

Chong Hing Bank
Green, Social and Sustainability Deposit Framework
September 2023



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I. Introduction

1.1 Introduction to Chong Hing Bank

Founded in Hong Kong in 1948, Chong Hing Bank Limited (“the Bank”) was listed on the main board of the Stock Exchange of Hong Kong (Stock code: 01111) in 1994. The Bank and its subsidiaries including Chong Hing Securities Limited and Chong Hing Insurance Company Limited offer comprehensive commercial banking and financial services to individual and corporate customers. These services include HKD and foreign currency deposits, credit, foreign exchange, wealth management, investment, securities, insurance and mandatory provident fund. The Bank currently operates a network of more than 30 branches in Hong Kong, 15 branches and sub-branches in Mainland China.

The Bank became a member of Guangzhou Yuexiu Holding Limited (“Yuexiu Group”) on 14 February 2014. On 27 September 2021, Yuexiu Group completed its privatisation process of the Bank, which henceforth became a wholly-owned subsidiary of Yuexiu Group, and its listing on the Stock Exchange of Hong Kong was withdrawn on 30 September 2021. Established in Hong Kong in 1985, Yuexiu Group was ranked 262th in the “Top 500 Chinese Enterprise” list in 2022.

In 2023, Chong Hing Bank’s overall strength continued to improve and it was ranked 333th in the “Top 1000 World Banks” list issued by the British magazine “The Banker”, placing it among the top 400 banks in the world for the fifth consecutive year.

1.2 ESG Development Strategy

The Bank has continued to promote sustainable development, consider Environmental, Social and Governance (“ESG”) as one of the Bank’s important development strategies, review the related policies and key performance indicators, and further integrate them into the Bank’s operations, products and services. To advance the Bank’s stance and response to these challenges, in 2021 the Bank launched its Sustainable Strategic Statement (“Sustainable Strategic Statement”, the “Statement”) with the ambition to play an active role in driving the transition to a low-carbon economy. The Bank has formulated and implemented its ESG and climate change policies and strategies by active participation in the climate risk stress test pilot exercise launched by the HKMA and internal credit risk assessment based on the possible impact of various environmental risks to the Bank.

The Bank is committed to support our customers in the process of transitioning to a more climate resilience and sustainable business model. The Bank will consider special lending arrangement, while corporates or projects financed are encouraged to demonstrate positive environmental and/or social impacts verified by an independent third-party based on recognized international standards or framework, such as Green Loan Principles, Social Loan Principles, Sustainability Bond Guidelines, Sustainability Linked Loan Principles, The Equator Principles, and SDG Finance Taxonomy (China) [2020 Edition] by United Nations Development Programme.

Looking ahead, the Bank will be committed to working together with all concerned parties including shareholders, employees, customers and the general public to further promote green development and contribute to the betterment of the environment, the economy and the society.

1.3 ESG Management Approach

The Bank has established a clear ESG management structure where the Board fulfils a central role. The Board is responsible for overseeing and leading the Bank and its subsidiaries to formulate ESG development strategies and goals including, but not limited to, climate change and green and sustainable finance. The Board also approves governance framework of ESG risk management functions, as well as policies and plans relating to other material ESG related issues. The Executive Committee (“EXCO”), the Risk Committee, the Risk Management Committee and the Climate Risk and ESG Working Group provide support to the Board in managing the Bank Group’s ESG related matters. Each component of the Bank Group’s ESG management structure is independent to yet complementary with one another.

1.4 ESG Report

Since 2016, the Bank has been publishing its environmental, social and governance report (“ESG Report”) on its official website. By following the principles of materiality, quantitative, balance and consistency, the annual ESG report accurately discloses how the Bank has consistently supported the coordinated development among economic, social and environmental aspects on a solid business foundation of expanding financial services in Hong Kong and the Mainland China.

II. Overview of the Green, Social and Sustainability Deposit Framework

The Green, Social, and Sustainability Deposit Framework (“GSS Framework” or “Framework”) is to establish and facilitate a GSS deposit programme (the “Programme”) for all domestic and overseas branches and subsidiaries of the Bank, while setting out underlying eligible qualifying environmental themes and activities. The Bank will use the Framework to guide the development of the Programme and ensure that all transactions categorized as the Green, Social, or Sustainability Deposit will adhere to the Framework. Based on the eligible criteria in Section III under this Framework, the net proceeds received from the Programme will be allocated to Green and / or Social Eligible Projects (the “Eligible Projects”) of the Bank, and will be managed and tracked through a portfolio approach.

Transactions under the Programme may include cash deposits or certificates of deposits (each a Green, Social, or Sustainability Deposit Instrument).

III. Use of Proceeds

The Bank defines the individual elements of Eligible Projects as “Eligibility Criteria”.

