

Appendix I

Bank of China Limited Description on Bank of China Hong Kong Branch's 2021 Transition Bonds

Bank of China Limited ("BOC") has prepared *Bank of China Limited Transition Bonds Management Statement* (the "Management Statement"). This Management Statement has been prepared to demonstrate BOC will issue Transition Bonds (A) in accordance with the *Climate Transition Finance Handbook (2020)* published by International Capital Market Association (ICMA), (B) in alignment with the four pillars of relevant ICMA principles¹, (C) as well as in consideration of the climate change mitigation transition activity classification as defined in the *TEG Final Report on the EU Taxonomy*, and including the principles of "Avoidance of Carbon Lock-in" and "Do No Significant Harm", to finance and/or refinance eligible transition projects which are in line with strategic pathways of carbon neutrality goals and strategies of the countries and regions the projects are located in.

For Transition Bonds issued under this Management Statement, BOC will perform climate transition finance-related disclosures in accordance with *ICMA Climate Transition Finance Handbook (2020)* and in alignment with the four pillars of relevant ICMA principles (Use of Proceeds, Project Evaluation and Selection, Management of Proceeds and Reporting).

I. Climate Transition Finance-related Recommended Disclosure

In order to raise market awareness of BOC's Green and Low-carbon Finance strategy which includes transition finance, relevant internal governance and management, business achievement, applicable credit policy and planning in the future, information disclosure planning and, as a financial institution, BOC's credit service mechanism for helping corporate clients to achieve decarbonization strategy and targets, BOC has considered below four disclosures in accordance with the *Climate Transition Finance Handbook (2020)* disclosure recommendation:

- Climate Transition Strategy and Governance;
- Business Model Environmental Materiality;
- Climate Transition Strategy to be Science-based including Targets and Pathways;
- Implementation Transparency.

II. Use of Proceeds

¹ For example, *ICMA Green Bond Principles 2018 (GBP)*.

BOC shall select eligible projects set out in the Management Statement in consideration of the climate change mitigation transition activity classification as defined in the *TEG Final Report on the EU Taxonomy*, including the two principles of “Avoidance of Carbon Lock-in” and “Do No Significant Harm”, relevant measurable quantitative indicators as thresholds (if applicable), together with the list of “Explicitly Excluded Projects”. The proceeds raised from Transition Bonds will be used for financing and / or refinancing of eligible projects.

III. Project Evaluation and Selection

Based on the project compliance documents and referring to criteria and standards of eligible project categories defined in the Management Statement, BOC’s domestic and overseas branches shall conduct preliminary screening of eligible projects, to form the list of nominated projects and submit to the Headquarters for further review.

BOC’s Headquarters shall review each of the nominated projects, and then submit to professional third party agencies for an independent assessment. Approval will be granted to nominated projects certified by the professional third party agencies. The approved projects will form the Eligible Project List.

BOC’s Headquarters shall review the Eligible Project List on a quarterly basis and determine if any change(s) is necessary (for example, if a project has become ineligible due to amortization, prepayment, sale or other reasons). If such change(s) is necessary, the Headquarters shall organize domestic and overseas branches to nominate new projects and approve the eligible ones to replace projects that have become ineligible due to amortization, prepayment, sale or other reasons.

BOC has established a list of eligible projects, with an approximated total value of RMB 5,168.99 million. Nominated projects list may evolve over time. The following is detailed information about the eligible projects.

Eligible Project List

No.	Region	Project	Eligible Project Categories	Meeting the Quantitative Indicators & Eligibility Thresholds in the Eligible Project Categories	Loan Amount (RMB million)
1	Southern China	Natural Gas based Cogeneration Project	Public Utility Industry	Yes	190.00
2	Southern China	Natural Gas based Cogeneration Project	Public Utility Industry	Yes	462.97

No.	Region	Project	Eligible Project Categories	Meeting the Quantitative Indicators & Eligibility Thresholds in the Eligible Project Categories	Loan Amount (RMB million)
3	Eastern China	Natural Gas based Power Generation Project	Public Utility Industry	Yes	513.00
4	Eastern China	Natural Gas based Cogeneration Project	Public Utility Industry	Yes	77.34
5	Southern China	Natural Gas based Cogeneration Project	Public Utility Industry	Yes	195.49
6	Northern China	Natural Gas based Cogeneration Project	Public Utility Industry	Yes	609.66
7	Southern China	Natural Gas based Cogeneration Project	Public Utility Industry	Yes	535.74
8	Southern China	Natural Gas based Cogeneration Project	Public Utility Industry	Yes	567.51
9	Northwest China	Natural Gas based Cogeneration Project	Public Utility Industry	Yes	947.00
10	Eastern China	Natural Gas based Cogeneration Project	Public Utility Industry	Yes	139.68
11	Southern China	Waste Heat Recovery and Power Generation Project at Cement Plant	Cement Industry	Yes	168.50
12	Northwest China	Waste Heat Recovery and Power Generation Project at Cement Plant	Cement Industry	Yes	500.00
13	Eastern China	Natural Gas based Cogeneration Project	Public Utility Industry	Yes	105.50
14	Eastern China	Natural Gas based Power Generation Project	Public Utility Industry	Yes	156.60
Total Loan Amount (RMB million)					5,168.99

