



中國銀行
BANK OF CHINA

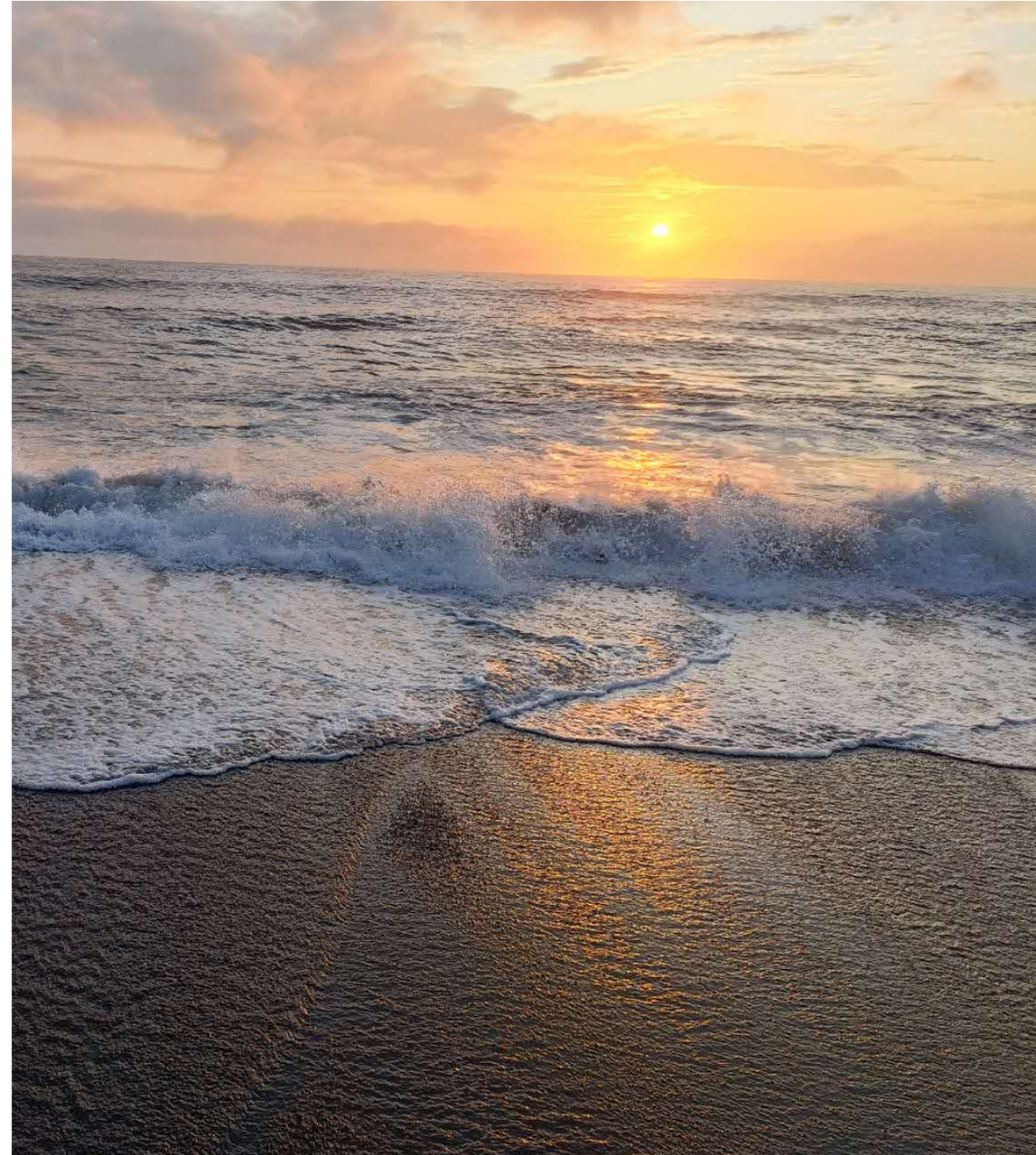
Bank of China New Zealand Banking Group

Climate-Related Disclosure

for the year ended 31 December 2024

Contents

- Introduction 2**
 - Important Information
 - Statement of Compliance
 - Assurance
 - Foreword from the Chair and CEO
- 1. Governance 4**
 - Our Approach to Governance
 - Board Governance
 - Executive Governance
- 2. Strategy 7**
 - Our Business Model, Purpose and Strategy
 - Current Climate-Related Financial Impacts
 - Scenario Analysis
 - Our Climate-Related Risks, Opportunities and Anticipated Financial Impacts
 - Capital Deployment
 - Transition Plan
- 3. Risk management 20**
 - Climate Risk Transmission Paths and Horizons
 - Integrating Climate-related Risks into Risk Management Framework
- 4. Metrics and targets 24**
 - Operational Greenhouse Gas Emissions
 - Operational GHG Emissions Intensity
 - Physical and Transition Risks
 - Opportunities and Capital Deployment
 - Industry Based Metrics
 - Management Remuneration
 - Internal Emissions Price



Important information

Bank of China New Zealand is a climate reporting entity (CRE) and is required to prepare climate-related disclosures under Part 7A of the Financial Markets Conduct Act 2013 (FMCA) and the Aotearoa New Zealand Climate Standards (NZ CS).

This document contains Bank of China New Zealand climate-related statement for the reporting period from 1 January 2024 to 31 December 2024 (FY24), and complies with the NZCS issued by the External Reporting Board (XRB).

To reflect the different legal entities, in this document:

- **Bank of China New Zealand, BOC New Zealand, BOC NZ Banking Group**, and the **Banking Group** means Bank of China New Zealand Banking Group, consisting of Bank of China (New Zealand) Limited (BOCNZ) and Bank of China Auckland Branch, both are registered legal entities in New Zealand.
- **BOCNZ**, the **Bank** or **we** means Bank of China (New Zealand) Limited.
- **BOC Group** or the **Parent Group** means Bank of China Limited and its subsidiaries registered in China, the parent group of BOCNZ and BOC NZ Banking Group.

This document contains climate-related and other forward-looking statement and metrics, and is subject to known and unknown risks, uncertainties and other factors that may be beyond the Banking Group's control, and should not be considered as guarantees, predictions or forecasts of future climate-related financial performance or outcomes. As a result, readers should make their own assessments and not place undue reliance on this document.

While we prepared this document based on our current knowledge, expectations and intentions and in good faith, we reserve the right to change our views and intentions in future as new information becomes available to us.

The primary audience of this statement are our shareholders, BOC Group and Medium Term Note holders.

For details on our financial performance, please refer to the Financial Disclosure Statement on our website at www.bankofchina.com/nz/en/.

You can also read further information relating to Bank of China report on our parent bank's website at www.bankofchina.com/en/investor/.

Statement of Compliance

This climate-related disclosure complies with the Aotearoa New Zealand Climate Standards.

In preparing its climate-related disclosures, the Bank has elected to use the following adoption provisions:

- Adoption provision 1: Current financial impacts
- Adoption provision 2: Anticipated financial impacts
- Adoption provision 4: Scope 3 GHG emissions
- Adoption provision 5: Comparatives for Scope 3 GHG emissions
- Adoption provision 6: Comparatives for metrics
- Adoption provision 7: Analysis of trends
- Adoption provision 8: Scope 3 GHG emissions assurance

These adoption provisions exempt BOC New Zealand from disclosing the above information.

Greenhouse gas emission reported in this climate-related disclosure are calculated in accordance with ISO 14064-1:2018 (refer to section 4.1 and appendix 1-4 for details).

Assurance

Ernst & Young (EY) has performed the following assurance in respect of this climate-related disclosure:

- Limited assurance over the Scope 1 & 2 greenhouse gas (GHG) emission disclosed for the reporting entity.

EY's independent Assurance Report is included at the end of this climate-related disclosure. EY's assessment does not extend to the other disclosures in this Statement in relation to Governance, Strategy, Risk Management, or other Metrics & Targets.

Foreword from the CEO



Chief Executive Officer
Warren (Beihai) Hu

Climate-related disclosures have become increasingly important for financial institutions worldwide, including Bank of China New Zealand. As stakeholders increasingly seek transparency in how banks address climate-related risks and opportunities, we are committed to playing our part in fostering a sustainable future.

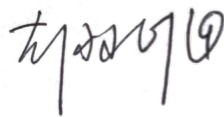
At BOC New Zealand, we are taking decisive action to align with the global movement toward environmental sustainability. Guided by the strategic vision and commitments of our Parent Bank, Bank of China, we actively support and implement initiatives such as the United Nations' Principles for Responsible Banking (PRB), the Task Force on Climate-related Financial Disclosures (TCFD), and the Green Investment Principles for the Belt and Road Initiative (GIP). These frameworks underscore our dedication to integrating climate considerations into our operations and decision-making processes.

We are equally committed to supporting our customers in their transition to a low-carbon economy. By cultivating regional green finance capabilities and advancing sustainable finance solutions, we aim to empower businesses and communities to achieve their environmental goals.

BOC New Zealand continues to innovate and optimise our products and services by leveraging our global reach and diversified business platforms. Our efforts are focused on facilitating carbon reduction goals and contributing to the transition toward a green, low-carbon economy and society. Through these initiatives, we are opening a new chapter in our mission to drive progress and create value through responsible finance.

Together, we are building a sustainable future, one that balances economic growth with environmental stewardship.

This climate-related disclosure is signed on behalf of Bank of China New Zealand on 28 April 2025:



Warren (Beihai) Hu

BOCNZ Director and Chief Executive Officer





Governance

Strategy

Risk Management

Metrics and targets

1.1 Our approach to governance

Bank of China New Zealand Banking Group consists of two entities: Bank of China (New Zealand) Limited (known as BOCNZ, a subsidiary of Bank of China with its independent local Board) and Bank of China Auckland Branch (as a branch of Bank of China, directly reports to the BOC Head Office senior management).

Bank of China New Zealand continues to optimise and integrate low-carbon transition into local daily operations. This aligns with the business strategy and climate related initiatives set by BOC Group, which factor into the risk appetite of the local lending portfolio and our preference in the business development for different industries.



<p>Bank of China</p>	<p>Board: ultimate responsibility for the overall strategy, and overseeing climate risk management.</p> <hr/> <p>Strategic Development Committee Regularly review the sustainable finance strategy and its implementation.</p> <p>Risk Policy Committee Regularly review the Bank's environmental and social risk management related topics.</p> <p>Personnel and Remuneration Committee Incorporate sustainable finance-related indicators into the performance assessment of its senior management members, linking the results to their remuneration.</p> <p>Corporate Culture and Consumer Protection Committee Regularly review the Bank's ESG-related development plans, policies and reports.</p>		
<p>BOC Group Executive /Senior Management</p>	<p>Green Finance Committee Regularly review issues such as the Bank's green finance and customers' ESG risk management, with a member of senior management serving as the chair.</p>		
<p>BOC New Zealand Senior Management</p>	<p>Risk Management and Internal Control Committee (RMICC) Oversee the overall ESG related financial and non-financial risk, as well as other risks.</p>	<p>Asset Liability Committee (ALCO) Oversee climate-related stress testing, and ICAAP</p>	<p>ESG Committee Oversee the implementation of ESG related resolutions and decisions, establish ESG related policies and supervision, including all climate-related matters.</p>
<p>BOC New Zealand Key Supporting Functions & Employees</p>	<ul style="list-style-type: none"> • Risk • Finance • General Admin • IT and Operations • Sustainable Finance (Corporate Banking) • Home Loan (Personal Banking) • Internal Audit • Climate-related disclosure working group 		

1.2 Executive Governance

BOC New Zealand's senior management team is responsible for effectively managing the Bank's climate-related risks and opportunities.

