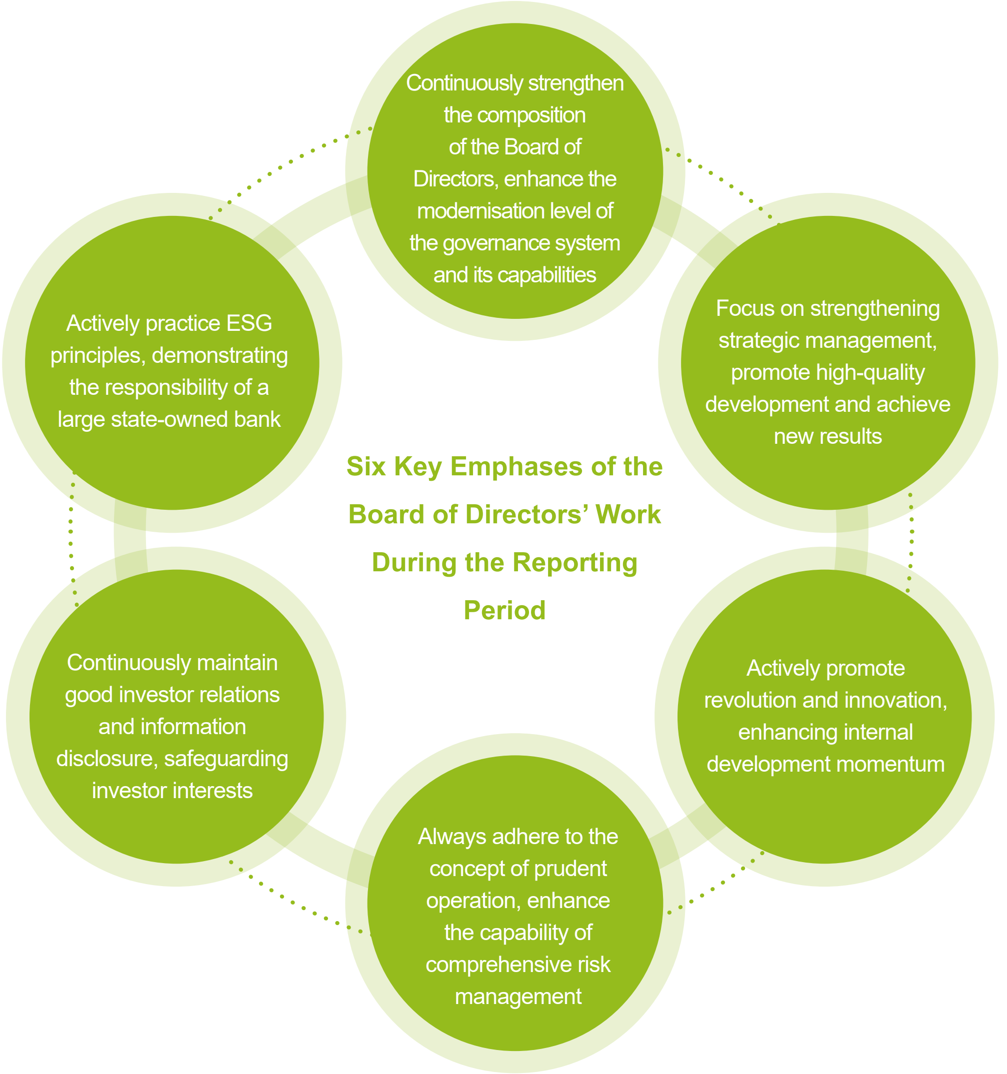
The Board of Directors is the highest decision-making body of the Head Office, responsible for establishing and promoting green concepts such as conservation, low-carbon, environmental protection, and sustainable development throughout the entire organisation. It approves the green finance development strategies and important policies formulated by Senior Management. The main responsibilities of the Board of Directors include formulating strategies, determining business plans and investment proposals, formulating amendments to the Articles of Association and listening to work reports from the President. During the process of formulating major strategies and related policies for the identification and management of climate risks and opportunities, establishing a comprehensive risk management system, overseeing capital utilization and asset allocation, innovating and developing business, and monitoring the implementation of strategies and execution of various tasks, the Board of Directors have incorporated green finance-related issues into consideration.

The Board of Directors has established several committees including the Strategy Committee (Inclusive Finance Development Committee) (hereinafter referred to as the "SCIFDC"), Risk Management and Related Party Transactions Control Committee (hereinafter referred to as the "RMRPTCC"), Social Responsibility (Environmental, Social, and Governance, ESG) and Consumer Protection Committee (hereinafter referred to as the "ESGCPC"). Among these, the Board of Directors has clearly delineated the responsibilities of "SCIFDC", "RMRPTCC", and "ESGCPC" regarding climate-related issues, reinforcing the management and oversight processes of the Board and enhancing the climate governance system at the board level.

**Climate Governance Structure of the Board of Directors**






The selection criteria for members of the Board of Directors and the board-level committees include factors such as talent, skills, industry experience, educational background, gender, and age. Executive Directors have long been engaged in commercial banking operations and management, possessing rich banking expertise, and operation and management experience. Non-executive Directors have worked for many years in fields such as fiscal, economics, finance, audit, and corporate management, and have a high level of policy theories and practical experience in management. Independent Directors are domestic and overseas experts and scholars in various fields such as economy, finance, and ESG. 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, President of the Beijing Green Finance Association (Beijing Emissions Trading Association), Chairman of the Hong Kong Green Finance Association during the reporting period. His professional background supports and assists the Branch's work in the ESG field, ensuring that the Board of Directors deploys and decides on climate-related issues from a professional perspective.

During the reporting period, in light of the economic and financial situation and the Head Office's business development priorities, members of the Board of Directors actively conducted research activities and participated in training sessions at domestic and overseas branches. The research topics included serving the real economy, implementing development strategies, financial technology, inclusive finance, risk management, and internal control compliance management.

## Strategy Committee (Inclusive Finance Development Committee)

The Board of Directors has established the “SCIFDC”, primarily responsible for reviewing and studying the Head Office's development strategies and plans, supervising the implementation of annual operating plans, and evaluating the implementation of the Head Office’s governance systems.

## 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, 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 performance in ESG aspects. 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.

During the reporting period, the “ESGCPC” held a total of four meetings on March 29th, April 27th, August 24th, and October 26th respectively, deliberating and approving 12 motions. It continued to promote the development of green finance at the Head Office, and reviewed the annual report on the status of green finance work. The “ESGCPC” also provided professional opinions to the Board of Directors on improving focus areas and regions, promoting the sustained growth of green credit, steadily advancing green operations, and enhancing the system of green finance products and standards.

deliberating and approving

**12** motions



# Board of Supervisors

As a supervisory body, the Board of Supervisors is mainly responsible for supervision over development strategies, operational decisions, risk management and internal control. The Board of Supervisors has established three special committees, focusing on the deployment of climate strategies to ensure the implementation of national policy on “carbon peak and carbon neutrality”. Meanwhile, the Board of Supervisors also promotes risk analysis and management, internal control and compliance improvement, and performance evaluation. The Board of Supervisors performs its supervisory duties, by convening and attending various important meetings; conducting routine, dynamic and specialised supervision; oversighting and coordinating different committees; and organising supervisory research.

**Performance and Due Diligence Committee**

Supervise, conduct comprehensive evaluation of the performance of the Board of Directors, Board of Supervisors, Senior Management, and its members on climate risk and green finance, and report to the Board of Supervisors.

**Nomination Committee**

Supervise the selection and appointment procedures of the Board of Directors and Senior Management, performance appraisal system, and remuneration management system.

**Financial and Internal Control Supervision Committee**

Draw up supervision plans for the Branch’s financial activities, information disclosure, etc. and implementing relevant inspections, and its main responsibilities include financial supervision, capital supervision, internal control and compliance supervision, and risk supervision.

