

Bank of China Limited

Sustainability Series Bonds Management Statement

Bank of China Limited, including all its branches globally (“BOC”) is responsible for the preparation and fair presentation of this Sustainability Series Bonds¹ Management Statement (the “Statement”).

Purpose

This Statement has been prepared to demonstrate how BOC’s offshore Sustainability Series Bonds are in alignment with the *Green Bond Principles 2018 (GBP, 2018)*, *Social Bond Principles 2018 (SBP, 2018)* and *Sustainability Bond Guidelines 2018 (SBG, 2018)* to fund new and existing projects and businesses with environmental and/or social benefits.

Assertions from the Management

For each Sustainability Series Bonds it will issue as per this Statement, BOC’s management asserts that it will, (A) disclose the intended Eligible Project categories in the “Use of Proceeds” section of the Sustainability Bond’s documentation, (B) establish an internal process for Project Evaluation and Selection, (C) establish an appropriate tracking process for the Management of Proceeds, and (D) make and keep readily available up-to-date Reporting on the use of proceeds and the environmental and

¹ Sustainability Series Bonds is a general term including Green Bond, Social Bond and Sustainability Bond.

social performance of the Projects, as per the recommendations of (*GBP,2018*), (*SBP, 2018*) and (*SBG, 2018*) annually.

I. Use of Proceeds

All the net proceeds of the Sustainability Series Bonds will be allocated to Eligible Projects in the following categories, but not limited to:

Eligible Green Projects

- Renewable energy (including the production and transmission of renewable energy, and the manufacturing of renewable energy appliances and products; renewable energy includes solar energy, wind energy and biomass energy);
- Energy efficiency (such as refurbishments of buildings to include energy-saving retrofit of heating systems, refrigeration systems, lighting equipment and hot water supply system);
- Pollution prevention and control (including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy. Clean-coal related will be excluded.);
- Environmentally sustainable management of living natural resources and land use (including environmentally sustainable agriculture; environmentally sustainable animal husbandry; climate smart farm inputs such as biological crop protection or drip-irrigation; environmentally sustainable fishery and aquaculture; environmentally-sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes);

- Clean transportation (such as electric, public, rail, non-motorised, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions);
- Sustainable water and wastewater management (including sustainable infrastructure for clean water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation); and
- Green buildings (including green industrial buildings and green residential and public buildings. The green industrial buildings should reach the requirement of *Evaluation standard for green industrial building* (GB/T 50878-2013) grade 2; the green residential and public buildings should reach the requirement of *Assessment standard for green building* (GB/T 50378-2006) grade 2).

Eligible Social Projects

- Affordable basic infrastructure (including clean drinking water, sewers, sanitation, transport, energy);
- Access to essential services (including health, education and vocational training, healthcare) for Target Populations, as defined in the SBP;
- Affordable housing (including low-rent housing, affordable housing and policy tenancy housing, applicants should meet the requirement of local policies to apply for the housing mentioned above); and
- Employment generation (including through the potential effect of small and medium enterprise (SME) financing and microfinance. Operation of gambling enterprises and predatory lending enterprises will be excluded.

For the definition of SME, refer to *Notice of the standard of small and medium-sized enterprises*²).

BoC will be able to issue (i) a Green Bond in case the proceeds are allocated into the Green Eligible Project Categories, (ii) a Social Bond in case the proceeds are allocated into Social Eligible Project Categories and (iii) a Sustainability Bond in case the proceeds are allocate to both Green and Social Eligible Projects.

II. Project Evaluation and Selection

BOC will follow the procedures below, to evaluate and select the Eligible Projects:

1. Preliminary Screening

Domestic and overseas branches of BOC shall conduct a preliminary screening of potential projects in accordance with the criteria and standards set out in BOC's internal regulations and the Eligible Project categories as described in the "Use of Proceeds" section in this Statement, and form a list of nominated projects which will be submitted to the Headquarter for review.

2. Review and Approval

The Headquarter shall review each of the nominated projects for approval as Eligible Projects. The approved projects will form an Eligible Project list ("the Eligible Project List").

² http://www.gov.cn/zwgk/2011-07/04/content_1898747.htm

3. Update and Maintenance

The Headquarter shall review the Eligible Project List on a quarterly basis and determine if any changes are necessary (for example, if a project has amortized, been prepaid, sold or otherwise become ineligible). The Headquarter shall organize domestic and overseas branches to nominate new projects, and approve the eligible ones to replace projects that have amortized, been prepaid, sold or otherwise become ineligible.

III. Management of Proceeds

Due to its global network, BOC will allocate the net proceeds of the Sustainability Series Bonds to Eligible Projects across various domestic and overseas markets. BOC has established an effective mechanism to manage the proceeds, ensuring that the proceeds from the Sustainability Bond will be used to fund the Eligible Projects.

1. Planning for Use of Proceeds

Prior to the issuance of Sustainability Series Bonds, BOC shall evaluate the recent and pipeline capital spending, and develop a preliminary Eligible Project List in accordance with the procedures as described in the “Project Evaluation and Selection” section in this Statement to ensure that the Sustainability Series Bonds proceeds can be allocated to Eligible Projects in a timely manner.

2. Management of Separate Ledger

BOC shall record the source and allocation of proceeds in a separate ledger to ensure that all the net proceeds of the Sustainability Series Bonds are used to fund Eligible Projects. The ledger shall contain detailed information of the funding source (including the issue amount, the coupon rate, the issue date

and the maturity date of the Sustainability Series Bonds) and the capital allocation (including the project name, the borrower description, the project category, the balance, the release date, the repayment date, the relevant FX rate and the interest rate of the loan). BOC will review and update the ledger on a quarterly basis. Any proceeds allocated to the projects that have amortized, been prepaid, sold or otherwise become ineligible shall be reallocated to newly nominated and approved Projects.

3. Use of Unallocated Proceeds

Unallocated proceeds shall not be invested in greenhouse gas (GHG) intensive, highly polluting, energy intensive projects nor projects with poor social impacts. The unallocated proceeds could be temporarily invested in Sustainability Series 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.

IV. Reporting

As long as the Sustainability Series Bonds are outstanding, BOC will make and keep readily available up-to-date information on the allocation of the proceeds and the environmental and social performance of the funded Eligible Projects on an annual basis on its official website (<http://www.boc.cn/en/investor/ir10/>). BOC intends to maintain the transparency of information disclosure following the best practices recommended by (*GBP, 2018*), (*SBP, 2018*) and (*SBG, 2018*). The following contents will be disclosed annually:

1. A brief description of the Eligible Projects to which the Sustainability Series Bonds proceeds were allocated, and the amount and percentage allocated to each of the categories;
2. An attestation report issued by a specialized certification body assuring allocation of proceeds; and
3. The expected environmental and social impacts reports, respectively, of the Eligible Projects to which the Sustainability Series Bonds proceeds have been allocated. BOC will adopt some quantitative performance measures of certain categories, where feasible, and disclose them on an aggregated portfolio basis. The environmental and social impact sections, respectively, will be reviewed by a specialized certification body.

In addition, BOC will confirm that the use of proceeds of the Sustainability Series Bonds conforms to this Statement on its official website (<http://www.boc.cn/en/investor/ir10/>) on a quarterly basis.

Bank of China Limited

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