Risk Management and Internal Control Committee (RMICC)

At senior management level, risk is overseen by the CEO through the RMICC, which supports the oversight of material risks across the Bank, including climate-related risks. As part of this oversight, RMICC receives quarterly risk reporting from the wider business, which includes updates on sustainability-linked loan and climate-related risks.

In FY24, RMICC met every quarter. During FY24, RMICC reviewed the ESG related risk appetite, including climate-related risks. The Bank's risk strategy, including the ESG sustainability and climate related strategy, was also reviewed and recommended by the Committee for approval.

A comprehensive risk report covering climate-related risks is prepared every quarter and submitted to the Senior Management and BOC Head Office for their review.

Asset Liability Committee (ALCO)

ALCO plays a critical role in a bank's financial management, including oversight of stress testing and the Internal Capital Adequacy Assessment Process (ICAAP).

In FY24, climate-related risk was included in the Bank's ICAAP framework, and the Bank incorporated the potential climate-related impact and scenario analysis into the ICAAP to assess the impact of adverse conditions on capital adequacy.

ESG Committee and other supporting functions

ESG Committee oversees the implementation of ESG related resolutions and decisions. The Committee was supported by various departments, including Risk, Finance, General Admin, IT Operations and frontline businesses.

During FY24, the Committee reviewed climate-related disclosure for FY23, provided information and/or recommendations to the Senior Management and the BOCNZ board. Various training in related to the climate-related risk identification and customer ESG assessment were initiated by the Senior Management, and provided to individual staff within the Bank to promote risk awareness. The supporting function launched and successfully executed multiple operational initiatives focused on energy conservation and supporting the organization's transition to low-emission practices.

Strategy Implementation

Climate-related risks and opportunities are considered as part of the strategy of BOC Group. BOC New Zealand adopts the same view and includes climate-related considerations when we update our strategy. These updates are required to be reviewed and approved by the Senior Management and the local Board. The Board keeps track of the implementation of our strategy during the quarterly Board meetings.

Skills and competencies

Senior Management conducts self-assessment to reflect their skills and competencies including providing oversight of climate-related risks and opportunities relevant to BOC New Zealand.

BOC NZ Banking Group includes training sessions in the annual work plan and additional professional training is made available, as required, to help Executives individually and collectively develop and maintain their skills and knowledge.

The Senior Management's continued upskilling in climate-related matters will remain a focus in FY25.

Climate metrics and targets

During the Senior Management meetings, the Senior Management receives reports about the sustainable lending volume and carbon intensity. The process for setting metrics and targets is managed by the financial management department and reviewed on an annual basis. The performance metrics are not currently directly incorporated into BOC New Zealand's remuneration policies.

Executive remuneration

BOC New Zealand's executive performance and remuneration framework applies to the CEO and senior management team. The performance is measured based on their KPI scorecard, which consists of objectives and measures across our people, customers, strategy, risk and financial outcomes.

The climate-related performance is one measure in the CEO and senior management team's KPI for FY24. The assessment is both qualitative and quantitative, and reviewed by the Board.



Governance

Strategy

Risk Management

Metrics and targets

2.1 Our business model, purpose and strategy

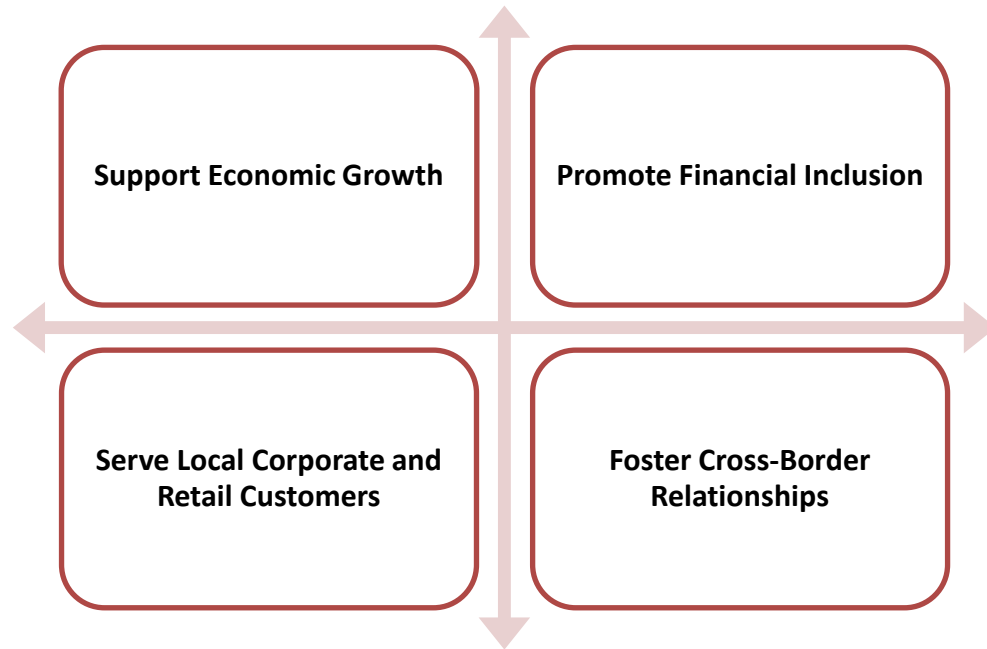
BOC New Zealand operates as a commercial bank in New Zealand, providing a range of financial services to individuals, businesses, and institutions. It has a subsidiary Bank of China (New Zealand) Limited and a branch Bank of China Auckland Branch. Its business model, purpose, and strategy are aligned with the broader goals of its parent company while catering to the specific needs of the New Zealand market.

Business model

BOC NZ's business model focuses on delivering a range of banking and financial services to its customers, leveraging the global expertise and resources of the Bank of China while adapting to the local New Zealand market. Its core business areas include:

- **Corporate banking:** offers financial solutions to businesses, including business loan and trade finance, cash management and treasury service, foreign exchange and international trade services, project financing and working capital.
- **Retail banking:** Provides personal banking products and services to individual customers, including: residential mortgage loans, saving and deposit accounts.

Our purpose



Our climate strategy

BOC New Zealand's climate strategy is designed to align with the broader goals and commitments of its parent bank the Bank of China and the growing emphasis on sustainability in the financial sector while addressing the unique characteristics of the New Zealand market.

Key strategic priorities include:

- **Green Finance and Sustainable Lending:** support projects and businesses that contribute to environmental sustainability.
- **Climate Risk Management:** Identify, assess, and manage climate-related risks in the bank's operations and portfolio.
- **Support for New Zealand's Climate Goals:** Align with New Zealand's national climate objectives, including its commitment to net-zero emissions by 2050.
- **ESG Integration:** Embed environmental, social, and governance (ESG) considerations into decision-making processes.
- **Carbon Footprint Reduction:** Minimize the bank's own environmental impact.
- **Awareness and Collaboration:** Promote climate awareness and collaborate with stakeholders to drive collective action.



2.2 Current climate-related financial impacts

Climate-related risks, both physical and transitional, can have significant impacts on BOC New Zealand. These risks affect the bank's operations, portfolio, and overall financial stability.

Physical risk

Physical risks arise from the increasing frequency and severity of climate-related events, such as extreme weather and long-term environmental changes. In New Zealand, these risks are particularly relevant due to the country's vulnerability to natural disasters and its reliance on agriculture and tourism.

Current physical risk impact

During FY24, BOC New Zealand continues to support customers across retail, commercial and corporate affected by Auckland floods and Cyclone Gabrielle in early 2023. Physical risks (e.g., floods, droughts) can lead to higher loan defaults, particularly in vulnerable sectors like agriculture and real estate. Coastal properties and assets in climate-vulnerable areas may lose value, affecting collateral for loans. Extreme weather events can disrupt BOC New Zealand's operations, including office closures and IT system failures.

Based on the risk classification provided by the Ministry for Primary Industries and the National Emergency Management Agency, BOCNZ has identified the following risk types as the primary sources of physical risk exposure.

Nature of Risk Event	Risk Event Type
Acute	Storms
Acute	Floods
Acute	Earthquakes
Acute	Tsunami
Chronic	Sea Level Rise



Potential Exposure to Flood Zones

BOC New Zealand Banking Group has performed a detailed flood risk evaluation of its collateral portfolio, utilizing Auckland Council's flood zone mapping data to assess potential vulnerabilities. Given that a significant portion of the Bank's secured properties are located in Auckland, this analysis provides critical insights into climate-related financial risks.

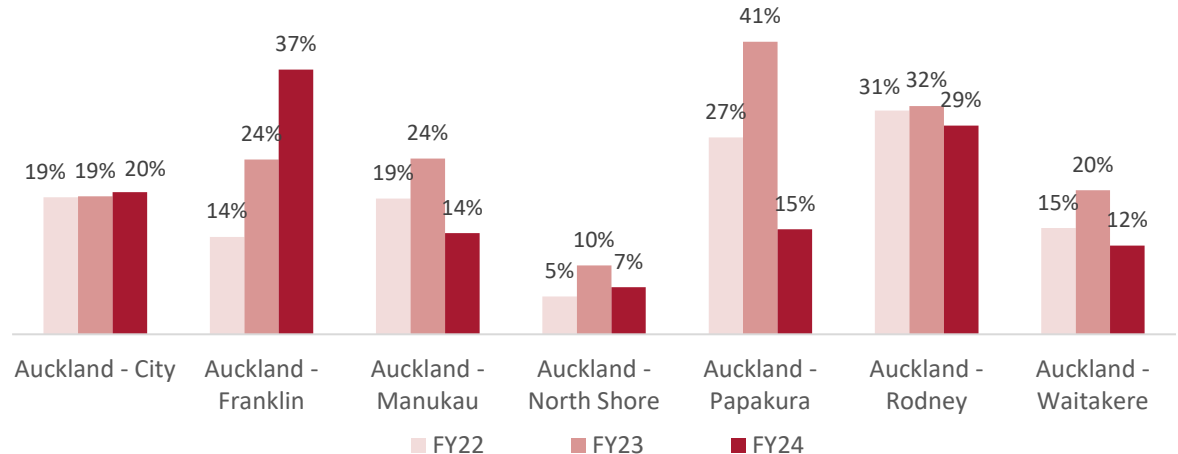
\$391 million in outstanding loans are secured by properties situated in designated flood zones. This represents 6.6% of the Banking Group's total lending portfolio, covering both residential and commercial properties.

Regional review of Retail Mortgage Loans

As part of its robust approval process, BOCNZ identifies and evaluates properties located in flood zones. This proactive assessment enables the Bank to implement appropriate risk mitigation measures while maintaining responsible lending standards.

Analysis of the retail mortgage portfolio reveals a declining trend in flood-zone property exposure across most Auckland regions, exceptions in Franklin and Auckland City areas, where flood-zone collateral proportions have increased due to natural portfolio run-off.

Properties in other regions will be assessed once more data becomes available.



For a detailed quantitative analysis approach, please refer to *Appendix 5: Climate Model Methodology*.

2.2 Current climate-related financial impacts

Impacted Industries

Following the categories defined in the New Zealand Banking Association Report Climate Scenario Narratives, we identified the amount of lending exposure for each impacted industry.