During the reporting period, the Board of Supervisors held a total of four meetings, reviewing reports on comprehensive risk management, inclusive finance, green finance, fixed asset investments, anti-money laundering, performance assessments, and compensation mechanisms. It reported regulatory opinions and the status of rectifying issues, ensuring the effective fulfilment of supervisory responsibilities.

the Board of Supervisors held a total of

**4** meetings

# Senior Management

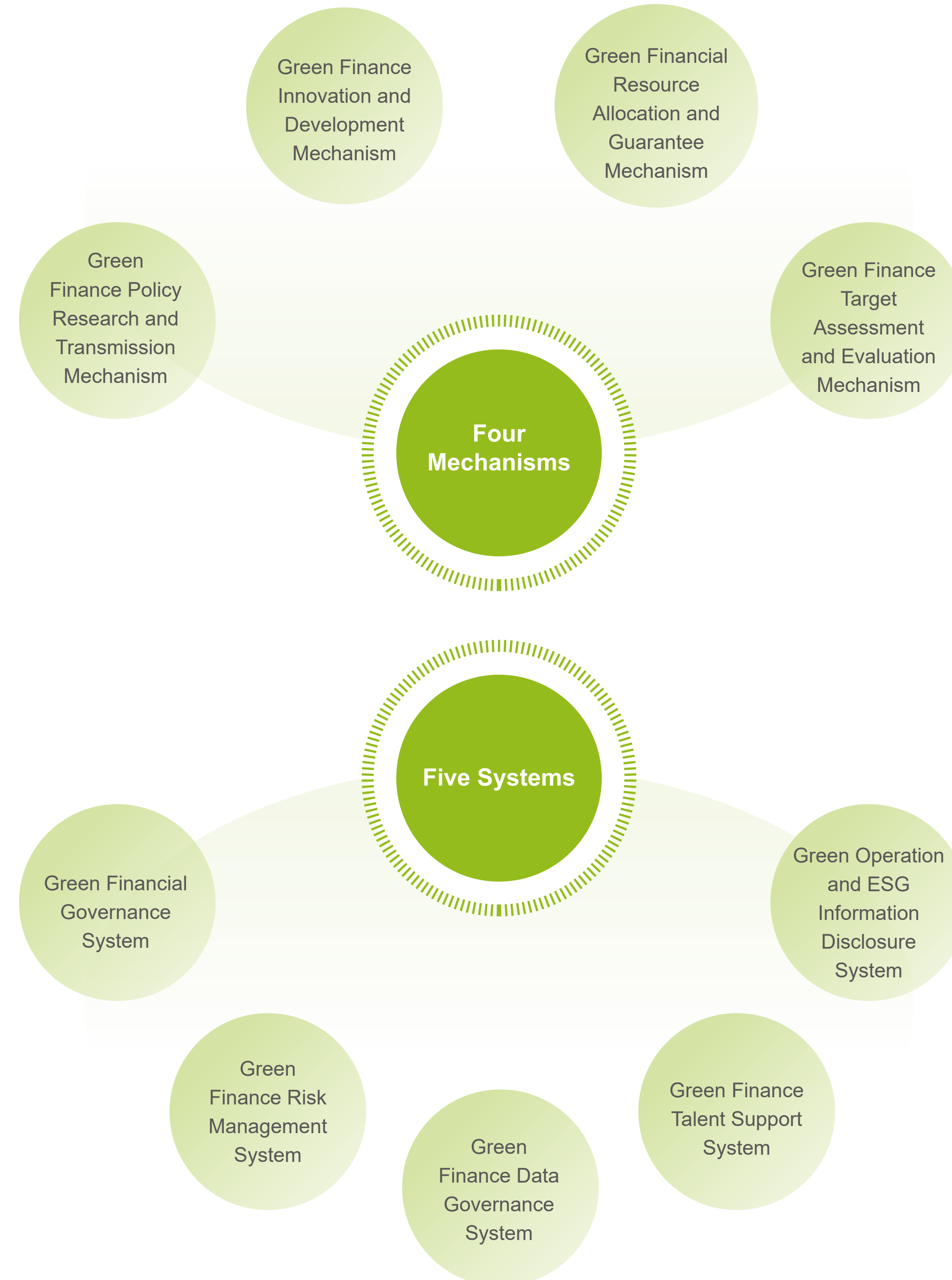
The Senior Management is responsible for coordinating the departments of the Branch to jointly execute the climate risk and green finance-related policies approved by the Board of Directors of the Head Office, implement the climate action plans formulated by the Board of Directors, and achieve the climate-related targets set by the Board of Directors. In addition, the Senior Management regularly reports the project progress to the Board of Directors and board-level committees to assist in evaluating climate-related management performance and monitoring the achievement of climate-related targets.

In order to align with the Head Office's risk management strategies, set risk control targets and strengthen risk management, the Branch has established the Risk Management Committee (hereinafter referred to as the "RMC") at the management level. Through holding quarterly meetings, the “RMC” collectively reviews and evaluates various risk-related policies such as climate risks defined by the HKMA and major issues related to risk management. The Chief Executive of the Branch serves as the chairman of the “RMC”, and the vice chairman is the Deputy Chief Executive in charge of the Risk Management Department, other members of “RMC” consist of all other members in the General Manager Office. The responsibilities of the "RMC" 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 Risk Management Committee**

