

## **Climate-related Disclosures of Bank of China International Limited**

Bank of China International Limited (“BOCIL”) is a limited liability company incorporated in Hong Kong. The principal activities of BOCIL are provision of banking, financial and other related services. BOCIL’s ultimate holding company is Bank of China Limited (“BOC Group”). BOC Group published its “2022 Bank of China Corporate Social Responsibility Report” (<https://www.boc.cn/en/aboutboc/boccsr/>). As a signatory to the United Nations Principles for Responsible Banking, BOC Group is committed to the mission of “Bridge China and the World for the Common Good”, firmly supports sustainable development, and promotes the realisation of the carbon peaking and neutrality (dual carbon) with financial strength. In strict adherence with the China national decision and plan of “carbon peak and carbon neutrality”, BOC Group fully implemented the Green Finance Guidelines for Banks and Insurers issued by China Banking and Insurance Regulatory Commission.

As part of the BOC Group, BOCIL operates within the context of BOC Group’s framework and adheres to the climate related objective, strategies and targets set by the BOC Group. For details of BOC Group’s climate related objective, strategies and targets, please refer to the BOC Group’s Social Responsibility Report <https://www.boc.cn/en/aboutboc/boccsr/>.

This document is BOCIL’s first climate-related disclosures. It provides an at-a-glance view of BOCIL’s progress and assessment towards the climate risk management. In view of BOCIL’s business model and operational scale, the climate-related risks exposed to BOCIL is relatively low. The comprehensive climate-related disclosures consistent will be included in BOCIL’s 2023 Interim Report.

### **1. Governance on Climate Risk**

BOCIL adopts the existing governance framework to oversee climate risk management. The Board of Directors (“Board”) is responsible for oversight of BOCIL’s approach to manage inherent risks, including climate risk which is embedded therein. To facilitate the Board to perform its oversight, the Board has formed a designated committee, namely Risk Committee (“RC”), and delegates its power to RC in risk management aspects of BOCIL. RC is responsible to provide independent oversight and guidance to the Board on BOCIL’s risk management matters, including but not limited to reviewing and providing recommendation of BOCIL’s risk appetite, risk management strategies, risk policies and guidelines and the adequacy of BOCIL’s risk management framework. Meetings of RC are organized on a quarterly basis.

The Board has also formed a designated committee, namely Strategy and Budget Committee (“SBC”), and delegates its power to oversee, review and monitor the objectives, overall strategy of BOCIL. SBC is responsible to assess and recommend to the Board the strategic business plans and oversee the implementation status of the business plans, including those related to climate risk. Meetings of SBC are organized on a quarterly basis.

The Board also delegates its powers to the senior management in managing all BOCIL’s affairs. BOCIL’s senior management is responsible for the proper functioning of the risk management framework in which climate risk is embedded. Executive Committee (“EC”) is the platform to

escalate material matters and exceptions to senior management. The Risk Control and Credit Committee (“RCCC”) is a sub-committee of EC which is the platform for senior management to monitor BOCIL’s risk exposure through reporting and escalation of material risk matters and exceptions, including those related to climate. Any emerging risks identified, including climate risk, are also required to be reported to senior management in RCCC. Meetings of RCCC are organized on a monthly basis.

### *Risk appetite related to climate risk*

To echo with the “green” initiatives to combat climate changes cascaded from BOC Group, qualitative climate risk consideration have been incorporated in BOCIL’s risk appetite which was approved by the Board in December 2022. BOCIL’s exerts rigorous control over credit extension to industries with high energy consumption and high pollution. BOCIL’s risk appetite is subject to annual review and approval by the Board. BOCIL shall adhere to the climate related objective, strategies and targets set by the BOC Group which aligns with China’s commitment of achieving carbon peaking before 2030 and carbon neutrality before 2060. For details of Bank of China’s climate related disclosure, please refer to the “2022 Bank of China Corporate Social Responsibility Report” at <https://www.boc.cn/en/aboutboc/boccsr/>

## **2. Strategy**

BOCIL continues to identify risks and opportunity including those relate to climate, which is part of the steps adopted by BOCIL in formulating business strategy. Any such strategy, including those relate to climate, is subsequently assessed for how the underlying risk can be managed, reduced or mitigated to align with BOCIL’s existing risk management framework which is ultimately overseen by our Board. BOCIL’s existing risk management framework enables risk management processes through which BOCIL identifies, assesses, monitors and manages the risks assumed in conducting business activities. Any climate related business strategy shall adhere with the climate related risk management approach as stated under BOCIL’s risk appetite.