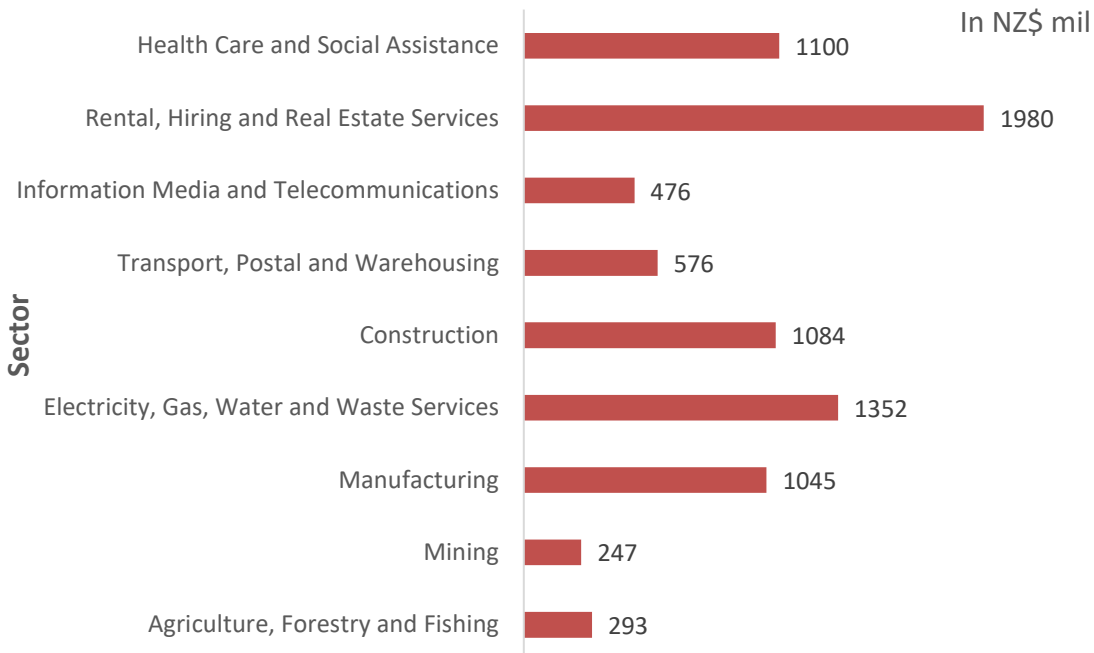
Sustainability Linked Loans

We aim to support our clients in their transition to lower carbon emissions through tailored financial products and advisory services, while maintaining our financed emissions to an appropriate size.

Financial assets exposed to the climate change

Customers exposed to climate change face a range of risks and opportunities that can significantly impact their operations, financial performance, and strategic planning.

The key sectors are identified, and the Bank's assets that may potentially expose to the climate change are below:



Adoption Provisions for Current Financial Impacts and Anticipated Financial Impacts

In preparing its climate-related disclosures, the Bank has elected to use the following provisions:

- Adoption provisions 1: Current Financial Impacts
- Adoption provisions 2: Anticipated Financial Impacts

The Bank is developing metrics to quantify its current and anticipated financial impacts.



2.2 Current climate-related financial impacts

Transition risk

Transition risks arise from the shift to a low-carbon economy, including policy changes, technological advancements, and market shifts. These risks can affect the value of assets and the profitability of certain industries.

Current transition risk impact

We have not seen a material financial impacts to our customers during FY24. The transition risk impact is long term and permanent, which requires BOCNZ to react in a timely manner and plan for the near future. We have observed growing demand for green loans, renewable energy financing, and sustainable investment products presents opportunities for BOC New Zealand to expand its offerings through the year of FY24.

During FY24, New Zealand's regulatory environment is increasingly focused on climate risk disclosure and sustainable finance, requiring BOC New Zealand to enhance its reporting and risk management practices.



Transition risk compounding risk type	Description of current impact on BOC New Zealand
<p>Credit Risk</p>	<p>Since all stages of the credit risk practice lifecycle will likely be impacted by climate risk, BOC New Zealand is currently not only developing policies and processes to manage certain transition risks that may impact the credit risk domain but also trying to integrate climate risk metrics into credit risk management. This includes identifying the sectors most vulnerable to transition risk (see the quantitative analysis section) and evaluating relevant transition plans.</p> <p>Common techniques for integrating climate risks into BOC New Zealand's portfolio management include negative screening, limiting exposure to certain risk sectors as a share of total financing are being considered.</p>
	<p>BOC New Zealand is closely monitoring insurance retreat as there is growing concerns about the limited availability of insurance options for the properties in certain high-risk geographical areas or less climate-resilient buildings, especially in Auckland Area.</p>
	<p>Through its collaboration with large corporate customers, including the assessment of transition plans for high-emission clients, BOC New Zealand identifies opportunities to support investments in emissions reduction.</p>
<p>Liquidity Risk</p>	<p>There is no evidence of any impacts. BOC New Zealand integrates the assessment of any immediate risks into its existing liquidity risk monitoring framework.</p>
<p>Operational Risk</p>	<p>BOC New Zealand continuously enhances its Business Continuity Plans (BCP) to support colleagues in managing climate-related extreme risk events, ensuring the organization is well-prepared to address potential extreme risk events effectively.</p>

2.3 Scenario Analysis – Methods

BOC New Zealand has used scenario analysis to identify its climate-related risks and opportunities and develop a better understanding of the resilience of its business model and strategy.

Banking sector scenarios (Source: NZBA)

BOC New Zealand has been involved in the NZBA report Climate Scenario Narratives for the banking sector, which describe three potential climate scenarios. BOC New Zealand has provided input into these scenarios and the outcomes are commonly accepted to be suitable for the banking sector in NZ to further develop their own specific scenarios. Following the External Reporting Board's guidance, the Climate Disclosure Working Group has hosted a series of workshops and further validated that these scenarios create a suitable foundation for BOC New Zealand specific scenarios:

Category	Orderly (1.5°C)	Too Little Too Late (>2°C)	Hot House (>3°C)
Global climate & socio-economic parameters	IPCC SSP1-1.9	IPCC SSP2-4.5	IPCC SSP5-8.5
Global energy and emission pathway parameters	NGFS Net Zero 2050 IEA Net Zero Emissions by 2050 (NZE)	NGFS Nationally Determined Contributions (NDC's) IEA Announced Pledges (APS)	NGFS Current Policies IEA Stated Policies (STEPS)
New Zealand-specific climate parameters	NIWA RCP2.6	NIWA RCP4.5	NIWA RCP8.5
New Zealand-specific transition pathway parameters	CCC 'Tailwinds'	CCC 'Headwinds'	CCC 'Current Policy Reference'

BOC New Zealand specific scenarios

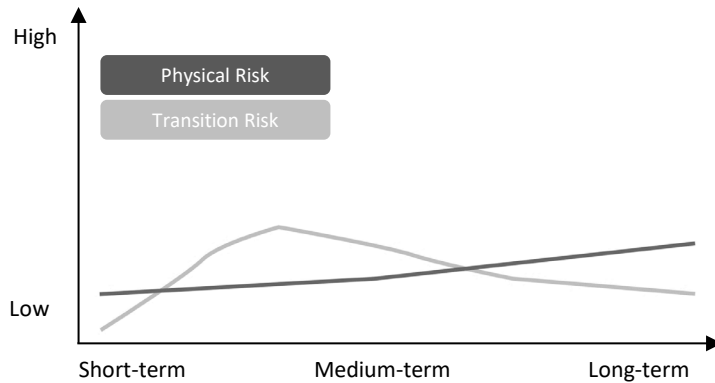
BOC New Zealand adopted the assumptions and scenarios from the NZBA report Climate Scenario Narratives for the banking sector and further assessed risks and opportunities by identifying drivers that are important for the resilience of BOC New Zealand's business model and strategy. The Senior management have been involved in the validation process.

2.4 Scenario Analysis – Assumptions

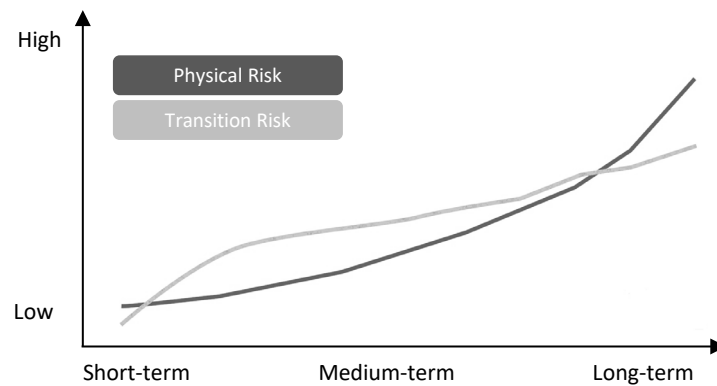
Under each scenario, physical risks and transition risks may arise at different times. Our selection of short-, medium- and long-term time horizons for climate risk assessment aligns with the time horizons in the NZBA Climate scenario narratives for the banking sector (short-term 2030, medium-term 2050, long-term 2080+ respectively):

Scenario Risk Horizons (Source: NZBA report)

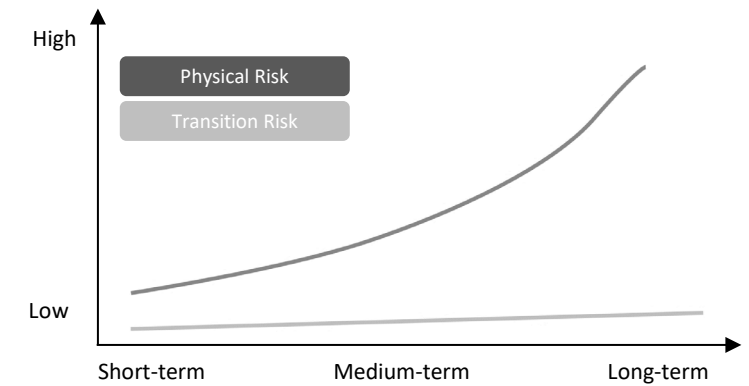
Orderly (1.5°C)



Too Little Too Late (>2°C)



Hot House (>3°C)



Scenario Risk Assumptions

The Orderly Scenario is designed to explore BOCNZ's readiness to rapidly transform its business as society undergoes fundamental changes to reach a low-carbon economy.

- Rapid decarbonisation in the short-medium term.
- While the pace of change is fast, the transition is coordinated and orderly
- Changes in technology, policy and behaviour support the transition
- Impacts of climate change are better than predicted, but the long-term chronic physical impacts from historic GHG emissions are still likely to occur, although to a less severe extent than the other scenarios.

Pace of change related to decarbonisation = very fast in short-medium term

The Too Little Too Late Scenario is designed to explore BOC New Zealand's resilience to an especially condensed and disruptive transition following a period of misaligned and delayed climate-related action.

- Misaligned and delayed transition to a low carbon economy causes significant socioeconomic and market disruption in the medium term.
- New Zealand transitions faster than the rest of the world at first, but then the rest of the world catches up and surpasses New Zealand.
- Change comes too late to prevent wide ranging acute & chronic physical climate impacts in the long term.

Pace of change related to decarbonisation = fast in NZ during short term (slow globally), significant change in medium term

The Hothouse Scenario is designed to explore how the collective failure to reduce emissions might steadily erode value as economic growth is prioritised over sustainability.