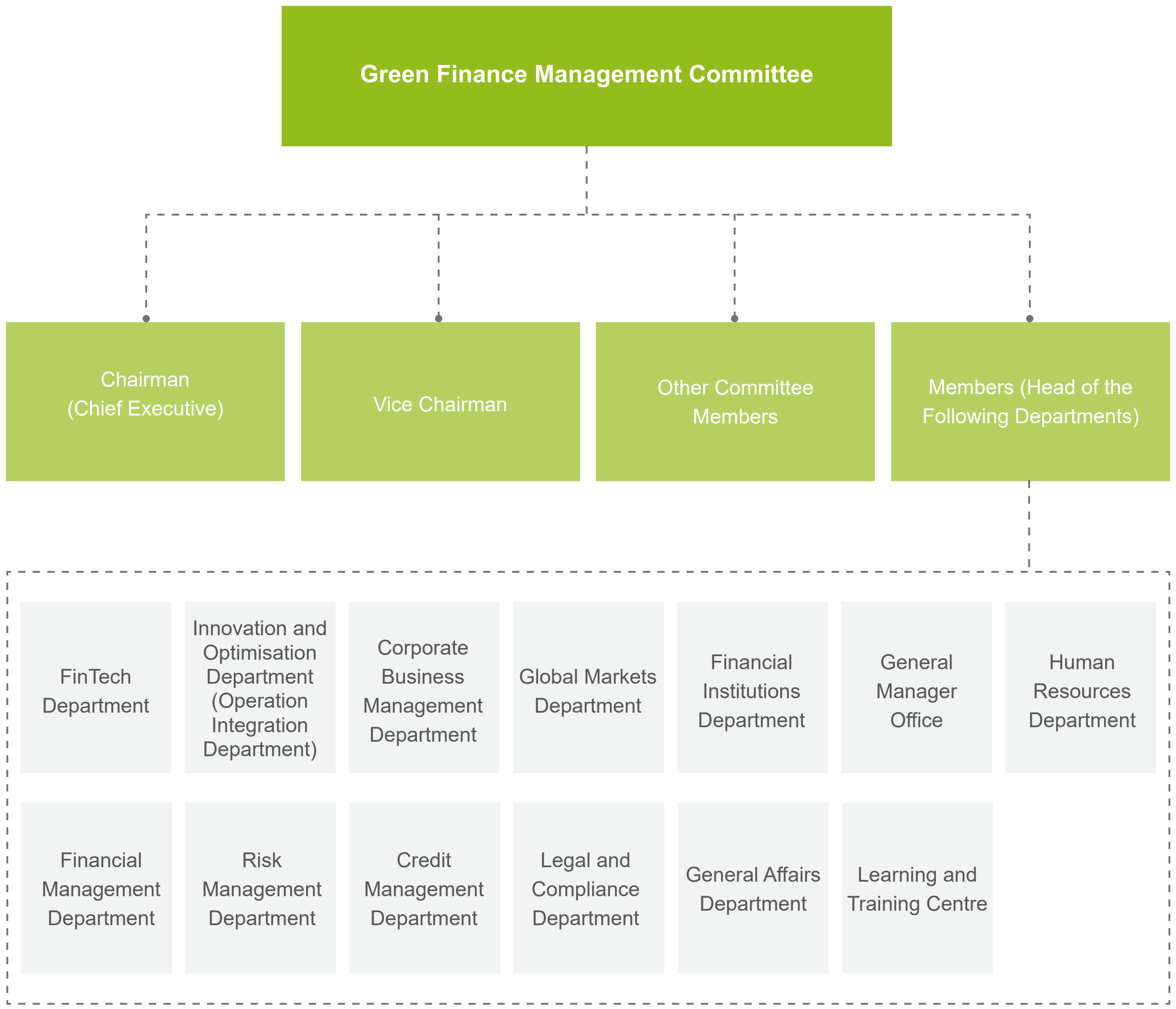



Furthermore, in order to promote the establishment and improvement of the "Four Mechanisms" and "Five Systems" of green finance according to the Head Office's green finance policies, the Branch has established the Green Finance Management Committee (hereinafter referred to as the "GFMC") at the management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






The "GFMC" convened one meeting in April 2023. The main focus of work during the reporting period is as follows:

- Reviewed and approved the establishment of the green finance brand of the Branch;
- Reviewed the report on the compliance with green finance regulations;
- Be Informed of the progress of green finance business development and the report on climate risk management.

**Reporting procedure of climate-related issues:**

When a climate risk event occurs or a climate risk regulatory standard is issued, the "RMC" will timely report in regular meetings. If the situation is urgent or there are multiple departments involved in the topic, the Branch will hold a "GFMC" meeting to invite all the relevant departments to participate in the discussion. The issues discussed in the "RMC" and "GFMC" meetings will be implemented immediately after being approved respectively by these two committees or reported to the Head Office for approval before implementation. Furthermore, the Branch will regularly report to the Head Office the issues discussed and decisions made of the "RMC" and "GFMC" meetings.

Apart from planning and daily management of climate and other ESG risks through the "RMC" 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. The "LRC" is a standing credit review organisation led by the "CAMC". When conducting large credit review activities, if a customer is recognised to have a higher climate risk exposure, the relevant risks will be analysed in greater depth.

# Human Resource Management

## Remuneration Policy

To encourage all levels to value climate-related issues, 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's 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

During the reporting period, 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)

## Employee Cultivation

To ensure that the Senior Management and relevant staff are promptly informed of the latest information on climate-related issues and have a comprehensive understanding of the development of climate-related issues globally, nationally, and regionally, the Learning and Training Centre held approximately 70 training courses on climate risk and ESG management during the reporting period. The following table lists some of the training courses held during the reporting period. Through these diverse training sessions, the Branch further strengthened its top-down design in climate risk and ESG, enhanced employees' professional skills and capabilities, and promoted the improvement of its climate governance system.

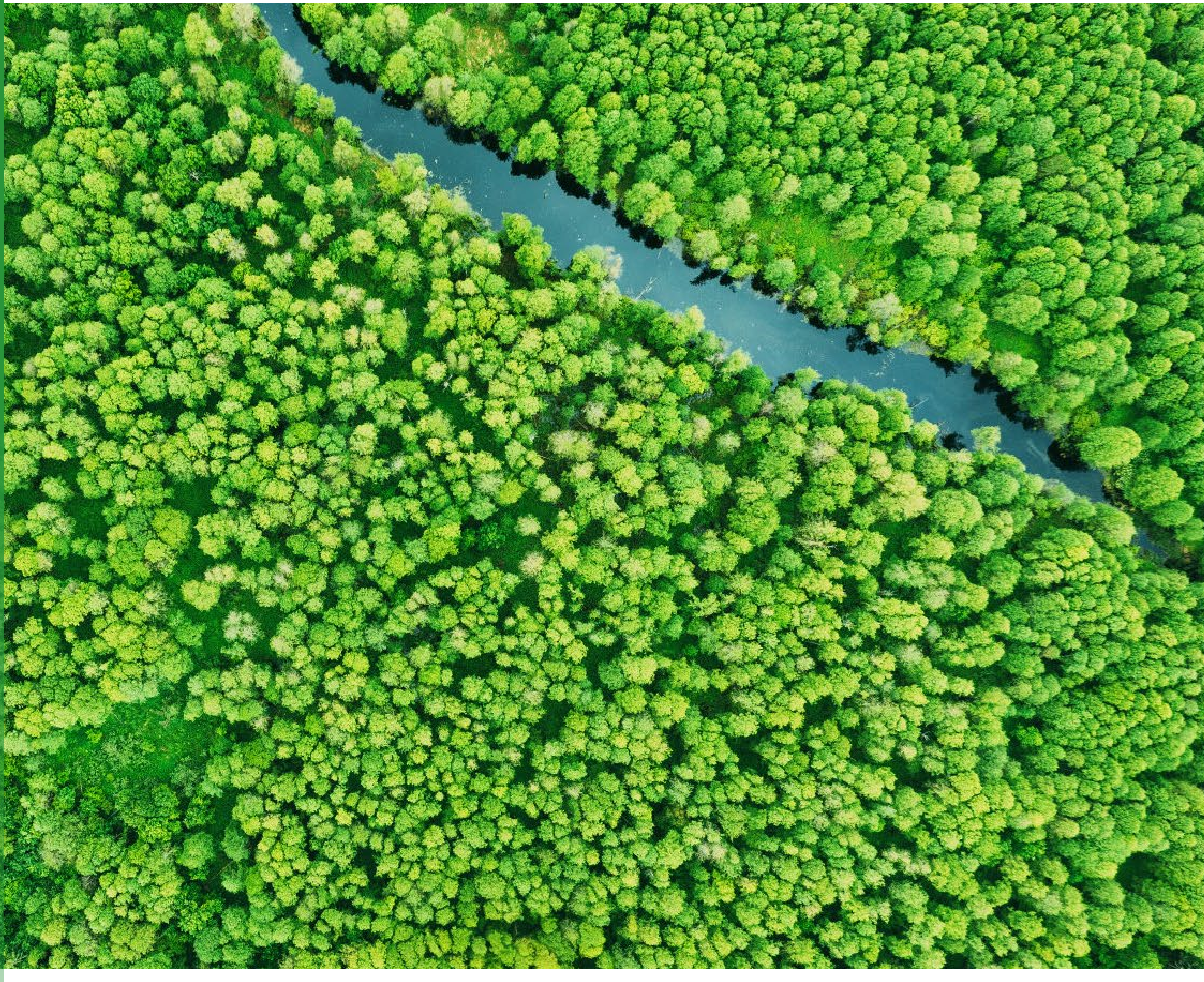
**Excerpts from Climate Risk and Green Finance-related Training and Lecture Activities Held in 2023**

| Training Participants | Training Course Titles |
|---|---|
| Senior Management | Climate Change Risk Management |
| | Planning for Net-zero Transition |
| | Innovative Practices in the Banking ESG Field and Major Opportunities for Green Finance Development |
| | HKIB Annual Banking Conference 2023 |
| All Employees | Overview of Sustainability and its Relevance to Banking |
| | Equal Opportunities Ordinance and Environmental Policies |
| | Climate Risk Management in Banking |
| Designated Employees | Basic Concepts of Greenhouse Gases and Fundamentals of Quantitative Data Collection |
| | Implications of ESG and Climate Risk to Banks |
| | Climate Change Risk Management |
| | Environmental, Social and Governance (ESG) Performance Evaluation |
| | ESG Fund Selling |
| | European Union Carbon Border Adjustment Mechanism (EU CBAM) |
| | Green Certification and Green Securitisation |
| | ECF-Green and Sustainable Finance (Module 1 and 2) |

# 02
# Strategy

Focusing on the issues of climate change and following the strategic deployment of the Head Office, the Branch has integrated green and low-carbon concepts into its corporate strategy. On top of strengthening the top-down design of green finance, 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, carbon finance, and other financial instruments. Moreover, the Branch has paid close attention to the green and low-carbon transition of the real economy, supported renewable energy, clean production, and ecological restoration projects, etc., to promote the whole society to take resolute steps towards the goal of sustainable development.