Eligible Project Categories	Loan Amount (RMB million)	Number of Projects	Loan Proportion
Public Utility Industry	4,500.49	12	87.07%
Cement Industry	668.50	2	12.93%
Total	5,168.99	14	100.00%

Region	Loan Amount (RMB million)	Number of Projects	Loan Proportion
Eastern China	992.12	5	19.19%
Northern China	609.66	1	11.80%
Southern China	2,120.21	6	41.02%
Northwest China	1,447.00	2	27.99%
Total	5,168.99	14	100.00%

Examples of the expected environmental benefits are as follows:

- A Natural Gas based Cogeneration Project located in Ningxia Hui Autonomous Region of China. The project is equipped with 4x200MW level gas-steam combined cycle cogeneration units with a total natural gas consumption of about $10.705 \times 10^8 \text{ Nm}^3/\text{year}$. The project will generate $4.72 \times 10^6 \text{ MWh}$ electricity annually and supply steam $5.76 \times 10^6 \text{ GJ}$ annually, which will result in the CO₂ emissions reduction of about 116,338 tons/year². Carbon emission from nature gas of this project is about 55.65 tons CO₂/TJ, which is 23.6% below the national average of 72.8 tons CO₂/TJ³.
- A Waste Heat Recovery and Power Generation Project at Cement Plant located in Shaanxi Province of China. The project is equipped with a pure low-temperature waste heat recovery and power generation system with the installed capacity of 15 MW on one clinker line. The project will deliver 76,170 MWh electricity annually through recovering and utilizing the waste heat from the clinker line, which will result in the CO₂ emissions reduction of about

² Calculated based on the UNFCCC CDM methodology AM0107 *New natural gas based cogeneration plant*.

³ Source: *International Energy Agency-Data and statistics*, available at: <https://www.iea.org>.

47,175 tons/year⁴. Energy consumption of cement clinker production in this project is about 93 kg standard coal/ton, which is 11.4% lower than the 2020 target value of 105 kg standard coal/ton as defined in “13th Five-Year Comprehensive Work Plan for Energy-saving and Emission Reduction” issued by State Council of China.

IV. Management of Proceeds

Prior to the issuance of Transition Bonds, BOC shall develop the preliminary Eligible Project List to ensure that proceeds raised from Transition Bonds can be allocated to the eligible projects.

BOC shall record the source and allocation of proceeds in a separate ledger management system to ensure that the proceeds of the Transition Bonds are properly managed and used. The ledger system shall contain information including but not limited to:

- Transaction information (including but not limited to issue amount, coupon, issue date and maturity date, etc.)
- Proceeds allocation information (including but not limited to project name, borrower description, project category, balance, release date, repayment date, exchange rate, interest rate of the loan, etc.)

BOC shall review and update the ledger on time. Any proceeds allocated to the projects that have been amortized, prepaid, sold or otherwise become ineligible due to other reasons shall be reallocated to newly nominated and approved projects.

Unallocated proceeds shall not be invested in greenhouse gas intensive, highly polluting, energy intensive projects nor projects with negative social impacts (including but not limited to “*Explicitly Excluded Projects*”). The unallocated proceeds could be temporarily invested in Green or Transition Bonds issued by non-financial institutions in domestic or international capital markets, and in money market instruments with good credit ratings and market liquidity, or kept in cash until they are allocated to eligible projects.

V. Reporting

BOC will make disclosure in relation to the eligible projects’ proceeds allocation and environmental impacts on an annual basis on the official website (<http://www.boc.cn/en/investor/ir10/>) when the Transition Bonds remain outstanding. The contents to be disclosed annually include but not limited to:

- Annual report of the Transition Bonds, where the content includes but not limited to the following proceeds allocation and environmental impacts information:

⁴ Calculated based on the UNFCCC CDM methodology ACM0012 *Waste energy recovery*.

- ✓ A brief description of the eligible projects where the proceeds were allocated, and breakdown in terms of amount and percentage allocated to each of the categories
- ✓ The unallocated proceeds and how they are invested temporarily
- ✓ Appropriate case information of the selected eligible projects
- ✓ The environmental benefits of each category of the eligible projects where the proceeds were allocated
- An attestation report for the annual report issued by a qualified third party
- An attestation report for the use of proceeds issued by a qualified third party