- Emissions trajectory increases with minimal ambition to transition towards a low carbon economy
- Despite widespread increase in severe weather events, and associated destabilisation of social, political and economic structures (in the medium –long term) there is low demand for carbon alternatives and there is a slow rate of development and uptake in emissions saving technology

Pace of change related to decarbonisation = minimal in short-medium terms, picks up in long term

2.5 Scenario Analysis – Risks and Opportunities

Using scenario analysis, BOC New Zealand has identified the following climate-related risks and opportunities that are relevant to its business model and strategy. Our selection of short-term(2030), medium-term(2050) and long-term(2080+) time horizons for climate risk assessment broadly aligns with the time horizons in the New Zealand Banking Association report “Climate Scenario Narratives for the Banking Sector”.

Drivers	Risks	Opportunities	Impact	Timeframe
Political Drivers: <ul style="list-style-type: none"> Government spending/policy on infrastructure, energy Regulation/actions of the RBNZ and FMA 	<ul style="list-style-type: none"> Higher cost to do business Limit "customer" pool (industries) Higher compliance requirements Fines and reputational damage Reduced margins for transitional projects NZ reduce the available supply of New Zealand Units (NZUs) ETS in 2025 to help manage price stability and align with climate targets 	<ul style="list-style-type: none"> More demand for transitional infrastructure projects Opportunity for Bank to offer Carbon Credit Financing & Liquidity Solutions to clients in high-emission industries 	<ul style="list-style-type: none"> Limit BOCNZ's ability to develop business Increased compliance costs Client will be encouraged to transit their sustainable business model more aggressively due to economic reasons 	<ul style="list-style-type: none"> Short to medium term
Economic Drivers: <ul style="list-style-type: none"> Housing market International trade & relationships 	<ul style="list-style-type: none"> Potential insurance retreat Decrease in property values due to physical risks Increased country risks due to climate-related sanctions 	<ul style="list-style-type: none"> Fund customers to make their properties more energy efficient and resilient to physical risks Product innovations to accommodate the changing market environment 	<ul style="list-style-type: none"> More measures will be needed to manage climate risks Be ready for potential disruptions to international trades 	<ul style="list-style-type: none"> Short to medium term
Social Drivers: <ul style="list-style-type: none"> Investor appetite Human capital 	<ul style="list-style-type: none"> Higher carbon related expectations from investors Potential difficulty attracting talents if BOC New Zealand's reputation with respect to climate risks becomes misaligned with their values 	<ul style="list-style-type: none"> Leverage cross-border and offshore resources Build the BOC New Zealand through responsible behaviours 	<ul style="list-style-type: none"> Reduced availability of funding Potential shortage of talents 	<ul style="list-style-type: none"> Short to medium term
Environmental Drivers: <ul style="list-style-type: none"> Acute weather events Chronic physical impact 	<ul style="list-style-type: none"> Risks to collaterals due to acute weather events Decreased asset values due to acute or chronic environmental impact 	<ul style="list-style-type: none"> Monitor and improve asset quality throughout the lifecycle Include climate risk assessments into collateral policies in addition to credit policies Innovative financing products 	<ul style="list-style-type: none"> More assets are vulnerable to physical damage due to the increased physical risk Reshape the guiding principles and indicate where BOC New Zealand should adjust collateral requirements for borrowers or demand credit insurance and other types of risk mitigation measures 	<ul style="list-style-type: none"> Short, medium and long term

2.6 Scenario Analysis – Impact and Implications

Based on the impacts identified from the Scenario Analysis, BOC New Zealand has derived key implications that will guide our strategy and processes in relation to climate risks and opportunities.

Short-term Resilience, Long-term Planning

Minimal climate impact is expected in the next 3 – 5 years, necessitating future-focused risk monitoring of emerging risks such as insurance retreat. Embedding the climate risk metrics into bank's full credit lifecycle management.

Operational Integration

Climate risk assessments must become a routine part of business processes, ensuring agility in response to evolving climate challenges. Simultaneously, credit exposure will increasingly prioritise climate-resilient sectors and industries.

Sustainable Finance & Innovation

There is potential for growth through sustainable finance initiatives and the development of sustainable products, meeting the demand for environmentally friendly options

Strategy & Risk Framework Evolution

Revising business strategies to embed climate considerations will shape risk management and influence long-term capital and funding decisions in favour of sustainability. BOC New Zealand is building the climate risk metrics into the analysis of portfolio holdings.



2.7 Our climate-related risk, opportunities and anticipated financial impact

Climate-related risks and opportunities are increasingly shaping the strategies and operations of the BOC New Zealand. Below is a detailed analysis of the climate-related risks, opportunities, and anticipated impacts on BOC New Zealand.

Climate-related risk and anticipated impact

Climate-related risk	Time horizons	Anticipated financial impact
Physical Risk		
Extreme Weather Events Floods, storms, and cyclones can damage property and infrastructure, leading to higher loan defaults and insurance claims.	Short-term	BOC New Zealand's mortgage and commercial lending portfolios may be exposed to properties in flood-prone zone or storm-affected areas.
Sea-Level Rise and Coastal Erosion Rising sea levels threaten coastal properties and infrastructure, leading to asset devaluation and increased credit risk.	Medium and long-term	BOC New Zealand may have exposure to loans secured by the coastal real estate.
Droughts and Water Scarcity Droughts can affect agricultural productivity, impacting farmers and agribusinesses that rely on BOC New Zealand for financing.	Short-term	<ul style="list-style-type: none"> Higher default rates in the agricultural sector, a key part of New Zealand's economy. Water shortages could disrupt the farm's ecosystem, resulting in reduced production. This may ultimately weaken our client's financial position and impair their ability to meet loan repayment obligations..
Chronic Temperature Changes Higher average temperatures can affect energy demand, health, and labour productivity, indirectly impacting businesses and households.	Medium and long-term	BOC New Zealand's corporate and retail customers may face higher operational costs or reduced income.
Transition Risk		
Policy and Regulatory Changes: New Zealand's Climate Change Response (Zero Carbon) Amendment Act and Emissions Trading Scheme (ETS) impose stricter regulations on carbon emissions.	Short and medium-term	<ul style="list-style-type: none"> Higher compliance costs for high-carbon industries, potentially leading to reduced profitability and increased credit risk. Companies in the fossil fuel sector may face higher costs, affecting their financial stability. Higher ETS costs are likely to impact our client's profit & loss, potentially weakening their financial position. This could affect their overall profitability and ability to meet financial obligations.
Technological Disruption: Advances in renewable energy and electric vehicles (EVs) can disrupt traditional industries.	Short and medium-term	<ul style="list-style-type: none"> Stranded assets in fossil fuel-dependent sectors could face significant asset impairment. This may negatively impact the financial health and valuation of businesses reliant on such assets. Decline in demand for internal combustion engine vehicles affecting automotive loans.
Market Shifts Changing consumer preferences and investor demand for sustainable products can affect the profitability of certain industries.	Short and medium-term	<ul style="list-style-type: none"> Reduced demand for products with high carbon footprints, affecting clients in sectors like dairy farming and tourism. Shift towards plant-based diets impacting dairy farmers.
Reputational Risks Failure to align with climate-related expectations can damage BOC NZ's reputation among customers, investors, and regulators.	Short and medium-term	<ul style="list-style-type: none"> Loss of customer trust and potential regulatory penalties. Negative publicity from financing high-carbon projects.

2.7 Our climate-related risk, opportunities and anticipated financial impact

Climate-related risk and anticipated impact

Despite the risks, climate change also presents several opportunities for BOC New Zealand to innovate and grow.

Climate-related opportunities	Time horizons	Anticipated financial impact
Green Finance: Develop and offer green financial products, such as green bonds, sustainability-linked loans, and green mortgages.	Short-term	Attract environmentally conscious customers and investors, and support New Zealand's transition to a low-carbon economy. Financing renewable energy projects like wind farms and solar installations.
Sustainable Investment: Invest in sustainable projects and companies with strong ESG performance.	Medium and long-term	Generate long-term returns while contributing to environmental sustainability. Supporting agribusinesses adopting sustainable farming practices.
Energy Efficiency and Renewable Energy: Finance energy-efficient buildings and renewable energy projects.	Short-term	<ul style="list-style-type: none"> • Reduce carbon footprint and operational costs for clients, while promoting sustainable development. • Loans for retrofitting buildings with energy-efficient technologies.
Climate Resilience Projects: Fund projects that enhance climate resilience, such as flood defences and water management systems.	Medium and long-term	Protect communities and assets from climate-related risks, reducing potential losses. Financing infrastructure projects in flood-prone areas.
Partnerships and Collaboration: Collaborate with government agencies, NGOs, and other financial institutions to promote sustainable finance.	Medium and long-term	Enhance BOC New Zealand's reputation and contribute to collective climate action. Participating in New Zealand's Sustainable Finance Forum.

2.8 Capital deployment

BOC New Zealand allocates its financial resources to support climate-related initiatives, manage climate risks, and transition to a low-carbon economy. The capital plan is critical for aligning the bank's operations with global climate goals, regulatory requirements, and stakeholder expectations.

Green/Sustainability-linked financing

BOC New Zealand allocates capital to support environmentally sustainable projects, such as renewable energy, energy efficiency, green buildings, and sustainable agriculture. During FY24, the Bank has demonstrated its commitment to supporting critical sectors of the economy by assisting its customers in increasing the capacity of supplying more nursing beds. This initiative aligns with the bank's broader strategy to contribute to social and economic development, particularly in sectors that cater to critical societal needs such as healthcare and aged care.

Sustainable Products and Services

The launch of BOC Better Life Loan is a significant step toward promoting sustainable finance and supporting environmentally friendly initiatives in the housing sector. This product aligns with New Zealand banking sector trends in green financing and reflects BOC New Zealand's commitment to addressing climate change and promoting sustainable development.