# Consolidate the Keystones of Green Development

In response to the national climate target of "carbon peak and carbon neutrality", the Head Office has 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 "dual carbon" 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 the "Outline of the Development Plan of Bank of Communications Co., Ltd. for the 14th Five-Year Plan Period (2021-2025) (Revised in 2022)" to anchor its business development in green. The Branch continues to explore green, low-carbon, and sustainable business models to offer customers comprehensive green financial services.

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

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.

Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and based on its reality, the “Action Plan of Bank of Communications for Carbon Peak and Carbon Neutrality Goals” defines the targets and priorities for the Branch in developing green finance to support China's dual carbon goal. It encompasses 16 specific action items, including optimising the credit structure and facilitating the green and low-carbon transition of the energy sector. It sets forth the Head Office's targets for 2025, 2030, and 2060. By 2025, the total balance of green loans is projected to reach at least RMB800 billion, with efforts made to reach RMB1 trillion.

The Branch relies on five key pillars of green development, accelerating the development and application of green financial products and services. By referring to relevant standards such as the "Common Ground Taxonomy" for sustainable finance, the Branch promotes green finance projects to enhance the quality of green finance development. It delves deeper into both domestic and international green finance markets to support the transition and upgrading of the real economy, striving to become a model enterprise in green finance at the national level.

### Five Key Pillars of Green Development

**01 Integrating green finance into the entire governance process**

- Clarify the requirements for climate and environmental risk assessment in credit evaluation
- Avoid involvement in overseas new coal-fired power projects

**02 Directing funds towards green areas**

- Develop green credit vigorously
- Tilt resources towards enterprises or projects with low pollution and low energy consumption appropriately

**03 Strengthening and enriching the green product portfolio**

- Expand existing advantages in green deposits, green bond issuance, and other products
- Enhance research and innovation in green products

**04 Expanding green finance market business**

- Learn from experiences in green bond investment
- Actively participate in overseas green finance markets

**05 Building a green finance brand image**

- Enhance the promotion of highlights in green finance business
- Strive to become a green representative in the financial industry

# Enhance the Resilience of Green Strategy

The Branch adheres to the guidance of the Head Office and considers green finance as a long-term development strategy. Firstly, at the business development level, the Branch has been making appropriate credit granting, preventing and controlling risks to realise the progression of green finance in coverage and quality. While developing its business, the Branch continues to enhance its ability to prevent ESG risks, climate risks and other emerging risks and incorporate ESG risk management requirements into the comprehensive risk management system. Secondly, in terms of industrial investment, the Branch supports the green and low-carbon transition of traditional industries as well as the development of green industries, serving for the establishment of a modernised industrial system. In terms of innovation and leadership, the Branch promotes innovation in systems, mechanisms and products and services, and continue to unleash new momentum for green development.

In accordance with the requirements of the Head Office and the Senior Management, the Branch incorporated climate-related issues into financial planning and deployment. By collecting budgeting information from various front-line units on climate-related risks and opportunities, 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 and financial compliance rate as part of its financial planning. At present, the Branch defines significant financial impact as a percentage of its asset size and annual income.

In the future, the Branch will continue its regular review on the relevance and importance of climate risks, progressively advance the development of the Expected Credit Loss (hereinafter referred to as "ECL") models. Furthermore, the Branch will utilise scenario analysis tools to comprehensively assess, manage, and supervise climate-related risks, deeply analyse the impact of climate change on business activities. At the same time, the Branch will also continue to review the consistency between corporate strategic planning and global, national, and Hong Kong's low-carbon transition pathways, enhance its capabilities to manage and respond to climate risks, strengthen the resilience of green development strategies, and continuously empower green development strategies.

# Lead the Low-carbon Transition for Clients

In response to climate change, accelerating the green and low-carbon transition of the whole society and optimising the investment of resource in the green sectors are important strategic directions of the Branch. The Branch has supported the green and low-carbon industries underlying the real economy to help the national economy circulate, offered more favourable interest rates to clients who launch green projects, and enhanced the green credits for industrial energy conservation and emission reduction retrofit projects.

### Integrate Climate Change into Corporate Strategic Planning

**Products & Services**

Improve the green financial system and vigorously develop green financial services

**Business Operation**

Promote the implementation of energy-saving measures throughout the bank to create an image of low-carbon operation

**Value Chain**

Increase the proportion of green assets progressively


**R&D Investment**

Increase the research and development (R&D) capital investment to develop and enrich the product category and service range of green finance

**Actions for Climate Change**

Improve the support for green projects (especially for carbon-negative projects)



Through research on climate-related risks and opportunities faced by clients in different industries, and understanding the emission reduction trends of policies and markets in the future, the Branch continues to provide valuable advice to clients on exploring low-carbon transition directions, and assists and encourages clients to establish climate-related goals and action plans by developing relevant businesses and products. During the reporting period, the Branch added "sustainable development elements" to its existing green deposits and launched "ESG deposits", making it one of the financial institutions in Hong Kong to pioneer such deposit services. The Branch has also engaged in in-depth cooperation with multiple authoritative certification organisations, successively launching various green financial products and services such as green loans and green mortgages. The Branch also regularly reviews the development strategy of green loans in the "CAMC", report the balance of green loans, and encourage business departments to increase investment in green loan-related businesses.

## Deposit Business

During the reporting period, on the basis of existing green deposits, the Branch added "Sustainable Development Elements" and launched the independently third-party certified "Green and Sustainable Development Deposit Scheme". The funds raised would be used for financing and/or refinancing green and sustainable development-related projects.

| Eligible Categories – Green Project Theme | Total Loan Amount (HKD) | Proportion |
|---|---|---|
| Renewable energy | 4.98 billion | 65.70% |
| Green buildings | 1.90 billion | 25.07% |
| Sustainable water and wastewater management | 0.70 billion | 9.23% |
| Total | 7.58 billion | 100.00% |

## Loan Business

Currently, the Branch provides green lending services through two dimensions: individual projects and industries. The supported projects primarily include green projects certified by independent third parties or mortgage and development loans for residential projects with "Platinum" or "Gold" rating by the Hong Kong Green Building Council's BEAM Plus assessment, and conforming to the standards set by the Head Office based on the People's Bank of China and the National Financial Regulatory Administration. The relevant loan services cover six major categories according to the green industry classification formulated by the Head Office: energy-saving and environmental protection industries, clean production industries, clean energy industries, ecological environment industries, green upgrades of infrastructure, and green services.

The Branch follows the Head Office's "Implementation Measures of Green Lending in Bank of Communications" to dynamically assess the ESG performance of clients during due diligence. The Branch provides support in terms of vetting resources for credit applications that fall under the category of green loans, such as prioritizing the use of green vetting channels.

