

## Attestation Report on Pre-issuance of Bank of China Tokyo Branch's 2018 Green Bond

### To the Directors of Bank of China Limited

We have been engaged by Bank of China Limited (the "Bank") to examine the assertions in the accompanying the *Description on Bank of China Tokyo Branch's 2018 Green Bond* (the "Description"), and expressed a limited assurance opinion on the Description.

### Criteria

The Description is prepared in accordance with the *Green Bond Principles 2018* published by International Capital Market Association (ICMA), the *Climate Bonds Standard (V2.1)* published by the Climate Bonds Initiative and the Climate Bond Standard Sector Eligibility Criteria.

### Management's Responsibility

The management of the Bank (the "Management") is responsible for:

- Preparation of the Description in accordance with the *Green Bond Principles 2018* and the *Climate Bonds Standard (V2.1)*, and to ensure the fair presentation, accuracy, completeness and validity of the information contained in the Description;
- Preparation, presentation and implementation of internal controls in relation to project evaluation and selection, use and management of proceeds, and information disclosure and reporting in accordance with the *Bank of China Sustainability Series Bonds Internal Management Regulation* and *Bank of China Limited Sustainability Series Bonds Management Statement* and to meet the criteria as set out in the *Green Bond Principles 2018* and the *Climate Bonds Standard (V2.1)*;

### Assurance Practitioner's Responsibility

We conducted our limited assurance engagement in accordance with *International Standard on Assurance Engagements 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ("ISAE 3000") issued by the International Auditing and Assurance Standards Board.

Our responsibility is to express an independent limited assurance conclusion as to whether anything has come to our attention to cause us to believe that the Description, in all material

respects, does not meet the Criteria.

## **Our Procedures**

Our assurance procedures performed included, but were not limited to:

- Assessing policies and procedures established by the Bank related to the issuance of the Bank of China Tokyo Branch's 2018 Green Bond;
- Interviewing selected business unit personnel to understand the key issues in relation to the Bank's policies and procedures;
- Reviewing the Bank's policies and procedures in relation to the use and management of proceeds for the Bank of China Tokyo Branch's 2018 Green Bond;
- Reviewing the Bank's policies and procedures in relation to how Management evaluated and selected appropriate project(s) for the Bank of China Tokyo Branch's 2018 Green Bond;
- Reviewing the Bank's policies and procedures in relation to how Management compiled information and disclosed appropriately in the relevant documentation for the Bank of China Tokyo Branch's 2018 Green Bond; and
- Reviewing eligibility of all the nominated projects for inclusion in the Bank of China Tokyo Branch's 2018 Green Bond.

## **Assurance Conclusion**

Based on our procedures performed, as described in this report as of 29 October 2018, nothing has come to our attention that causes us to believe that the assertions in the Description on the use and management of proceeds, project evaluation and selection and information disclosure and reporting of the bond issuance process of the Bank of China Tokyo Branch's 2018 Green Bond are concerned, in all material respects, does not meet the criteria as set out in the *Green Bond Principles 2018* and the *Climate Bonds Standard (V2.1)*'s pre-issuance requirement.

## **Limitations**

There are inherent limitations in performing assurance, for example, assurance engagements are based on selective testing of the information being examined and it is possible that fraud, error or non-compliance may occur and not be detected. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. There are additional inherent risks associated with assurance over non-financial information including reporting against standards which require information to be assured against source data compiled using definitions and estimation methods that are developed by the reporting entity. Finally, adherence to Description are subjective and will be interpreted differently by different stakeholder groups.

Our work is substantially less in scope than an audit conducted in accordance with International

Standards on Auditing issued by the International Auditing and Assurance Standards Board. Accordingly, we do not express an audit opinion.

Our assurance work and report will not express an opinion on the effective and performance of the Bank's management system and procedure.

Our assurance was limited to the Bank of China Tokyo Branch's 2018 Green Bond issuance, and did not include statutory financial statements. Our assurance is limited to policies and procedures in place as at 29 October 2018, ahead of the issuance of the Bank of China Tokyo Branch's 2018 Green Bond.

## Use of Report

Our responsibility in performing our assurance activities is to the Directors of the Bank only and in accordance with terms of reference for this engagement as agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. Any reliance any such third party may place on the Bank of China Tokyo Branch's 2018 Green Bond issuance is entirely at its own risk. No statement is made as to whether the criteria are appropriate for any third party purpose.

## Our Independence, Quality Control and Assurance Team

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. We have complied with the quality control requirements of the *International Standard on Quality Control 1* issued by the International Auditing and Assurance Standards Board. Our team has required competencies and experience for this assurance engagement.



Ernst & Young Hua Ming LLP

Beijing, China

29 October 2018



## Appendix I

### Bank of China Limited Description on Bank of China Tokyo Branch's 2018 Green Bond

In accordance with the *Green Bond Principles 2018* published by International Capital Market Association (ICMA), and *Climate Bonds Standard (V2.1)* published by Climate Bonds Initiative (CBI), Bank of China Limited (the "Bank") established the Bank of China Sustainability Series Bonds Internal Management Regulation (the "Regulation") and the Bank of China Limited Sustainability Series Bonds Management Statement (the "Management Statement"), which defined the use and management of proceeds, project evaluation and screening, as well as information disclosure and reporting.

#### Use and Management of Proceeds

In accordance with the Regulation and the Management Statement, the Bank defined the responsibility of Treasury on the use and management of proceeds. The Bank will employ a separate Ledger to manage the transfer, allocation and payback of proceeds. The Ledger will be updated and maintained on a quarterly basis to make sure that all of the proceeds can be traced and invested in eligible projects.