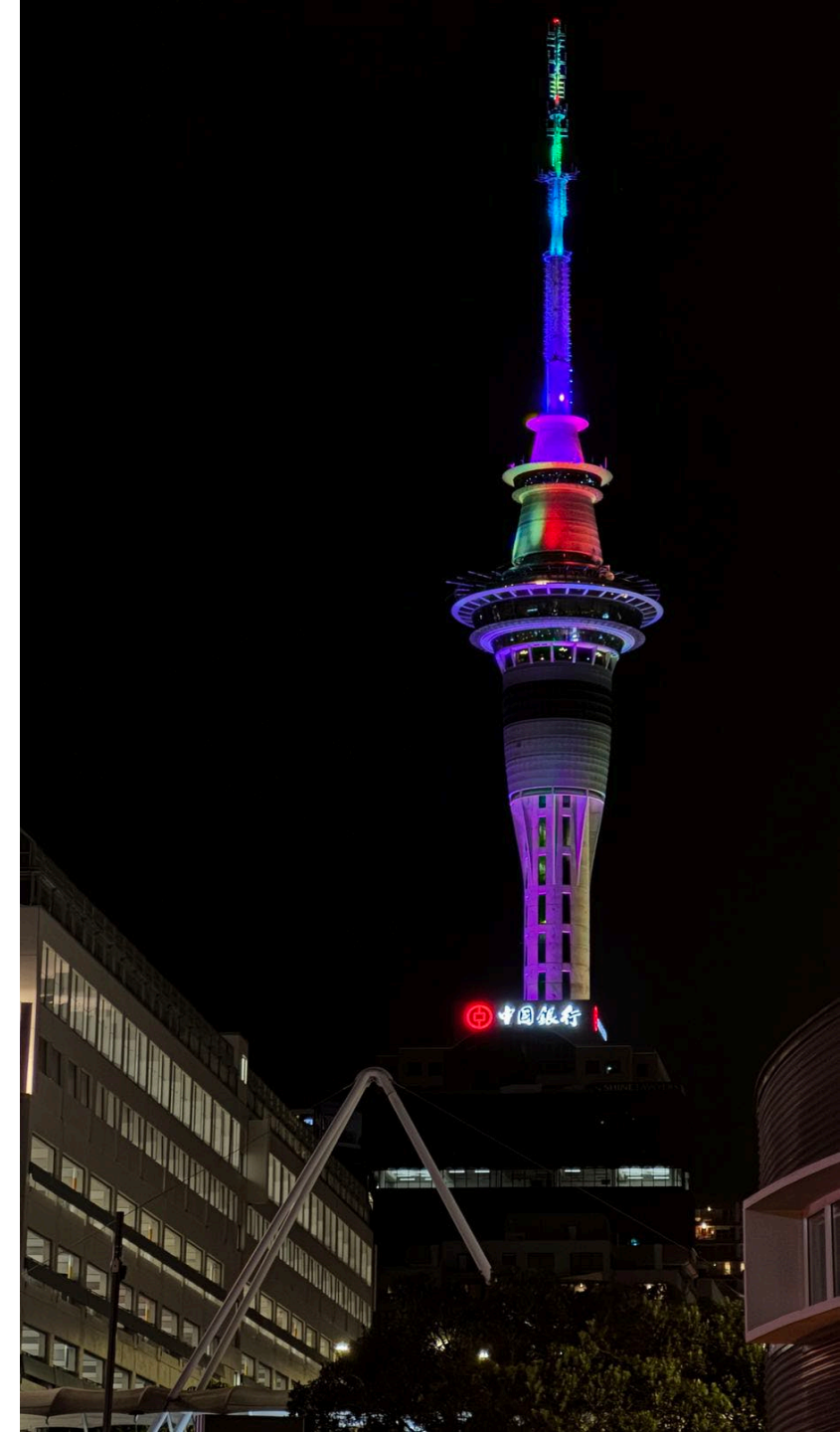
Internal Capacity Building

The BOC New Zealand has made substantial progress in **internal capacity building** as part of its commitment to climate risk management and sustainability. These efforts include **staff training sessions**, the development of **internal guidelines** for integrating climate considerations into the full credit lifecycle management, and the implementation of **energy-saving initiatives** such as paperless (or less paper) loan approval, and automatic end-of-day shutdown of computer hardware. Together, these initiatives demonstrate the Bank's dedication to building internal expertise, aligning with sustainability standards, and adapting to climate-related risks and opportunities.

Integration initiatives

BOC New Zealand is actively evaluating how extreme weather events could impact the Loan-to-Value Ratio (LVR) within its residential portfolios. Additionally, BOC New Zealand is continuously refining its methods for monitoring credit portfolio performance, incorporating the potential impacts of greenhouse gas (GHG) emissions and other Environmental, Social, and Governance (ESG) factors.

To address climate-related risks, BOC New Zealand will likely need to develop new strategies and collaborate with relevant stakeholders to effectively hedge against such risks. Furthermore, BOC New Zealand is closely monitoring clients' adherence to covenants tied to sustainability and other ESG compliance reporting requirements. These covenants are increasingly being integrated into contracts to ensure clients remain aligned with their ESG objectives



2.9 Transition Plan

BOC New Zealand is implementing a comprehensive transition plan to address climate change risks, aligning with global efforts to mitigate environmental impacts and transition towards a low-carbon economy. The plan encompasses several key strategies, and will enable us to be prepared for regulatory changes, shifts in market demand, and climate-related developments that could impact our business.

Risk Assessment and Management

BOC New Zealand is committed to integrating climate-related risks into its overall risk management framework. This involves identifying, assessing, and managing both physical risks (such as flood zone) and transition risks (such as policy changes and sector shifts towards low-carbon technologies).

Supporting customers in green and low-carbon transition

We are actively pursuing opportunities in sustainable lending, renewable energy financing, and other sustainable investment projects. We aim to support our clients in their transition to lower carbon emissions through tailored financial products and advisory services. We will prioritise financing for green projects and sustainable initiatives..

Portfolio Alignment

BOC New Zealand will work towards aligning its investment and lending portfolios with the BOC Group. This involves setting targets for reducing the carbon intensity of its portfolio and increasing the share of green assets.

Internal Capacity Building

BOC New Zealand will invest in training and capacity building for its staff to enhance their understanding of climate-related risks and opportunities. This will ensure that the bank's workforce is equipped to implement the transition plan effectively.

Transparency and Reporting

BOC New Zealand is committed to maintaining transparency in its climate-related activities. The bank will regularly disclose its progress towards meeting its climate goals through its annual climate-related disclosure.

Collaboration and Advocacy

The bank will collaborate with industry peers, regulators, and other stakeholders to advocate for policies and practices that support the transition to a low-carbon economy. This includes participating in industry forums and supporting regulatory initiatives aimed at addressing climate change.

Community volunteering

Our team has enthusiastically volunteered to plant trees during the Community Service Day on 10 August 2024. We are actively seeking additional opportunities within the community to expand our climate action initiatives and contribute further to environmental sustainability.





Governance

Strategy

Risk Management

Metrics and targets

3.1 Climate Risk Transmission Paths and Horizons

BOC New Zealand, like all financial institutions, faces a range of risks that can be broadly categorized into financial risks and non-financial risks.

Climate-related risks can materialise through many categories of risks, transmission paths and horizons. From the Scenario Analysis that BOC New Zealand has undertaken, we filtered the following risks that are most likely to impact the Banking Group.

Financial Risk

- Credit Risk
- Market Risk
- Liquidity Risk
- Interest rate risk
- Operational Risk (Financial Impact)
- Model risk
- External Fraud

Non-Financial Risk

- Compliance Risk
- Reputational Risk
- Operational Risk (Non-Financial Impact)
- Strategy Risk
- IT Risk
- Data risk
- Legal
- People
- Outsource risk
- Third-party cooperation risk

These risks are included as part of BOC New Zealand’s standard risk reporting processes and frequencies to assess the priority, scope, size, and impact of identified climate-related risks.

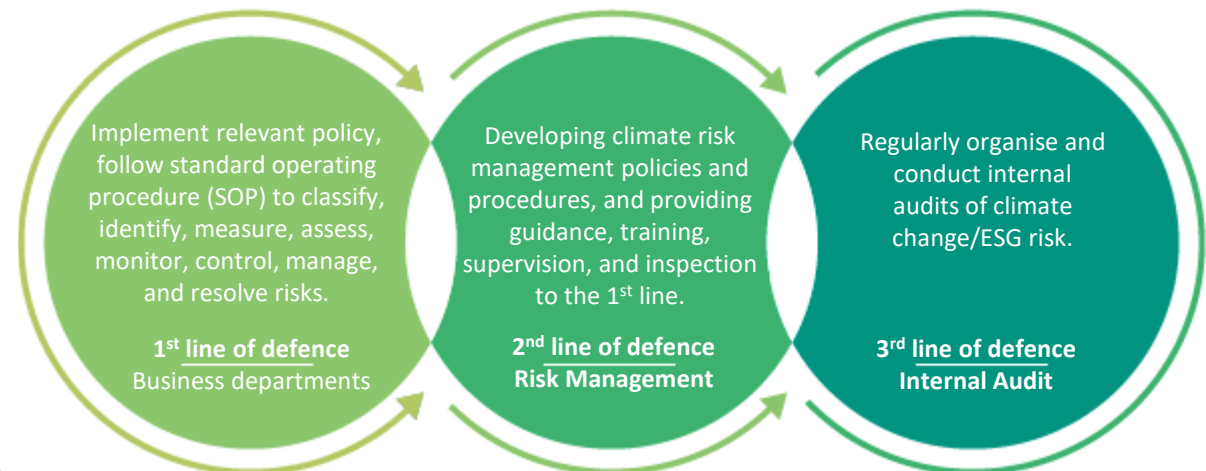


Supporting customer’s climate change and ESG risk

BOC New Zealand has developed a “Customer Environmental (Climate), Social, and Governance Risk Management Policy”. In alignment with parent bank’s Green Finance Strategy, low-carbon development goals and plans, as well as relevant environmental laws and regulations, industrial policies, and industry access policies, we have improved the policies, flows, and processes for climate and ESG related risk management.

We have developed an effective end-to-end management system for risk identification, measurement, assessment, monitoring, reporting, control, and mitigation to manage and reduce risks in business activities. This policy has been reviewed and approved by the RMICC.

We have established a climate/ESG risk governance framework that is commensurate with the scale and nature of our business. The responsibilities for climate change/ESG risk management are clearly defined in accordance with the **Three Lines of Defence** framework.



3.2 Integrating Climate-Related Risks into Our Risk Management Framework

We are in the process of integrating climate-related risk into our Risk Management Framework. The work we have completed or currently in the process includes:

Risk Appetite

This plays a critical role in shaping how the bank identifies, assesses, and manages climate change risks. As climate change poses significant financial, operational, and reputational risks to financial institutions, BOC New Zealand's risk appetite framework provides a structured approach to balancing these risks with its strategic objectives.

BOC New Zealand's risk appetite defines the level of climate-related risks it is willing to accept. The bank set limits on exposure to high-carbon industries (e.g., fossil fuels), and sectors vulnerable to physical climate risks (e.g., agriculture, real estate in flood-prone areas).

This ensures that the bank avoids excessive exposure to climate risks that could lead to financial losses, stranded assets, or reputational damage.

Risk Identification

Based on factors such as the potential environmental (climate) and social risks associated with clients, their industry, and stage of development, our customers can be classified into three groups: A, B, and C.

<p>A class customer: with potentially high environmental (climate) and social risks.</p>	<ul style="list-style-type: none"> • Clients whose construction, production, or operational activities may significantly change the original environmental state and produce adverse environmental and social consequences that are not easily mitigated.
<p>B class customer: with potentially moderate environmental (climate) and social risks.</p>	<ul style="list-style-type: none"> • Clients whose construction, production, or operational activities will produce adverse environmental and social consequences, but these can be more easily mitigated through measures.
<p>C class customer: with potentially low environmental (climate) and social risks.</p>	<ul style="list-style-type: none"> • Clients whose construction, production, or operational activities will not produce significant adverse environmental and social consequences.

For high-risk clients, we implement more stringent assessment and review measures. We regularly reassess these classifications and promptly update the system in the event of any incidents that may lead to changes in a client's risk level.

Risk Measurement

At the portfolio level, the Bank monitor the balance and concentration of credit exposures to each industries (as BOC New Zealand defines internally based on Parent Group guidance) on a quarterly basis.

During FY2024, we have conducted various climate risk impact analysis (e.g., flood zone and floor prone) to evaluate the expected credit loss (ECL) and internal capital adequacy (ICAAP) of the entire bank. The results of these analysis are utilised to strengthen internal management.

Risk Assessment

We classify and assess the ESG risks of clients and their projects based on the industry and region they belong to, evaluating them across 13 specific aspects.

Key Points for Climate/ESG Risk Assessment

- | | |
|-------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| 1. Client's own climate change/ESG risk assessment and management system | 8. Respect for the culture and customs of indigenous peoples and ethnic minorities |
| 2. Labor and working conditions | 9. Protection of cultural heritage |
| 3. Pollution prevention and control | 10. Management of explosives and chemicals |
| 4. Protection of biodiversity and sustainable management of natural resources | 11. Climate change/ESG risk management in the supply chain |
| 5. Carbon footprint management | 12. Organizational structure and operational management |
| 6. Community health and safety | 13. Financial management and risk management |
| 7. Land acquisition and involuntary resettlement | |

3.2 Integrating Climate-Related Risks into Our Risk Management Framework

We are in the process of integrating climate-related risk into our Risk Management Framework. The work we have completed or is currently in the process includes:

Risk Monitoring and Reporting

Monitoring

The Bank monitors environmental and social risks on a regular basis, tracks the sustainable loans issued to the customers and its transition performance.