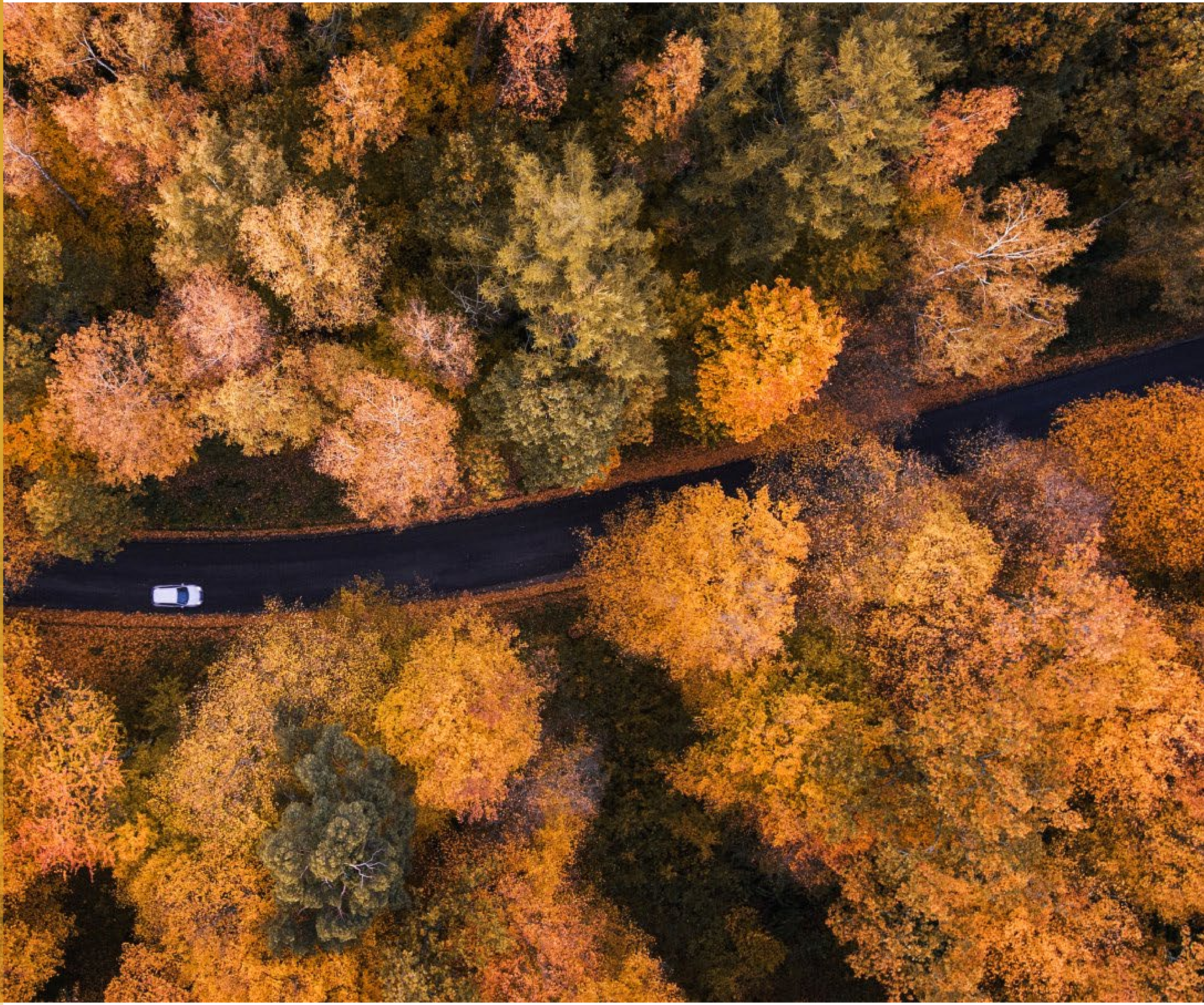
Meanwhile, the Branch continues to deepen collaboration with the Greater Bay Area in green finance, establishing green financing and service platforms in partnership with organisations such as the Hong Kong Green Finance Association and the Hong Kong Construction Industry Council. Proactively seizing the green finance opportunities brought by the Greater Bay Area and the Belt and Road Initiative, the Branch focuses on promoting green petrochemicals and actively participate in green infrastructure, clean energy, green transportation, and other green low-carbon projects, embodying the concept of green finance.

# 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.





# Climate Risk Identification

The climate-related risks identified and assessed by the Branch can be categorised into physical risks and transition risks. Physical risks refer to the financial impacts on the Branch arising from increasingly frequent extreme weather events such as hurricanes, cyclones or floods, or long-term shifts in climate patterns which may cause rising sea levels or chronic heat waves. Transition risk refers to that in response to climate change, the low-carbon transition of the economy may involve changes in policies, laws, technology and market, which may affect the Branch's financial performance and reputation.

The Branch has paid great attention to climate risk identification and assessment, covering the direct operational activities as well as upstream and downstream of the value chain. To identify climate-related risks accurately and comprehensively, the Branch has analysed the pathway and timescale through which different climate risks are transmitted to traditional risks.

### Analysis of Climate Risk Transmission Pathway to Traditional Risks

| Risk Type | Climate Risk Transmission Pathway | Timescale[1] | | |
|---|---|---|---|---|
| | | Short-term | Medium-term | Long-term |
| Credit Risk | Climate risk may lead to disruptions in the debtors' business operations or asset devaluation, affecting the borrowers' repayment ability and thereby increasing the bank's credit risk. | ✓ | ✓ | ✓ |
| Market Risk | Transition risks may affect the business operations and market expectations, resulting in fluctuations or declines in the bank's asset value. | ✓ | ✓ | ✓ |
| Operational Risk (Including Technology Risk) | Physical risks may lead to disruptions in the bank's operations and supply chain, affecting the normal conduct of business activities and resulting in losses. | ✓ | ✓ | |
| Liquidity Risk | In response to climate change events, the simultaneous increase in demand for borrowing and withdrawals may lead to capital shortage and increased liquidity risk. | ✓ | ✓ | |
| Legal Risk | The bank may confront the risk of violating laws and regulations by providing funds to industries not supported by national climate policies. In addition, the bank's operating costs may increase to meet compliance requirements. | ✓ | ✓ | ✓ |
| Strategy Risk | The bank may suffer losses by failing to make timely strategic adjustments to comply with newly promulgated climate-related policies. | ✓ | ✓ | |
| Reputation Risk | In the face of changing market and consumer preferences towards environmentally friendly products, services, and business practices, passive climate actions may expose banks to reputation risk. | ✓ | ✓ | ✓ |

[1] Short-term refers to 0-3 years, medium-term refers to 4-9 years, and long-term refers to over 10 years.

# 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 is assessed.

The Branch has conducted stress testing for various physical and transition risks, referring to both the Intergovernmental Panel on Climate Change (hereinafter referred to as the IPCC)'s Representative Concentration Pathway (hereinafter referred to as the RCP) 8.5 and the Delayed Transition Scenario from the Network of Central Banks and Supervisors for Greening the Financial System (hereinafter referred to as the "NGFS").

**IPCC RCP 8.5**

A scenario of high greenhouse gas (hereinafter referred to as the "GHG") emissions, assuming that GHG emissions continue to rise at current rates without climate change policy interventions[2].

**NGFS Delayed Transition Scenario:**

It is assumed that new climate-related policies will not be introduced until 2030 in various countries and regions worldwide, and the policy directions and action plans adopted vary among different countries and regions. Annual global GHG emissions will be also reduced from 2030 onwards[3].

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

### Physical Risk

The ECL of loans were affected through exerting pressure on the forecast for climate scenario of Hong Kong in mid-twenty-first century, which 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. 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 twelve high carbon emission industries (energy, thermal power, power transmission, metal and mining, cement, steel, glass, paper, construction, real estate development, aviation and shipping). The test result concluded that the impact of transition risks on ECL is immaterial.

[2] Climate change scenario settings are taken from the IPCC AR5 Synthesis Report: Climate Change 2014.
[3] Delayed transition scenario settings are taken from the NGFS Scenarios Portal.

## Credit Granting Assessment

Currently, the Branch has incorporated assessment requirements for customer climate risks and ESG risks into the "Implementation Rules for Credit Granting" with ESG risk assessment being one of the necessary conditions 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, 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*:**

- **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.

- **Pay attention to and assess the potential transition risks posed to debtors due to the low-carbon economy transition.**

  Evaluate the market development prospect and market structure changes. High-carbon emission industries (e.g. fossil fuel-related industries) will be restricted from operating or confronting a decline in resource value. Meanwhile, in response to consumer expectations and industry technology transformation trends, traditional products' market acceptance and competitiveness are decreasing. The risk of phasing out by market is also increasing. The strategic plan and implementation pathways developed by the clients in high-carbon emission industries for achieving “carbon peak" and "carbon neutrality" should be understood. Moreover, their technical and financial capability for technology transformation should be assessed comprehensively.