The net proceeds received under the Programme will be used to finance or refinance in whole or in part, expenditure on projects that are consistent with the Bank’s policies and the Framework, and must meet the Eligibility Criteria set out below.

- The net proceeds from Green Deposit Instruments will be allocated to Green Eligible Projects as defined in 3.1.
- The net proceeds from Social Deposit Instruments will be allocated to Social Eligible Projects as defined in 3.2.





- The net proceeds from Sustainability Deposit Instruments will be allocated to Green and Social Eligible Projects as defined in 3.1 and 3.2.










The Bank’s Eligible Projects will have occurred not more than 24 months prior to the issuance date of the relevant deposit date of each Green, Social, or Sustainability Deposit Instrument. The Bank’s intention is to fully allocate the net proceeds of each Green, Social, or Sustainability Deposit Instrument within 12 months of its issuance.




Eligible Projects can be in the format of direct investment, loan deployment, and / or bond investment with the use of proceeds to be in compliance with the Green Bond Principles 2021, Social Bond Principles 2023, Sustainability Bond Guidelines 2021 by the International Capital Market Association (“ICMA”), Green Loan Principles 2023, Social Loan Principles 2023 by the Asia Pacific Loan Market Association (“APLMA”), Loan Syndications and Trading Association (“LSTA”), and Loan Market Association (“LMA”), or any other equivalent domestic ESG investment guidelines, according to initiatives aligned with the Eligibility Criteria.

Eligibility Criteria




3.1 Green Eligible Project Categories






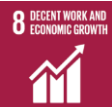

Green Eligible Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
Green Buildings	Acquisition, design, construction, operation and maintenance of buildings which meet or expected to meet regional, national or internationally verified certification scheme: <ul style="list-style-type: none"> - Hong Kong BEAM Plus Gold Level or above - China Green Building Evaluation Label with a minimum of 2 Stars - LEED Certification Gold Level or above - BREEAM Certification Excellent Level or above - Other equivalent international standards 	
Renewable Energy	Generation, maintenance and transmission of renewable energy <ul style="list-style-type: none"> - Projects related to wind power, photovoltaic power, solar thermal utilization, hydropower (less than 20MW), biomass energy, geothermal energy, ocean energy, and air source thermal energy Construction projects using renewable energy, such as land development, transportation network and base station construction	  
Energy Efficiency	Projects that achieve energy conservation, emission reduction and energy efficiency improvement (which	






Green Eligible Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
	<p>could achieve 15% more energy savings compared to the national average energy consumption standards)</p> <ul style="list-style-type: none"> - Projects include industrial energy conservation, energy management centres, procurement and/or construction of energy conservation and emission reduction facilities, and energy efficiency improvement 	  
Pollution Prevention and Control	<p>Pollution prevention and environmental restoration projects</p> <ul style="list-style-type: none"> - Projects include prevention and reduction of solid waste, waste recycling and resource utilization, as well as recycling and reprocessing of renewable resources 	 
Clean Transportation	<p>Projects related to the construction of city's electric transportation network, including electric vehicle charging stations</p> <p>Projects related to urban public electric infrastructure construction, including electric rail, light rail, and metro</p>	 
Sustainable Water and Wastewater Management	<p>Projects related to water conservation, sustainable water management and reduction of water pollution</p> <ul style="list-style-type: none"> - Water saving, including R&D of water saving technology and water saving irrigation projects - Sustainable water management, including smart water systems and sea water desalination projects - Sewage treatment and recycling, including comprehensive treatment of river basin, water pollution treatment and decontamination of hazardous waste water - Flood control and disaster contingency works, including flood basin works, 	 

Green Eligible Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
	construction of embankments for major rivers and river channel treatment	
Climate Change Adaptation	Projects related to strengthening resilience of the infrastructure, as well as design, construction, maintenance and upgrades of buildings / assets in case of severe weather and climate change events	
Terrestrial and Aquatic Biodiversity	Projects related to conservation and sustainable use of terrestrial inland freshwater and marine ecosystems	 

3.2 Social Eligible Project Categories

Social Eligible Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
Affordable Housing	Financing development, and purchase of affordable housing, which is targeting individuals or families that meet local government criteria for the rental or purchase of affordable housing, which typically includes an assessment of income levels and difficulties in obtaining housing, including: <ul style="list-style-type: none"> - Public rental housing - Public and subsidised housing ownership programme including: <ul style="list-style-type: none"> • Home Ownership Scheme; • Green Form Subsidised Home Ownership Scheme; • Tenant Purchase Scheme; • Flat-for-sale Scheme; and • Any other public / subsidised home purchase schemes 	 
Affordable Infrastructure and Basic Services	Basic rural living facilities, such as rural biogas, development of power grids in rural area, rural garbage collection and treatment, etc. Loans or bonds to facilitate projects, corporate, entities or facilities which provide affordable basic infrastructure and services, such as:	