Regular reporting

We have established and continuously improved the client climate change/ESG risk reporting, thoroughly investigating and monitoring the climate change/ESG risk status of clients, and reporting promptly as necessary.

The Bank is committed to disclosing the information related to climate risks that concerns stakeholders in its annual climate disclosure (this document).

Sudden Risk Event Reporting

When a client experiences a significant climate change/ESG risk event, they are urged to promptly take risk mitigation measures and report the potential impacts of the event to BOC New Zealand in a timely manner.

For major climate change/ESG risk events, the responsible unit should report the situation to the headquarters within one business day of becoming aware of the incident.

For significant and particularly significant climate change/ESG risk events, the relevant unit must provide an oral report to the headquarters within one hour of learning about the situation. In urgent cases, reporting can bypass hierarchical levels.

Business Contingency Planning

This includes identifying potential climate-related risks that could impact banking operations, from physical risks like extreme weather events to transition risks associated with shifting towards a low-carbon economy. The contingency planning process includes developing and implementing strategies to mitigate these risks, ensuring business continuity, and capitalizing on opportunities arising from the transition to a more sustainable and resilient business model.

Our Business Contingency Planning is reviewed on an annual basis with annual drills to test our resilience during an unexpected event.

Climate Risk Data Management

Utilising our data risk control system, data management system, and information support system, BOC New Zealand can capture and share risk data, make risk management a more proactive and consistent process, and identify, prevent, and control risks more effectively.

Value Chain Exclusions

Our current processes for identifying and assessing climate-related risks are predominantly in Products & Service and Risk Management.

The processes related to Infrastructure & Technology, Operation & People and Funding & Liquidity are currently being developed and excluded for the purposes of this climate report.

Risk identification and classification

- Clients are categorised into three groups: A, B, and C, with more stringent assessment and review measures applied to high-risk clients.

Business approval

- We may restrict credit approvals for clients with serious violations of laws and regulations or significant risks in climate/ESG aspects.

Drawdown

- Strengthen fund disbursement management by incorporating the client's management of climate change/ESG risks as a critical factor in the fund drawdown review process.



Due diligence

- It covers 13 aspects, including ESG risk assessment and management system of clients and their projects, labour and working conditions, pollution prevention and control, biodiversity protection, sustainable natural resource management, and carbon footprint management.

Contract management

- Specify ESG risk management requirements in the contract text.

Post-drawdown management

- Conduct dynamic assessments of clients' ESG risks and integrate them into the post-lending/investment management process.



Governance

Strategy

Risk Management

Metrics and targets

4.1 Operational Green House Gas (GHG) Emissions

The Banking Group has followed an operational control consolidation approach to account for GHG emissions and has measured these in accordance with ISO 14064-1:2018¹.

Ernst & Young (EY) has provided independent limited assurance over 2024 Scope 1 and Scope 2 (GHG) emissions disclosures in accordance with New Zealand Standard on Assurance Engagements 1 (NZ SAE 1)².

The Banking Group is a Toitū carbonreduce certified organisation. The Toitū Climate Impact programmes are a set of voluntary carbon emissions reduction programmes. For more information, visit the Toitū Envirocare website at www.toitu.co.nz.

The Toitū carbonreduce certification signifies our commitment to measuring emissions according to ISO 14064-1:2018 and Toitū requirements, followed by managing and reducing emissions in accordance with Toitū's programme standards. The prior period 2023 was assured by Toitū Envirocare to ISO 14064-3:2019. For the 2024 reporting period, the Banking Group is applying the following Adoption Provisions under NZ CS 2:

- Adoption Provision 4: opting not to disclose all Scope 3 emissions; and
- Adoption Provision 8: opting not to obtain assurance over Scope 3 emissions in accordance with NZSAE 1.

However, as part of the Banking Group's ongoing commitment to transparency and emissions reduction, we will voluntarily assure our operational Scope 3 (ISO Category 3 and 4) emissions through the Toitū carbonreduce programme. This audit will be conducted in accordance with ISO 14064-3:2019.

Our emissions inventory encompasses all sources required under Toitū's carbonreduce certification. This includes all Scope 1 and Scope 2 emissions, as well as selected Scope 3 emissions:

- Waste sent to landfill
- Business travel
- Transmission & distribution losses
- Freight paid for

¹ Emissions are reported using a location-based methodology.

² Prior years 2019 - 2023 were not assured by EY.

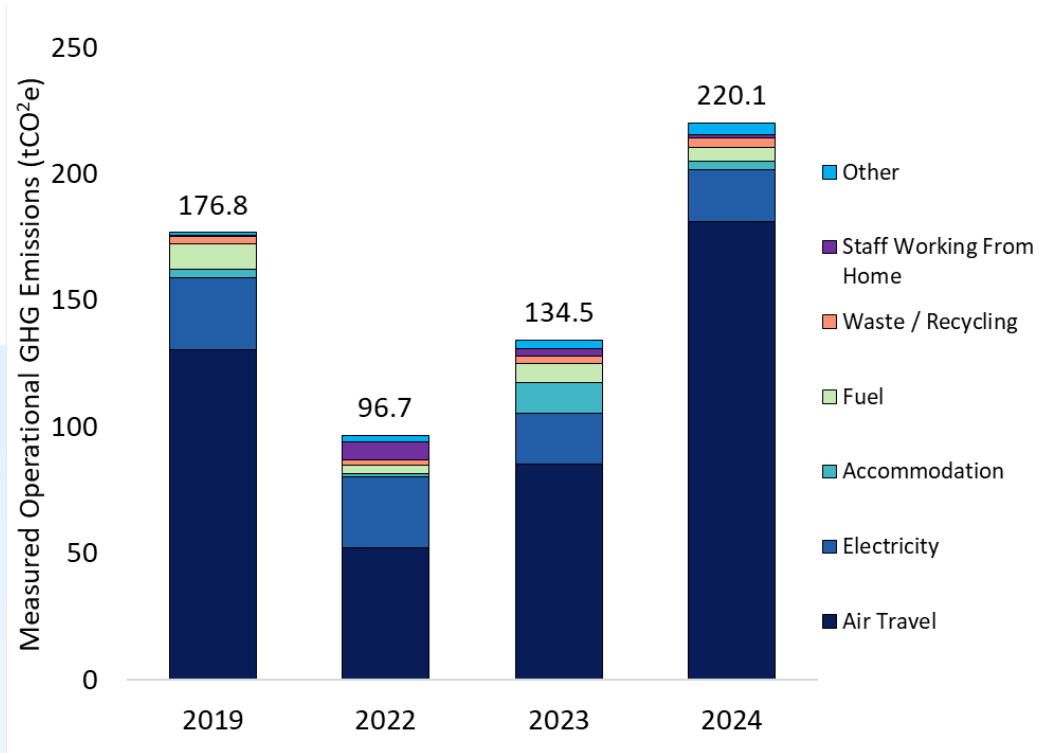
BOC NZ Banking Group Operational GHG Emissions by Scope (tCO₂e)

GHG Protocol	Category (ISO 14064-1:2018)	2019 (Base Year)	2022	2023	2024
Scope 1	Category 1: Direct emissions	10.0	3.6	7.6	5.2
Scope 2	Category 2: Indirect emissions from imported energy (location-based method)	25.9	25.8	17.8	18.9
Scope 3	Category 3: Indirect emissions from transportation	134.9	62.9	104.2	190.9
	Category 4: Indirect emissions from products used by organisation	5.9	4.3	4.9	5.2
	Category 5: Indirect emissions associated with the use of products from the organisation	0.0	0.0	0.0	0.0
	Category 6: Indirect emissions from other sources	0.0	0.0	0.0	0.0
Total direct emissions		10.0	3.6	7.6	5.2
Total indirect emissions		166.8	93.0	126.8	214.9
Total gross emissions		176.8	96.7	134.5	220.1
Category 1 direct removals		0.0	0.0	0.0	0.0
Purchased emission reductions		0.0	0.0	0.0	0.0
Total Gross Emissions (tCO₂e)		176.8	96.7	134.5	220.1

For the year ended 31 December 2024, the Banking Group's operational emissions were 220.1 tonnes of carbon dioxide equivalent (tCO₂e). This represents an increase of 43.3 tCO₂e (25%) relative to the base year (2019). This increase primarily reflects increased air travel due to business expansion. Operational emissions calculations do not include any carbon offsets across 2019 - 2024.

For details of exclusions, uncertainties and limitations relating to the Banking Group's operational GHG emissions please refer to Appendices 1 & 2. For further detail of methodologies please refer to Appendix 3.

4.1 Operational GHG Emissions (continued)



Air travel and electricity consumption account for the majority of the Banking Group’s operational GHG emissions. A 64% YOY increase in emissions in 2024 was driven by increased air travel which continues to normalise from very low levels during COVID-19 restrictions and reflects business expansion.

4.2 Operational GHG Emissions Intensity

Emissions Intensity	2019 (Base Year)	2022	2023	2024	2025 Target
Total Gross Emissions (tCO ₂ e)	176.8	96.7	134.5	220.1	
Net Operating Income (\$m)	49.4	69.5	89.7	103.8	
Emissions Intensity (gross tCO ₂ e / Net Operating Income (\$m))	3.6	1.4	1.5	2.1	2.9
Percentage Change in Emissions Intensity Relative to Base-Year		-61.2%	-58.1%	-40.8%	-19.4%

In addition to absolute emissions, the Banking Group also measures its operational GHG emissions in terms of emissions intensity which it defines as follows:

$$\text{Operational Emissions Intensity} = \frac{\text{Gross GHG Emissions (tCO}_2\text{e)}}{\text{Net Operating Income (\$m)}}$$

The Banking Group has adopted a target to reduce its operational emissions intensity by 19.4% by 2025 relative to the base year (2019). This target is not a science-based target and therefore may not align to limiting global warming to 1.5 degrees Celsius.

For the year ended 31 December 2024, the Banking Group’s operational emissions intensity was 2.1 tCO₂e per million dollars of Net Operating Income. This represents a reduction of 40.8% relative to the base year. This reduction reflects a comparatively larger increase in Net Operating Income (+110%) than the 25% increase in gross emissions.



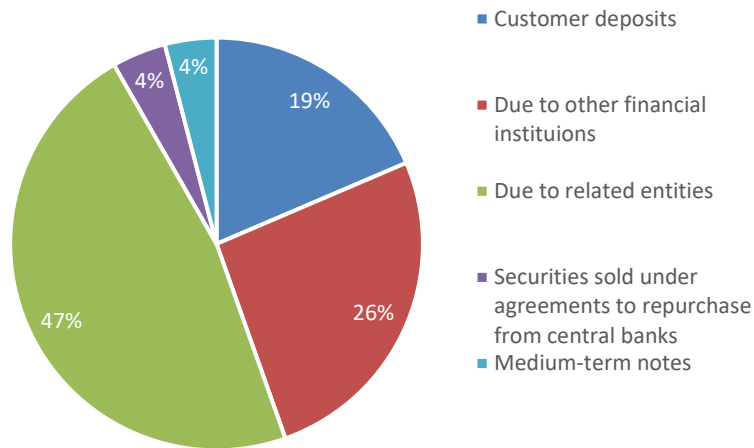
4.3 Physical and Transition Risks

BOC NZ Banking Group has identified its key climate-related risks through scenario analysis. These include:

- **Transition risks**, such as shifting investor expectations around carbon and climate issues, which could affect the availability and cost of funding for the Bank and certain customers.
- **Potential impacts on residential mortgage collateral values**, driven by rising insurance costs and property valuation risks, as well as exposure to corporate lending in carbon-intensive (*brown*) industries.
- **Physical risks** associated with acute weather events, particularly threats to collateral within the Bank’s residential mortgage portfolio.