*Mainly for medium or large-scale enterprise credit customers or other non-personal credit customers with credit lines exceeding the equivalent of HKD200 million.

# Climate Risk Management and Monitoring

## 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 department as the last line of defence for risk management;
- Meanwhile, regularly assess the overall performance of the Branch's climate-related risk management;
- Monitor and enhance the construction and improvement of risk control capabilities.

To coordinate with the climate risk management strategies, the Branch has revised the “Articles of Association of Risk Management Committee” to incorporate the climate risk into the responsibility scope of the "RMC". 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.

Reviewed and approved by the "RMC", 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.

## Climate Risk Management Tool

Referring to the policies and standard documents related to high-climate risk industry classification and green finance taxonomy globally, nationally and regionally, the Branch has prioritised the materiality of climate risks for all relevant industries based on the management-level professional opinions to enhance the climate risk management effectiveness.

To manage and respond to climate-related risks, the Branch has integrated environmental performance into customers' regular risk rating standards, which will significantly affect their rating results.

## Climate Risk Management Enhancement

The Branch has developed the methodology for quantifying the financed emissions and established a data collection and management system. Relying on this, the Branch has collected the carbon emission activity data from customers in high-carbon emission industries and conducted the calculation and disclosure for financed emissions. During the reporting period, the Branch selected clients in key industries for interviews to understand their current climate-related risks and opportunities, and collected relevant carbon emission data to gradually enhance the accuracy of its analysis results. 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 carbon emission, support and promote the development of green finance and transition finance.

The Branch will remain attentive on the development of global, national and regional climate risk, gradually enhance the process of climate risk identification, assessment and management, and improve the risk information and data collection system. Considering the long-term nature, uncertainty and complexity of climate risk, 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 2023, 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 HKMA, the Branch continues to implement climate risk-related tasks. The Branch has strengthened communication with key industry clients and 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.



### Climate and Environmental Risk Management Key Initiatives

- Conduct internal carbon inventory and improve data management in accordance with operational carbon peak and carbon neutrality goals.
- Continuously implement the Bank of Communications' carbon peak and carbon neutrality goals for the years 2025, 2030, and 2060, actively developing green finance-related businesses and products.
- Calculate the corresponding financed emissions for clients in industries with significant carbon emissions in the portfolio and conduct interviews with key clients in order to improve the accuracy of data and understand the climate-related risks and opportunities faced by clients.
- Incorporate climate-related indicators into internal compensation policies. In this fiscal year's employee performance assessments, include criteria related to "supporting the bank's climate risk management strategy and relevant business or projects during the reporting period".

### Head Office's Climate Change Opportunities Outlook

- China, according to research, would need over RMB100 trillion to achieve its dual carbon goal, thus creating massive opportunities for commercial banks in green finance and transition finance.
- Innovative carbon finance products present new opportunities for financial institutions. Over the past few years, there has been significant progress in both traditional financial products designed to support reducing carbon emissions and financial products with carbon emission permits as the underlying assets.

In order to comprehensively analyse and identify the risks and opportunities arising from climate change, the Branch has established a qualitative 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

In strict compliance with the relevant national laws and regulations, the Branch implements the concept of green development and continues to provide green financial services to its customers. In strive for being an energy-saving and carbon-reducing practitioner, the Branch actively introduces green office practices and raise staff's awareness of environmental protection, reducing energy consumption and carbon emissions in its operation.

In 2023, the Branch quantified its operational carbon emissions in accordance with the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 Edition)" issued by the Hong Kong Electrical and Mechanical Services Department and the Environmental Protection Department.

The Branch's GHG emissions at the operational level are reported together with Bank of Communications (Hong Kong) Co., Ltd. and BCOM Finance (Hong Kong) Limited. The total GHG emissions at the operational level were 5,703.58 tons of carbon dioxide equivalent ($CO_2e$), of which Scope 1 direct GHG emissions were 164.43 $tCO_2e$, Scope 2 indirect GHG emissions from energy-related activities were 4,968.26 $tCO_2e$ and 570.90 $tCO_2e$ were Scope 3 indirect GHG emissions from upstream and downstream activities of its value chain.

GHG emissions at the operational level

**5,703.58** $tCO_2e$

Scope 1 direct GHG emissions

**164.43** $tCO_2e$

Scope 2 indirect GHG emissions from energy-related activities

**4,968.26** $tCO_2e$

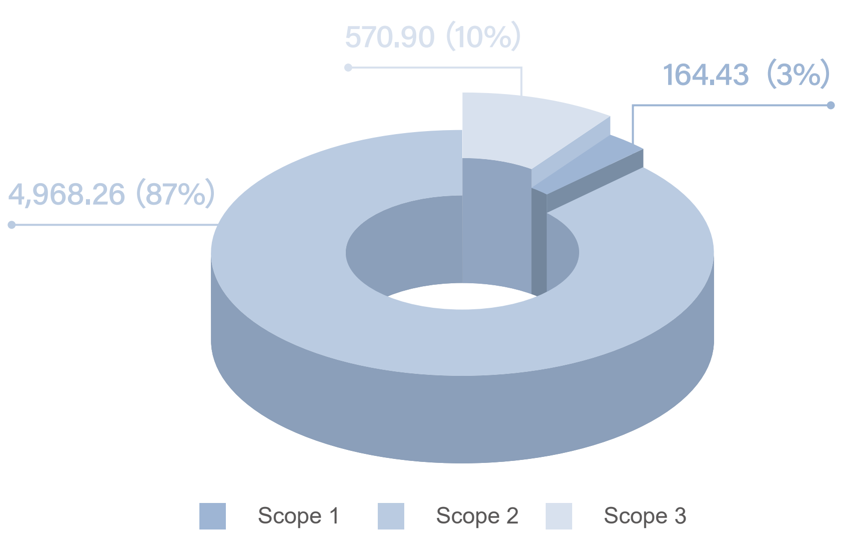
Scope 3 indirect GHG emissions from upstream and downstream activities of its value chain

**570.90** $tCO_2e$

## Operational GHG Emissions of the Branch

| GHG Emissions (Operational)[4, 5] | 2023 | Unit |
|---|---|---|
| **Scope 1** | **164.43** | $tCO_2e$ |
| Fugitive emissions-Fire suppression system | 6.75 | |
| Stationary combustion-Towngas | 66.19 | |
| Mobile combustion-Owned vehicles | 91.49 | |
| **Scope 2** | **4,968.26** | $tCO_2e$ |
| Purchased electricity | 4,954.02 | |
| Purchased gas | 14.24 | |
| **Scope 3** | **570.90** | $tCO_2e$ |
| Water processing-Freshwater and wastewater treatment | 6.00 | |
| Waste management-Wastepaper | 467.27 | |
| Capital goods-Paper and printers | 71.11 | |
| Business travel-Air travel | 26.52 | |
| **Total GHG emissions** | **5,703.58** | $tCO_2e$ |
| **GHG emissions intensity[6]** | **3.13** | $tCO_2e$/person |

## Operational GHG Emissions of the Branch in 2023 ($tCO_2e$)




[4] As defined in the GHG Protocol, Scope 1 includes direct emissions from gas combustion, vehicle fuel combustion and leakage from fire suppression systems; Scope 2 includes indirect emissions from the production of purchased electricity and gas; Scope 3 includes indirect emissions from water and sewage treatment, landfilling of wastepaper, purchased capital goods (paper and printers) and business travel (air travel).



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 into account its own business situation.

### GHG Emissions Targets of the Branch (Operational)

| 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 |

Apart from its own GHG emissions at the operational level, the Branch also adopts digital technology tools to enrich its online financial services channels and collects relevant data to establish other environmental impact indicators for assessing the environmental benefits.