The Bank will allocate the proceeds to the nominated eligible projects within 24 months of issuance of the bond. So long as Bank of China Tokyo Branch's 2018 Green Bond is outstanding, the unallocated proceeds could be temporarily invested in Green Bonds issued by non-financial institutions in domestic or international markets, and in money market instruments with good credit rating and market liquidity, or kept in cash until they are allocated to Eligible Projects, however they are not allowed to invest in greenhouse gas (GHG) intensive, highly polluting nor energy intensive projects.

#### Project Evaluation and Selection

In accordance with the Regulation and the Management Statement, the Bank defined the responsibility of Treasury, Corporate Finance Department and Credit Management Department on project evaluation and selection, making sure that the selection of eligible projects is in accordance with national policies and requirements and international standards and practices. Besides, in accordance with the Regulation and the Management Statement, the eligible projects selected shall meet the specific industry and technology standards under the *Climate Bonds Standard (V2.1)*. The Bank nominated 8 projects, with an approximated total value of RMB 5,227.42 million. Nominated projects list with detailed information is attached after the report. Nominated categories include the sustainable water and wastewater management and clean transportation. Examples of the expected environmental benefits are as follows:

- A metro project located in Southern China: The total length of the metro is 60.9km with 20 stations. The expecting capacity of this line is 0.3562 million passengers/ day in the prime stage, 0.5761 million passengers/ day in middle stage and 0.8485 million passengers/ day



in the long term. This line, in different stage, is expected to reduce CO<sub>2</sub> by 55,822 tons/ year, 90,284 tons/ year and 132,973 tons/ year respectively.

- A sewage treatment expansion project located in Central China: The present treatment capacity of the sewage treatment project is 200,000 m<sup>3</sup>/day, the expansion treatment capacity is 150,000 m<sup>3</sup>/day and the reserved long term treatment capacity is 550,000 m<sup>3</sup>/day. The direct reduction of pollutants of the project after expansion are as follows: COD: 16,425 tons/year, BOD<sub>5</sub>: 9,307.5 tons/year, SS: 10,402.5 tons/year, NH<sub>4</sub>-N: 1,368.75 tons / year.

The Bank has emphasized the improvement of the green credit system, strengthened environmental risk management; Promoted the market-oriented operation of the green projects, raised and guided social capital to invest in the field of ecological and environmental protection; Increased support for clean energy, energy conservation and environmental protection. Deepening the consensus with all stakeholders on environmental protection actions and addressing climate challenges, by optimizing the capital allocation and innovative investment and financing models, assisting carbon emissions reduction, and maintaining ecological security. In addition, the Bank will further improve the green credit management and the green credit policy system, actively support green, low-carbon and circular economy development projects, such as renewable energy, industrial transformation, energy saving, environmental protection, in order to promote energy saving and emissions reduction, and the comprehensive environmental governance.

### Information Disclosure and Reporting

In terms of the management of the proceeds, in accordance with the Regulation and the Management Statement, the Bank defined the responsibility of Treasury, Corporate Finance Department and Credit Management Department on the reporting disclosure and reporting. Prior to the issuance, the Bank engaged a qualified independent third party to conduct pre-issuance assurance in accordance with the *Green Bond Principles 2018* and *Climate Bonds Standard* (V2.1) so as to make sure that all proceeds are to be invested in eligible projects, the management of proceeds is in accordance with related requirements, and the environmental benefits and social impacts of those projects meet the expectations of investors.

So long as Bank of China Tokyo Branch's 2018 Green Bond is outstanding, the Bank will make and keep readily available up-to-date information on the use of proceeds and the environmental performance of the eligible projects within 120 days after the end of each fiscal year on the official website (<http://www.boc.cn/en/investor/ir10/>). The following contents will be disclosed annually:

1. A brief description of the eligible projects to which proceeds are allocated, and the amount and percentage allocated to each category;
2. An attestation report issued by a specialized certification body assuring allocation of proceeds;
3. The expected environmental impacts of the eligible projects to which the proceeds have been allocated. The Bank will adopt quantitative performance measures of certain categories, where feasible, and disclose them on an aggregated portfolio basis.

Bank of China Limited

29 October 2018



### Nominated Projects List

| No.                                     | Project                            | Category                                    | Region         | Loan Amount<br>(RMB million ) |
|---|------------------------------------|---|----------------|-------------------------------|
| 1                                       | Intercity Rail Project             | Clean transportation                        | Southern China | 350.00                        |
| 2                                       | Metro Project                      | Clean transportation                        | Southern China | 1,749.42                      |
| 3                                       | Metro Project                      | Clean transportation                        | Eastern China  | 266.00                        |
| 4                                       | Metro Project                      | Clean transportation                        | Eastern China  | 698.00                        |
| 5                                       | Metro Project                      | Clean transportation                        | Eastern China  | 63.00                         |
| 6                                       | Metro Project                      | Clean transportation                        | Eastern China  | 701.00                        |
| 7                                       | Sewage treatment expansion project | Sustainable water and wastewater management | Central China  | 1,200.00                      |
| 8                                       | Sewage treatment project           | Sustainable water and wastewater management | Central China  | 200.00                        |
| <b>Total Loan Amount (RMB million )</b> |                                    |   |                | <b>5,227.42</b>               |

### Nominated Categories

| Category                                    | Number of Projects | Location of Projects          | Loan Amount<br>(RMB million ) |
|---|--------------------|-------------------------------|-------------------------------|
| Clean transportation                        | 6                  | Southern China/ Eastern China | 3,827.42                      |
| Sustainable water and wastewater management | 2                  | Central China                 | 1,400.00                      |
| <b>Total Loan Amount (RMB million )</b>     |                    |                               | <b>5,227.42</b>               |