Transition Risk – Funding

% of Total Funding – 31 December 2024



The Banking Group’s funding is sourced from both related entities (e.g., its parent bank) and external parties. As of 31 December 2024, external funding accounted for **53% of the total** and may be more vulnerable to shifts in climate-related investor sentiment.

Primary External Funding Sources:

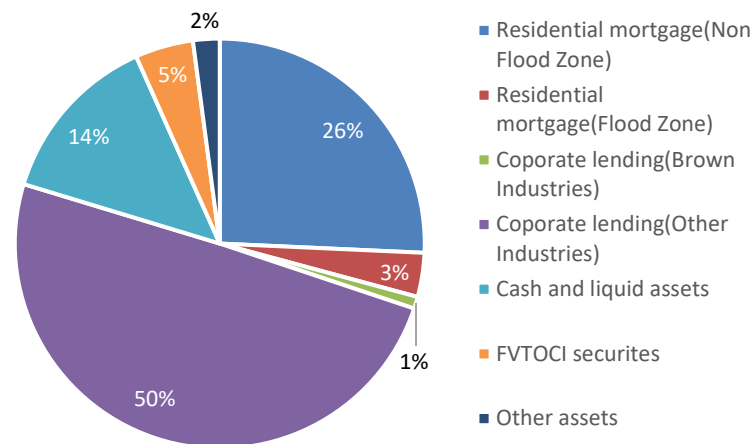
- Customer deposits (retail, corporate and financial institution clients)
- Domestic debt securities

Potential Risks:

Failure to align with investor expectations on climate issues could reduce investor confidence, leading to **tighter funding availability and/or higher borrowing costs.**

Transition Risk – Assets

% of Total Assets – 31 December 2024



Portfolio Composition as at 31 December 2024

The Bank’s asset portfolio was primarily composed of residential mortgage loans and corporate loans.

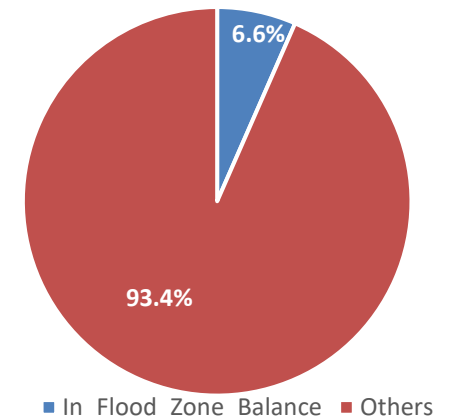
These core assets were supplemented by liquid assets and investment securities.

Climate-Exposed Asset Breakdown:

- **3% of total assets:** Mortgage loans for properties in flood zones
- **1% of total assets:** Corporate lending to carbon-intensive (*brown*) industries

Physical Risk – Flooding

% of Outstanding Loan Balance



Flood Risk Exposure Assessment

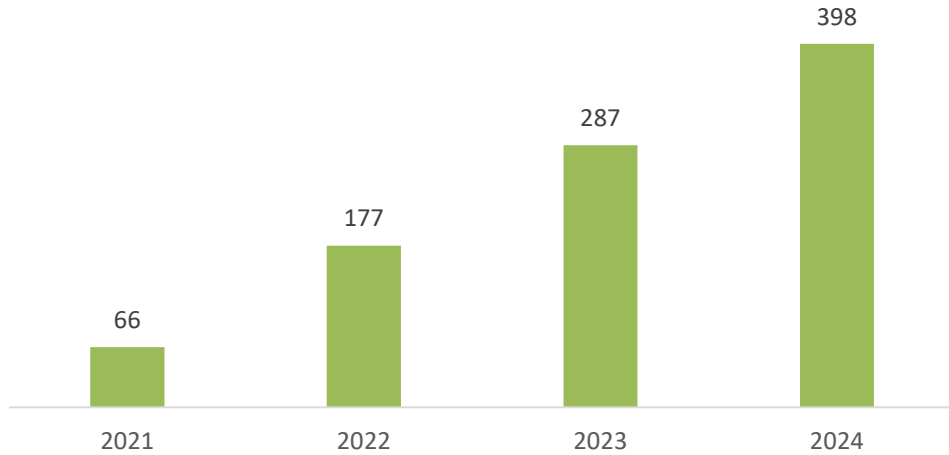
BOCNZ has implemented ongoing monitoring of physical flood risks across its portfolio.

Recent analysis reveals that 6.6% of the Banking Group’s loan portfolio are secured by properties located in designated flood zones.

4.4 Opportunities and Capital Deployment

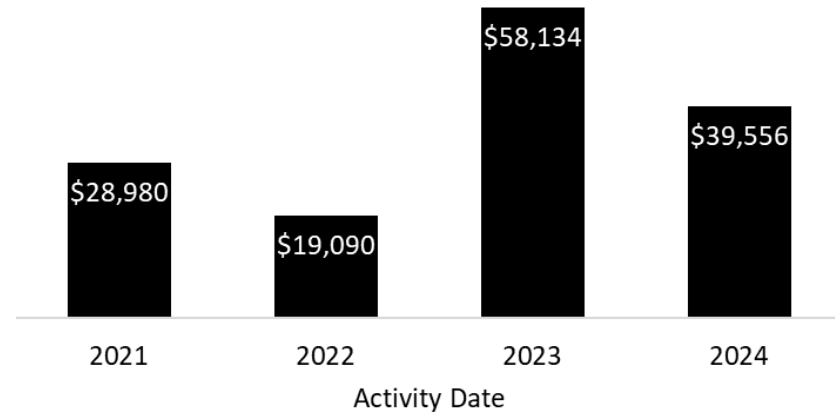
BOC NZ Banking Group is actively exploring a range of climate-related opportunities, with a focus on facilitating customers' transition to low-emission operations and strengthening the Bank's own environmental track record. To this end, investments have been channelled into sustainable lending and the enhancement of emissions tracking capabilities, alongside a detailed assessment of climate related risks and opportunities. Future efforts will aim to expand GHG emissions tracking to capture the Bank's full value chain, including financed emissions, to better inform its strategies.

Sustainable Lending Volume(\$m)



Expenditure on GHG Emissions Measurement and Identification of Risks and Opportunities

2021 - 2024



The Bank has begun to offer sustainable lending products to take advantage of its climate related opportunities.

*Sustainable lending is defined based on internal classification and includes green lending and sustainability linked lending.

Over the last four years, the Banking Group has invested approximately \$146,000 in third-party services and advisory related to measuring its operational GHG emissions and understanding its climate related risks and opportunities.

4.5 Industry Based Metrics

BOC NZ Banking Group has currently established four key targets to steer its strategy. These relate to encouraging green lending practices, restricting lending to coal mining and coal power projects, enhancing its GHG emissions measurement capabilities and reducing its operational emissions footprint.

Metric	Target	Base Year	Deadline	Performance
Growth in green lending*	Positive growth in green lending* each financial year	31-Dec-2022	Each financial year	BOCNZ has achieved over 38% growth in green lending* during FY24.
Restrict lending to brown industries*	No growth in lending to brown industries* each financial year	31-Dec-2022	Each financial year	BOC New Zealand had no new lending to the brown industries* during FY24.
Measured Scope 3 emissions	100% measurement	N/A	30-Apr-2026 for FY25	In compliance with Aotearoa New Zealand Climate Reporting Standards, BOCNZ has: <ul style="list-style-type: none"> Engaged third-party experts to enhance its GHG emissions measurement framework. Committed to achieve comprehensive Scope 3 emissions measurement for FY25 by 30 April 2026.
Reduce operational GHG emissions intensity	19.4% reduction	31-Dec-2019	31-Dec-2025	As at 31 December 2024 BOC NZ Banking Group has achieved a 40.8% reduction in its operational emissions intensity against the base year (2019). This reflects a comparatively larger increase in Net Operating Income (+110%) than the 25% increase in gross emissions.

*Green lending and brown industries are defined based on internal classification. The term “brown industries “ is sometimes used to refer to carbon-intensive or polluting industries (e.g., coal, oil, steel), as opposed to “green industries” (renewables, clean tech).

4.6 Management Remuneration

Management performance is assessed against Key Performance Indicators (KPI’s) which span a range of different objectives including climate related targets. However, management remuneration is not currently directly linked to these climate related targets.

4.7 Internal Emissions Price

The Banking Group has not yet adopted an internal emissions price but will consider adopting one in the future when it has the necessary framework to make appropriate use of this as a tools to lower its emissions footprint.



Appendix 1. Specific Exclusions of GHG Emissions Sources by Scope

Our emissions inventory encompasses all sources required under Toitū’s carbon reduce certification. This includes all Scope 1 and Scope 2 emissions, as well as selected Scope 3 emissions. Excluded emissions are a result of the bank’s current measurement limitations, which it is actively working to improve.

Scope	Category (GHG Protocol)	ISO 14064-1:2018 Equivalent Category	Included / Excluded
Scope 1: Direct Emissions	Stationary Combustion	Category 1	Included: Refer to 4.1 Operational Green House Gas (GHG) Emissions
	Mobile Combustion	Category 1	
	Fugitive Emissions	Category 1	
Scope 2: Indirect Energy Emissions	Purchased Electricity	Category 2	Included: Refer to 4.1 Operational Green House Gas (GHG) Emissions
Scope 3: Indirect Value Chain Emissions	1. Purchased Goods & Services	Category 4	Excluded: This category is not included in our current inventory as the bank does not yet have access to the necessary data or established internal measurement methods
	2. Capital Goods	Category 4	
	3. Fuel- & Energy-Related Activities (not in Scope 1 or 2)	Category 4	
	4. Upstream Transportation & Distribution	Category 3	Included: Refer to 4.1 Operational Green House Gas (GHG) Emissions
	5. Waste Generated in Operations	Category 4	
	6. Business Travel	Category 3	
	7. Employee Commuting	Category 3	Excluded: This category is not included in our current inventory as the bank does not yet have access to the necessary data or established internal measurement methods
	8. Upstream Leased Assets	Category 4	
	9. Downstream Transportation & Distribution	Category 4	
	10. Processing of Sold Products	Category 5	
	11. Use of Sold Products	Category 5	
	12. End-of-Life Treatment of Sold Products	Category 5	
	13. Downstream Leased Assets	Category 5	
	14. Franchises	Category 5	
	15. Investments & Financed Emissions	Category 5	

Appendix 2. Uncertainties Related to Measurement of GHG Emissions

The measurement of greenhouse gas (GHG) emissions relies on various data sources, primarily drawn from the bank's invoice and expense management system or third-party reports provided by suppliers and landlords. These data sources require manual staff input or are dependent on the accuracy of external reporting. A fundamental assumption across all emissions calculations is that the data received is accurate and complete. However, uncertainties arise due to potential gaps, estimation methods, and variations in data quality. The table below outlines source-specific uncertainties affecting the measurement of GHG emissions, including potential limitations in the availability, consistency, and reliability of input data.