Social Eligible Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
	<ul style="list-style-type: none"> - electric power transmission and distribution assets for providing power to areas with no access or substantially inadequate access to electricity; - roads, rails or ports that increase access for people in remote areas in developing countries; - water infrastructure such as water pipes, collection and recycling facilities, to provide stable freshwater supply to underserved populations based in areas with no access or substantially inadequate access to safely drinking water; - telecommunication projects to promote digital inclusion in unconnected or underserved communities; and - hygiene infrastructure for the public. 	 
Access to Essential Services	Access to health, education and vocational training, healthcare, financing and financial services	  
Employment Generation including through the Potential Effect of SME Financing and Microfinance	<p>Loans to promote inclusive finance:</p> <ul style="list-style-type: none"> - SMEs <p>SMEs are defined by local governments or regulatory agencies, for example, definitions of SMEs in China will be according to the standards issued by China’s Ministry of Industry and Information Technology, National Bureau of Statistics, National Development and Reform Commission, and Ministry of Commerce</p> <ul style="list-style-type: none"> • Operational loans for SMEs • Supply chain financing • Loan with interest subsidies to small and micro enterprises 	 

Social Eligible Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
	<ul style="list-style-type: none"> • High-tech small business loans • Loan to support local businesses affected by the COVID-19 pandemic <p>- Individuals</p> <ul style="list-style-type: none"> • Loans for individual-owned businesses • Consumption loans for registered poverty-stricken populations • Poverty alleviation loan 	
Socioeconomic Advancement and Empowerment	<p>Allow equitable participation and integration into the market and society, including education, rural development, women’s employment and leadership programme.</p> <p>Covid-19 support to limit the financial impact of the pandemic and financial support for SMEs that face financial stress due to socioeconomic crises stemming from pandemics, earthquakes, force majeure, and etc.</p>	  
Food Security, Sustainable Food and Agriculture	<p>Projects related to physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers, such as:</p> <ul style="list-style-type: none"> - Development of agriculture projects with the reduction in hazardous materials/ water used; - Production of organic food and non-food products certified by credible third-party certifications; and - Research and development of laboratory grown proteins and alternative proteins. 	 

Chong Hing Bank may, at its discretion, add Eligible Projects to the list. The Bank will use its best efforts to update the Framework to reflect any such changes.

- The Eligible Projects shall exclude the projects that are involved in the following sectors or activities below:
- Fossil fuel related projects
 - Nuclear and nuclear related projects
 - Luxury sectors such as precious metals, artworks & antiques and golf course services
 - Distillation, rectification and mixed alcoholic beverages
 - Production and trade of tobacco and tobacco products

- Hydro power with installed capacity >20MW
- Biomass which is suitable for food sources
- Mining and quarrying
- Energy saving and emission reduction projects in heavy industries
- Weapon and ammunition
- Army vehicles leasing and operation
- Businesses or activities which are related to the production, distribution and storage of hazardous chemicals and radioactive substances
- Carbon-intensive infrastructures including newly constructed roads, bridges and airports
- Commercial lumbering in primary tropical rainforest
- Unsustainable forest wood production and trade

IV. Process for Project Evaluation and Selection

Chong Hing Bank has established a Green, Social, and Sustainability Deposit Framework Working Group (“Working Group”), including Treasury and Markets Division, Corporate Banking Division, and Credit Risk Management Division. The Working Group will manage ESG strategy, risk, and opportunities according to the Bank’s risk and investment policies, and make corresponding recommendations to the EXCO, a committee delegated by the Board of Directors to oversee the management of the Bank’s ESG policies and strategies. The EXCO is responsible for the overall management, including environmental and climate related plans, initiatives and strategies, of the Bank within the framework of the Bank’s policies. The Working Group is also responsible for overseeing the process of selecting, evaluating and monitoring Eligible Projects for an Eligible Project Portfolio.

The Working Group is responsible for:

- On a best efforts basis, reviewing and updating the content of the Framework and managing any future updates of the Framework to reflect relevant changes in the Bank’s corporate strategy, technology and market developments
- On a best efforts basis, excluding or replacing projects that no longer comply with the Eligibility Criteria or which the Working Group has otherwise determined should not be funded under the Framework
- Designating, reviewing and updating the Eligible Project Portfolio
- As Green, Social, or Sustainability Deposit Instruments mature, removing the oldest projects for an equivalent investment amount, to ensure that the Green, Social, or Sustainability Deposit Instruments continue to fund new projects
- Preparing allocation and impact reports associated with the Green, Social, or Sustainability Deposit Instruments in accordance with the Framework
- Managing and allocating the net proceeds of each Green, Social, or Sustainability Deposit Instrument

The Working Group will meet at least annually to review project submissions from the Bank’s business units. Project submissions will be assessed to ensure they conform with the Eligibility Criteria, including aligning with the Eligible Criteria, Use of Proceeds and the objective of making a positive impact on Green and Social mobility.