As stated under BOCIL’s risk appetite approved by the Board in December 2022, BOCIL exerts rigorous control over credit extension to industries with high energy consumption, high pollution and overcapacity and gradually adjusts and optimizes the credit structure, and constantly improves the comprehensive benefit of green finance. Dedicated policy and guidelines are further in place to support business units regarding selection and review processes of new business initiatives and products in general, including consideration of various risk types and the climate risk factors embedded therein. Given that this risk management strategy relates to BOCIL’s lending decisions to customers and is bound by BOCIL’s risk appetite regardless of the external business environment such as temperature, this risk management strategy shall still apply under a 2°C or lower climate scenario. As of the 31 March 2023, BOCIL primarily provides private banking services to high net-worth individual clients, no credit facilities was granted to corporate clients engaging in climate sensitive industries.

BOCIL's climate strategy will be reviewed on a continuous basis to keep abreast with the changing landscape in shaping a climate friendly environment. Resilience of such new climate strategy, if any, will be reviewed with climate-related scenarios where applicable.

### **3. Climate Risk Management Framework**

BOCIL applies the risk management framework on climate risk which is governed in accordance with the bank's existing "three lines of defence" model. BOCIL performs quarterly risk assessment on climate risk to assess the materiality of climate risk exposure starting from Year 2023, and determine whether additional risk management measures are required to control the climate risk exposure. Climate risk considerations from the perspective of repayment ability are taken into account in periodic credit evaluation. In addition, concentration of collaterals exposures based on, inter alia, sectoral and geographical aspects are monitored for any potential impacts arisen from climate risk. Any potential climate risk related impacts are also assessed in the ongoing review of existing approved counterparties, as well as the risk assessment before BOCIL establishes business relationship with any counterparties. Business contingency planning in relation to both operations carried on by BOCIL and through outsourcing arrangement is in place. To further ensure operational resilience of BOCIL's critical operations, an operational resilience framework is established in Q1 2023 which is subject to continuous review and enhancement. Exceptions of Key Risk Indicators in relation to outsourced functions (e.g. HR, IT etc.) are required to be reported on a monthly basis. BOCIL has also incorporated climate risk considerations in the stress testing scenarios.

BOCIL is aware of the evolving importance in climate risk management and enhances the risk management framework on a continuous basis including the processes to identify, assess and manage climate related risk.

### **4. Metrics and Targets**

BOCIL primarily provides private banking services to high net-worth individual clients through offering uncommitted revolving loans. "Energy", "Industrials" and "Utilities" are considered to be sectors which are more sensitive to the impacts from climate changes, thereby such sectors should contain exposures at an elevated risk from the impacts of climate change. However, the aggregate exposure of such collaterals as percentage of Tier 1 capital was maintained at low single digit level and management considered to be fairly low as of end of March 2023, and such low level of collateral sectoral exposure is expected to continue. Despite the anticipated low level of sectoral exposure and the level is currently being monitored at least on a monthly basis, explicit sectoral exposure cap will be further established to compare against the actual sectoral exposure for each applicable industry sector. BOCIL will continuously evaluate the need to further establish other applicable metrics in the future when more climate-related opportunities are identified.

BOCIL has ensured applicable policies and guidelines have embedded climate risk considerations and monitored relevant metrics periodically. BOCIL does not lend directly to corporates under the current operational model and the approved risk appetite discourages lending to industries with high energy consumption and high pollution.

BOCIL is aware of the evolving importance in climate risk management and is in progress to further enrich the existing collateral sectoral metric mechanism.

BOCIL primarily provides private banking services to high net-worth individuals in the banking sector. Regarding the Greenhouse Gas (“GHG”) emission under Scope 1 (i.e. GHG emission directly made by BOCIL by means of, for example, boilers and vehicles etc.), it is considered to be minimum based on the nature of business activities carried out by BOCIL. Given the current operating scale of BOCIL in Hong Kong, we also consider that GHG emission under Scope 2 (i.e. GHG emission indirectly made by BOCIL from, for example, electricity generated to carry out BOCIL’s business operations) is also relatively low compared with other banks in Hong Kong.

BOCIL is in the process of collecting quantitative data including GHG emission data to enrich the metrics and targets disclosures in accordance with the TCFD recommendations. We target to provide update on the relevant disclosures in our upcoming annual report.

June 2023