GHG emissions category	GHG emissions source or sink subcategory	Overview of activity data and evidence	Data Source	Data collection unit	Explanation of uncertainties or assumptions
Category 1: Direct emissions and removals	Mobile combustion (incl. company owned or leased vehicles)	Diesel, Petrol premium, Petrol regular	Invoices / Expense Management System	Litres	No other material assumptions that involve uncertainty
Category 2: Indirect emissions from imported energy	Imported electricity	Electricity - Annual factor	Invoices / Expense Management System	Kilowatt hours	An annual emissions factor is used. This does not account for variations in electricity generation mix throughout the year, potentially overestimating or underestimating actual emissions
Category 3: Indirect emissions from transportation	Business travel - Transport (non-company owned vehicles)	Air travel domestic (average), Air travel long haul (business), Air travel long haul (econ),	Invoices / Expense Management System	Person kilometres	Invoices do not provide flight distance information and therefore this is sourced from web-based distance calculation tools
		Taxi (regular)	Invoices / Expense Management System	Dollars	Invoices do not provide distance therefore a spend based approach has been adopted
	Business travel - Accommodation	Accommodation - Australia, Accommodation - China, Accommodation - Indonesia, Accommodation - New Zealand	Invoices / Expense Management System	Visitor nights	No other material assumptions that involve uncertainty
	Upstream freight - Paid by the organisation	Postal and courier services (spend-based)	Invoices / Expense Management System	Dollars	Invoices do not provide distance therefore a spend based approach has been adopted
	Working from home	Working from home	Landlord provided report	Employee days	An employee is assumed to have worked a full day in the office if swipe card records show that they have entered the building at any time during that day
Category 4: Indirect emissions from products used by organisation	Disposal of solid waste - Landfilled	Waste landfilled LFGR Food	Landlord provided report	Kilograms	The landlord/supplier provides waste reporting for the entire building, which includes multiple tenants, including BOC NZ Group. Since waste data is not reported separately for each tenant, BOC NZ Group estimates its share of total building waste based on the proportion of floors it occupies.
	Disposal of solid waste - Not landfilled	Composting, Waste disposal recycling of Glass, Waste disposal recycling of Paper, Waste disposal recycling of Plastic	Supplier provided report	Kilograms	In 2024, BOC NZ Group relocated its Auckland office. The estimated share of total building waste at each location was as follows: 205 Queen St: Occupied 3 of 39 floors (7.7% of total building waste). 66 Wyndham St: Occupied 2 of 19 floors (10.5% of total building waste).
	Transmission of energy (T&D losses)	Electricity distributed T&D losses	Invoices / Expense Management System	Kilowatt hours	An annual emissions factor is used. This does not account for variations in electricity generation mix throughout the year, potentially overestimating or underestimating actual emissions

Appendix 3. GHG Emissions Measurement Methodology

Calculation Methodology

A calculation methodology has been used for quantifying the emissions inventory based on the following calculation approach:

- Taxis and freight: Emissions = \$ spend x Economic Emissions Intensity (CO₂e/\$)
- All other disclosed emissions: Emissions = activity data x emissions factor (*refer to Appendix 4*)

All emissions were calculated using Toitū Envirocare's Emanage platform, with emissions factors and Global Warming Potentials (GWP) provided by the Programme. The emission factors used are listed in Appendix 4 and use GWP values from the IPCC Fifth Assessment Report (AR5).

Rationale: We have prioritised activity-based data as it provides more accurate representation of emissions. However, where activity data was not available, spend-based estimations were used.

Limitations: Activity-based methods are more accurate but require detailed data and supplier-specific emission factors, which may be unavailable. Spend-based methods are simpler but rely on broad industry averages, making them less precise.

Appendix 4. GHG Emissions Factors

Emission factors used in relation to calculation of 2024 GHG emissions:

Activity	Publisher (location-based method)	Publication (location-based method)	Source type (location-based method)
Accommodation - Australia	New Zealand Ministry for the Environment. MfE Guidance for Voluntary Greenhouse Gas Reporting. Wellington, New Zealand.	MfE (2024)	Government-published emission factors
Accommodation - China			
Accommodation - Indonesia			
Accommodation - New Zealand			
Air travel domestic (average)			
Air travel long haul (business)			
Air travel long haul (econ)			
Composting			
Diesel			
Electricity - Annual factor			
Electricity distributed T&D losses			
Petrol premium			
Petrol regular			
Postal and courier services (spend-based)			
Taxi (regular)	New Zealand Ministry for the Environment. MfE Guidance for Voluntary Greenhouse Gas Reporting. Wellington, New Zealand.	MfE (2024)	Government-published emission factors
Waste disposal recycling of Glass	UK Department for Business, Energy and Industrial Strategy. Government greenhouse gas conversion factors for company reporting. London, United Kingdom	DESNZ (2024)	
Waste disposal recycling of Paper			
Waste disposal recycling of Plastic			
Waste landfilled LFGR Food	New Zealand Ministry for the Environment. MfE Guidance for Voluntary Greenhouse Gas Reporting. Wellington, New Zealand.	MfE (2024)	
Water supply			
Working from home			

Appendix 5. Climate Model Methodology

Flood Risk Assessment Methodology

To evaluate the lending portfolio's exposure to climate-related risks—particularly flooding—a structured calculation methodology has been implemented.

1. Approach to Flood Risk Modelling

- **Data Source:** Bank of China (New Zealand) [BOCNZ] leverages **Auckland Council's flood zone data** to model flood risk exposure.
- **Building Overlay Analysis:** A spatial overlay technique is applied, combining flood risk layers with building footprints and land parcels to identify properties at risk.
- **Proxy Estimation for Unmapped Properties:** Where precise building location data is unavailable, the **land parcel's flood exposure** is used as a proxy, representing the entire asset's risk.

2. Loan Balance Assessment

- **Customer-Level Calculation:** Loan exposures are assessed at the individual borrower level.
- **Cross-Secured Loans:** If a loan is secured against multiple properties—where one is in a flood zone and another is not—the **entire loan balance** is considered exposed due to the cascading risk across the secured portfolio.

3. Current Limitations & Future Enhancements

BOC New Zealand acknowledges that this analysis currently focuses on **flood risk only** and does not yet incorporate other physical climate risks, such as:

- wildfires,
- windstorms,
- landslides,
- Cyclones, and
- sea level rise.

To strengthen climate risk assessment, BOC New Zealand intends to evaluate additional physical risk variables, including:

- Sea level & coastal inundation
- Storm risk
- Tsunami risk
- Drought risk

This ongoing enhancement aims to provide a more comprehensive view of climate-related financial risks across the lending portfolio.



**Shape the future
with confidence**

Independent Limited Assurance Report to Bank of China Limited

Bank of China New Zealand Banking Group (the “Group”) comprises the New Zealand business of Bank of China Limited (incorporated in China and trading as Bank of China Auckland Branch) and Bank of China (New Zealand) Limited.

Assurance Conclusion

Based on our limited assurance procedures performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Group’s consolidated scope 1 and 2 (location based) gross Greenhouse Gas (“GHG”) emissions, related additional required disclosures of gross GHG emissions, and related gross GHG emissions methods, assumptions and estimation uncertainty, within the scope of our limited assurance engagement (as outlined below) included in the Group’s Climate Related disclosure for the year ended 31 December 2024 (“Climate Statement”) are not fairly presented and not prepared, in all material respects, in accordance with the Aotearoa New Zealand Climate Standards (“NZ CS”) issued by the External Reporting Board (XRB).

Scope

Ernst & Young Limited (‘EY’) has undertaken a limited assurance engagement to report on the Group’s:

- ▶ Consolidated gross GHG emissions stated below:
 - ▶ scope 1 on page 25;
 - ▶ scope 2 (location based) on page 25;
- ▶ related additional requirements for the disclosure of consolidated scope 1 and 2 (location based) GHG emissions on page 25 to 26;
- ▶ related scope 1 and 2 (location based) GHG emissions methods, assumptions and estimation uncertainty on page 30 to 33.

included in the Climate Statement for the year ended 31 December 2024 (the “Subject Matter” or “GHG Disclosures”). The reported amounts and disclosures relate to the Bank of China New Zealand Banking Group as explained in the Climate Statement.

Our assurance engagement does not extend to any other information included, or referred to, in the Climate Statement on pages 02 to 34. We have not performed any procedures with respect to the excluded information and, therefore, no conclusion is expressed on it.

Criteria applied by Bank of China New Zealand Banking Group

In preparing the GHG Disclosures and Climate Statement, the Group applied NZ CS (the “Criteria”). In applying the Criteria the methods and assumptions used are described on pages 30 to 33 of the GHG Disclosures, as are the estimation uncertainties inherent in the methods and assumptions used.

Key Matters

We have determined that there are no key matters to communicate in our report.

Responsibility of the Directors of Bank of China Limited

The Directors of Bank of China Limited are responsible, on behalf of the Group, for the preparation and fair presentation of the GHG Disclosures in accordance with NZ CS. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the GHG Disclosures, such that they are free from material misstatement, whether due to fraud or error.

EY’s Responsibility

Our responsibility is to express a limited assurance conclusion on the GHG Disclosures based on the procedures we have performed and the evidence we have obtained.

Shape the future with confidence

Our engagement was conducted in accordance with New Zealand Standard on Assurance Engagements 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures* ("NZ SAE 1") and in accordance with the International Standard for Assurance Engagements (New Zealand): *Assurance Engagements on Greenhouse Gas Statements* ('ISAE (NZ) 3410'). Those standards require that we plan and perform this engagement to obtain limited assurance about whether the GHG Disclosures have been prepared, in all material respects, in accordance with the Criteria. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

As we are engaged to form an independent conclusion on the GHG Disclosures prepared by management, we are not permitted to be involved in the preparation of the GHG information as doing so may compromise our independence.

Ernst & Young provides financial statement and supplementary information audit and interim review services and other assurance services to the Group. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Group.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of NZ SAE 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures* issued by the External Reporting Board (XRB) and the Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than, for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the report and related information and applying analytical and other relevant procedures.

Our procedures included:

- ▶ Obtaining, through inquiries, an understanding of the Group's control environment, processes and information systems relevant to the preparation of the GHG Disclosures. We did not evaluate the design of particular control activities, or obtain evidence about their implementation;
- ▶ Evaluating whether the Group's methods for developing estimates are appropriate and had been consistently applied. Our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate the Group's estimates;
- ▶ Evaluating organisational and operational boundaries to consider the completeness of emissions sources;
- ▶ Performing analytical procedures on particular emissions categories by considering trends related to reported GHGs emitted and made inquiries of management to obtain explanations for any significant differences we identified;
- ▶ Performing recalculations and aggregation of selected GHG emissions; and
- ▶ Considering the presentation and disclosure of the GHG Disclosures.



**Shape the future
with confidence**

We also performed such other procedures as we considered necessary in the circumstances.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls.

Inherent Uncertainties

The GHG quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of GHGs. Additionally, GHG procedures are subject to estimation uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.

Other matters

Certain comparative GHG disclosures (that is GHG disclosures for the period ended 31 December 2023) have been subject to reasonable assurance by another assurance provider, with their unmodified assurance report dated 24 April 2024. The remaining comparative GHG disclosures (that is GHG disclosures for the period ended 31 December 2019 and 31 December 2022) have not been subject to assurance.

Use of our Assurance Report

This report is made solely to Bank of China Limited. We disclaim any assumption of responsibility for any reliance on this assurance report to any persons other than Bank of China Limited, or for any purpose other than that for which it was prepared.

The engagement partner on the engagement resulting in this independent assurance conclusion is Pip Best.

Ernst & Young Limited

Ernst & Young Limited
Auckland
28 April 2025