V. Management of Proceeds

The proceeds from each Green, Social, or Sustainability Deposit Instrument will be managed by the Treasury and Markets and Corporate Banking Division with oversight by the Working Group. The Bank will track the allocation of proceeds to Eligible Projects within its internal management system including descriptions of the projects, the regions in which the projects are located, and the amount of proceeds allocated to the projects. If all or a proportion of the proceeds are used for refinancing, the Bank will provide an estimate of the share of financing versus refinancing.

Any proceeds which are temporarily unallocated to Eligible Projects will be held in cash or invested in money market instruments with good market liquidity, subject to exclusion criteria.

VI. Reporting

Until full allocation of the net proceeds to Eligible Projects, the Bank shall provide annual reporting, in which includes below defined reporting on allocation and impact information. Both the allocation reporting and impact reporting will be made available via the Bank's website, and will be included in the annual ESG report.

- Allocation Reporting: The Bank will provide below information for the net proceeds of all the Green, Social, or Sustainability Deposit Instruments during the period:
 - Allocation amount by eligible project category, and clearly indicating the SDG(s) of which such allocation supports
 - Allocation amount by geographical distribution
 - Proportion between financing and refinancing
 - Project examples, subject to confidentiality
 - Amount of unallocated proceeds and its temporary treatment

- Impact Reporting: Where possible and subject to data availability and confidentiality, reporting of environmental and social impacts of the Eligible Projects. Subject to the nature of Eligible Projects and availability of information, the Bank aims to include the following Impact Indicators:

Green and Social Eligible Project Categories	Example Expected Impact Metrics
Green Buildings	<ul style="list-style-type: none"> - Green building portfolio by type or by green building certificates - Number of green building certification obtained - Energy performance (kWh/m² floor area per year) - Total energy savings (kWh)
Renewable Energy	<ul style="list-style-type: none"> - Renewable energy generation by type (kWh) - Annual greenhouse gas emissions reduced/avoided (mtCO₂e) - Reduced air pollutants (tons)
Energy Efficiency	<ul style="list-style-type: none"> - Total energy savings (kWh) - Annual greenhouse gas emissions reduced/avoided (mtCO₂e)

Pollution Prevention and Control	<ul style="list-style-type: none"> - Waste avoided, reduced, reused or recycled (tons) - Amount of hazardous waste processed (tons)
Clean Transportation	<ul style="list-style-type: none"> - Number of electric vehicle charging ports/stations installed - Number of electric vehicles supported - Annual greenhouse gas emissions reduced/avoided (mtCO₂e) - Reduced air pollutants (tons)
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> - Volume of water saved, reduced or treated (m³) - Amount of sewage treatment (tons)
Climate Change Adaptation	<ul style="list-style-type: none"> - Number and type of adaptation and resilience actions implemented
Terrestrial and Aquatic Biodiversity	<ul style="list-style-type: none"> - Number of nature conservation / restoration initiatives - Area conserved / restored / sustainably managed (hectare) - Number of nature conservation / biodiversity facilities constructed
Affordable Housing	<ul style="list-style-type: none"> - Amount of outstanding loans for affordable housing programmes - Number of housing units constructed / preserved / purchased - Number of individuals / families benefited
Affordable Basic Infrastructure and Services	<ul style="list-style-type: none"> - Amount of methane collected in rural area - Amount of electricity provided in rural area - Amount of waste collected and treated in rural area - Increase in digital penetration rates - % of underserved population having new access to the services as a result of infrastructure financed
Access to Essential Services	<ul style="list-style-type: none"> - Number and type of disadvantaged community benefitted from the essential services provided
Employment Generation through the Potential Effect of SME Financing and Microfinance	<ul style="list-style-type: none"> - Number of companies / individuals benefitted - Number of jobs created - Number, gender, and type of disadvantaged community benefitted - Amount of credit distributed
Socioeconomic Advancement and Empowerment	<ul style="list-style-type: none"> - Number and type of disadvantaged community benefitted - Number of jobs created - Number of activities / programmes organised
Food Security, Sustainable Food and Agriculture	<ul style="list-style-type: none"> - Number of individuals/ farmers benefitted - Hectares of land cultivated being improved - Number/type of products with certified improvements in nutritional value

The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible Projects will be publicly disclosed.

VII. External Review

We have obtained and made publicly available a Second Party Opinion (SPO) from HKQAA with recognized environmental and social expertise on the environmental and social benefits of the Framework. The SPO is available on the Bank's website (<https://www.chbank.com/en/commercial/banking-services/green/greensustainability/index.shtml>).

Chong Hing Bank may engage an independent third party to conduct post-issuance assurance on the allocation of proceeds and impact reporting.