In terms of digital services, the number of financial transactions conducted by the Branch's customers through mobile banking in 2023 increased by approximately 37% compared to 2022.

the number of financial transactions conducted by the Branch's customers through mobile banking in 2023 increased by approximately

↑ 37%

| Other Environmental Impact Indicators of the Branch | | |
|---|---|---|
| **Other Environmental Impact Indicators** | **2023** | **Unit** |
| Electricity consumption | 8,813.27 | MWh |
| Water consumption | 9,268.00 | $m^3$ |
| Gas consumption | 1,244,831.00 | MJ |
| Paper usage (A4) | 93.33 | t |
| Paper usage (A3) | 4.02 | t |

In the future, the Branch will continue to strengthen the collection and management of relevant data, promote green office and green procurement, reduce resource consumption and GHG emissions while providing green, low-carbon, high quality and convenient financial services to its clients.

[5] The scope of the operational GHG emissions includes the office premises of Bank of Communications Co., Ltd. Hong Kong Branch, BCOM Finance (Hong Kong) Limited, and Bank of Communications (Hong Kong) Limited.

[6] The carbon intensity is calculated based on the number of employees of Bank of Communications Co., Ltd. Hong Kong Branch, BCOM Finance (Hong Kong) Limited, and Bank of Communications (Hong Kong) Limited, which is 1,825 for the year 2023 (as at 31 December 2023).

# Financed Emissions

Based on the results of internal risk assessment, the Branch quantified and analysed the emission data for its loan and bond portfolios in 2023. Quantification was conducted based on information such as the clients' industry classification, average industry emission factors, etc. Taking the proportion of outstanding balance of loans to customers' debts and equities as the attributional factor, the Branch has evaluated the financed emissions associated with the investments from the Branch.

In 2023, the quantification of the Branch's financed emissions covers assets in 15 sectors from the loan and bond portfolios. The in-scope assets amount to HKD124.612 billion, with a total carbon emissions of approximately 0.3714 $MtCO_2e$. The average asset carbon intensity of loans and bonds is approximately 2.98 $tCO_2e$ per million Hong Kong dollars.

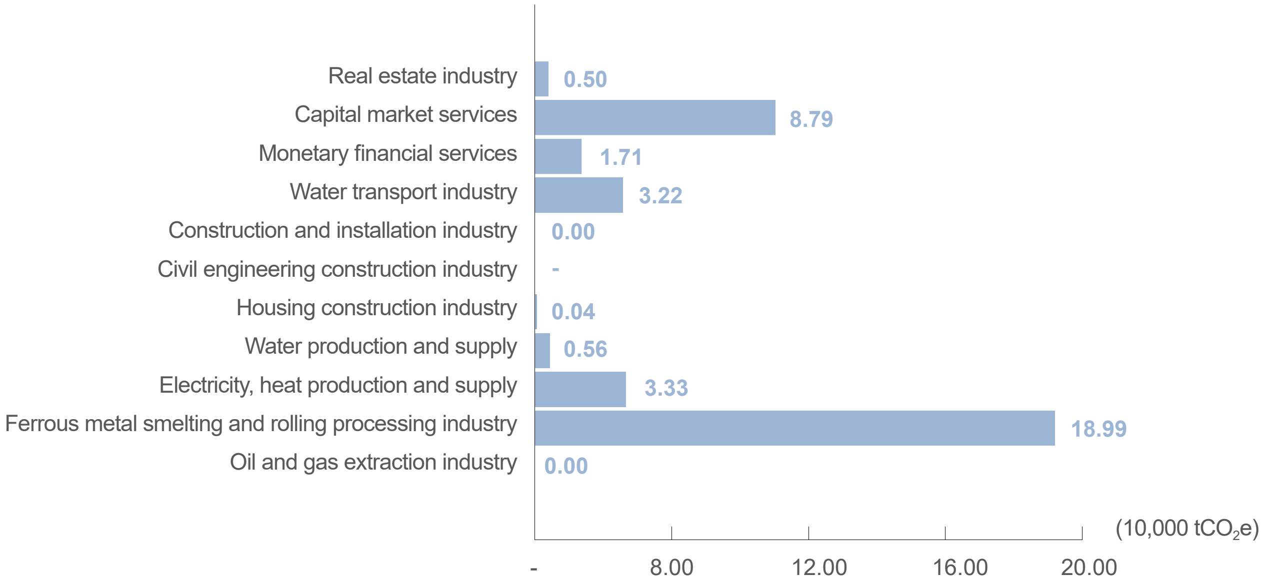
The in-scope assets amount to HKD

**124.612** billion

with a total carbon emissions of approximately

**0.3714** $MtCO_2e$

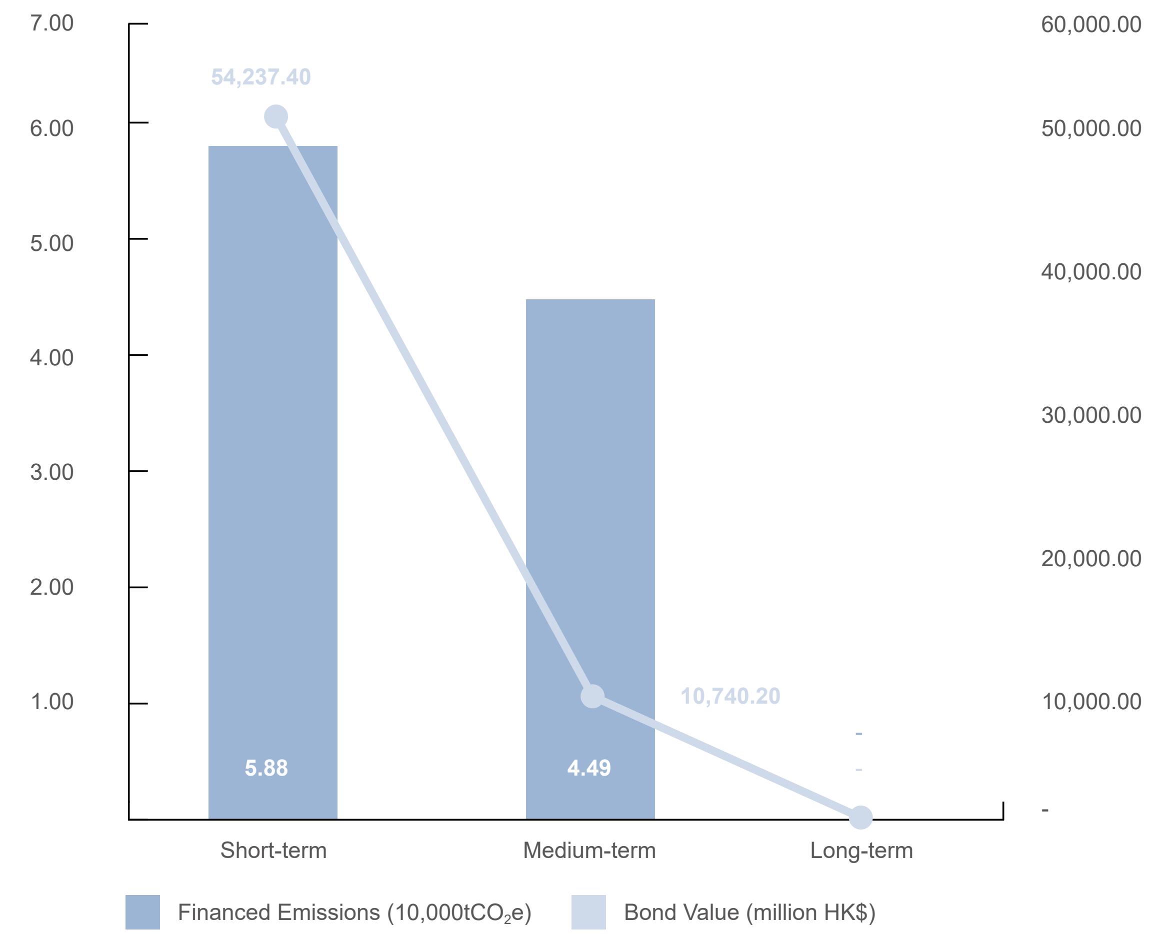
| Financed Emissions (Loans & Bonds) of the Branch in 2023 by Category | | | |
|---|---|---|---|
| Category | Financed Emissions (10,000 $tCO_2e$) | Percentage (%) | Emissions Intensity ($tCO_2e$/million HKD) |
| Loan | 26.77 | 72.09% | 4.49 |
| Bond | 10.36 | 27.91% | 1.59 |
| Total | 37.14 | 100.00% | 2.98 |




Financed Emissions (Loans & Bonds) of the Branch in 2023 by Industry Classification (GB/T 4754-2017)[7]

[7] In this year, the Branch has made various adjustments to improve the accuracy of the data for the quantification of its financed emissions:
1.The industry classification of clients has been adjusted according to the actual nature of their business. Clients which involve in multiple business areas are categorised according to the business that accounts for the largest share of their revenue. The "Electricity, heat production and supply industry" only includes clients who use conventional fossil fuels in their operations, and does not include nuclear, hydroelectric, waste-to-energy or other renewable energy sources.
2.Adjustments were made to the sectoral average emission factors by using the Gross Domestic Product (GDP) and the total value of assets of the sector to improve accuracy.
3.Based on the results of interviews with key clients and information publicly disclosed by clients, the calculation method of financed emissions for key clients was improved.
As a result, the financed emissions disclosed in the current year differed to a certain extent from the results of the previous year.






Outstanding Balance and Financed Emissions (Bonds) of the Branch in 2023 by Tenor

In this year, the Branch conducted research interviews with key industry clients to gather in-depth understanding of their needs and current status regarding climate change and green transition. This provided an opportunity to optimise the data quality and credibility of carbon emission accounting at the investment and financing levels of the Branch. Moving forward, the Branch will continue to provide relevant training for front-line units such as client managers, with a primary focus on key industries with significant emissions. The Branch will liaise closely with clients and suppliers to promote green transition among industry clients while enhancing risk management for its own investment and financing portfolios, and supply chains. By doing so, the Branch aims to seize market opportunities in the green and low-carbon race together. Currently, the Branch has set targets for carbon emissions at the investment and financing levels:

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

# 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.

**"Strategic Projects"**

- Points would be awarded for related departments completing projects in green finance, technology-based finance, digital transformation business, green loans, sustainability-linked loans, 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 optimising business processes, reducing operational costs and significantly improving customer experience.

**"Support for Climate Risk Management Strategies and ESG Projects"**

- The Branch has added a new assessment criteria. 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 multiple green financial services such as green deposits and loans, green bonds investment, underwriting of ESG bonds and green mortgages, actively promoting green and sustainable development. The Branch is progressively improving its green credit guidelines, 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 at the end of the reporting period, the outstanding balance of green loans and sustainability-linked loans at the Branch amounted to HKD2.8 billion, equivalent to an 250% increase compared to the previous year, accounting for approximately 2.7% of the total loan balance.

The outstanding balance of green loans and sustainability-linked loans at the Branch amounted to **2.8** billion

A year-on-year increase of **250** %

Accounting for approximately **2.7** % of the total loan balance.

**Case Study / Highlights: Successfully launched the first green and sustainable development deposit in the Greater Bay Area**

In 2023, the Branch pioneered the launch of green and sustainable development deposits in the Hong Kong market and successfully put into practice the first cross-border collaborative business of green and sustainable development deposits in the Greater Bay Area. This breakthrough established a new channel for cross-border cooperation in green finance, give new meaning to cross-border green finance cooperation.

**Case Study / Highlights: Issuing the First Sustainability-linked Loan for a Hotel Industry Company**

In order to assist clients in achieving energy-saving and emission reduction goals, the Branch granted the first sustainability-linked loan to a hotel industry company in 2023. This loan aimed to enhance the energy-saving and emission reduction performance of its owned hotel. The project underwent energy audits by an independent third party, with the proposed energy management plan serving as a sustainable development performance indicator for the loan. Additionally, hotels could apply special funding for energy-saving improvement projects from "Green Building Fund". An increase in the average hours of employee training and support for employee career development are also included in the loan's sustainability key performance indicators to further assist clients in achieving their green and sustainable development goals.

## Green Bonds

### Key Achievements: Continuous Growth in the Underwriting of ESG Bonds

The Branch has actively promoted the implementation of various ESG bond projects to support low-carbon development in various sectors. During the reporting period, the Branch assisted clients in issuing a total of 40 ESG bonds, including green bonds, blue bonds and sustainability bonds etc., with a total issuance amount equivalent to USD17 billion. This represents a 16% year-on-year increase.

Green bonds, blue bonds and sustainability bonds with a total issuance amount equivalent to USD

17 billion

A year-on-year increase of

16 %

### Key Achievements: Continuous Growth in the Green Bonds Investment

During the reporting period, the Branch increased its investment in green finance, with the investment balance of green finance bonds reaching HKD11.5 billion, a year-on-year increase of 401.2%. Supported areas include clean energy, green infrastructure upgrades, energy conservation and environmental protection, and clean production.

The investment balance of green finance bonds reached HKD

11.5 billion

A year-on-year increase of

401.2 %

### Key Achievements: Successful Issuance of an Inaugural Green Bond

In order to further respond to the development of green finance and promote the integration of green finance with international standards, the Branch successfully issued its first green bond in 2023, with a tenor of 3 years and an issue size of USD500 million.

The proceeds will be used to finance and/or refinance eligible green assets in accordance with the Bank of Communications Co., Ltd. Green Bond Framework (the Framework). The bond issuance attracted strong subscription from global investors, with orders exceeding USD2.85 billion and a subscription multiple of 5.7 times. The participating international investors from a wide range of regions, including Asia Pacific, Europe and the Middle East. The orders from green investors were outstanding, with an order volume of USD1.65 billion, accounting for 58% of the total order volume, fully demonstrating the confidence of international green investors in the development of green finance at Bank of Communications.

In 2023, Bank of Communications successfully established the Framework in accordance with the Green Bond Principles (GBP) of the International Capital Market Association (ICMA) and became the first financial institution to incorporate the EU-China Common Ground Taxonomy (CGT) in the framework. The Framework was awarded an SQS2 (Very Good) Sustainability Quality Score by Moody's, the highest score for a green bond framework awarded to a financial institution in the Asia-Pacific region by Moody's since it updated its Second Party Opinion (SPO) rating methodology in October 2022. The Branch acted as a green advisor to assist the Head Office in formulating and publishing the Framework, which was highly recognised in the international market.

The Framework and green bond issuance have won multiple awards, including the ‘Outstanding Award for Green and Sustainable Bond Issuer (Financial Institution) - Visionary Green Bond Framework’ from the Hong Kong Quality Assurance Agency (HKQAA) and the ‘Best Green Bond - Financial Institution China - Offshore’ award from The Asset.



# Appendix

## TCFD Index

| TCFD Recommendations | Disclosure |
|---|---|
| **Governance** | |
| a) Describe the board’s oversight of climate-related risks and opportunities. | Chapter 1.1-1.2; Chapter 1.4 |
| b) Describe management’s role in assessing and managing climate-related risks and opportunities. | Chapter 1.3 |
| **Strategy** | |
| a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. | Chapter 2.1; Chapter 3.1 |
| b) Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning. | Chapter 2.2-2.3 |
| c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. | Chapter 3.2 |
| **Risk Management** | |
| a) Describe the organisation’s processes for identifying and assessing climate-related risks. | Chapter 3.1-3.2 |
| b) Describe the organisation’s processes for managing climate-related risks. | Chapter 3.3 |
| c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s comprehensive risk management. | Chapter 3.3 |
| **Metrics & Targets** | |
| a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. | Chapter 4.1 |
| b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. | Chapter 4.1-4.2 |
| c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. | Chapter 2.1; Chapter 4.1-4.4 |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