

Annual Report on Bank of China Sydney Branch's 2023 Sustainability-Linked Loan Bond

Bank of China Limited Sydney Branch's (hereinafter referred to as "the Bank" or "We") Sustainability-Linked Loan Fund ("SLLF") refers to bonds, deposits, repos and other forms of financing instruments with structures tailored to contribute to sustainable development by application of the proceeds to finance and/or refinance a pool of eligible sustainability-linked loan(s) ("Eligible SLL(s)").

Bank of China is a leading financial institution and has committed to facilitating the transformation towards a low-carbon and resilient economy. The SLLF will enable investors to support companies that are committed to sustainability, while also promoting transparency and accountability. As stated in the *Sustainability-Linked Loan Funding Framework (Oct 2023)* ("the Framework")¹, we hereby provide *Annual Report on Bank of China Sydney Branch's 2023 Sustainability-Linked Loan Bond* ("the Annual Report"), disclosing the information of the use of proceeds, evaluation and selection of eligible sustainability-linked loans, management of proceeds, reporting of the 2023 Sustainability-Linked Loan Bond for the period from 16th November 2023 to 15th November 2024.

Outstanding 2023 Sustainability-Linked Loan Bond

ISIN Code	Issue Date	Currency	Maturity (Years)	Coupon Rate	Amount Issued (USD million)	Equivalent Amount (AUD million) ²
XS2718198463	2023/11/9	USD	3	SOFR+60BP	300.00	459.52

2023 Sustainability-Linked Loan Bond Details and Proceeds Allocation

2023 Sustainability-Linked Loan Bond was issued in November 2023 through Bank of China Limited Sydney Branch. The total amount equated to AUD 459.52 million. As of 15th November 2024, all of the proceeds have been utilized to fund three eligible sustainability-linked loans and there are no unallocated proceeds.

SLL(s)	Impact Objective	Amount (AUD million)
SLL 1	Climate Transition	216.00
SLL 2	Climate Transition and Socioeconomic Advancement	180.00
SLL 3	Climate Transition and Socioeconomic Advancement	63.52
Total		459.52

¹ <https://pic.bankofchina.com/bocappd/australia/202311/P020231107379669886025.pdf>

² The exchange rate is based on the announcement of the People's Bank of China's exchange rate on input value date.

Use of Proceeds

The Bank identified a pool of Eligible Sustainability-Linked Loans that meet the criteria for inclusion in the framework.

The loans were selected based on

- At least one of their Key Performance Indicators ("KPIs") and corresponding Sustainability Performance Targets ("SPTs")³ giving positive contribution to one or more of the Impact Objectives outlined in the Framework
- The alignment with the *Sustainability-Linked Loan Principles*³ corresponding to the year of signing of the facility
- The KPIs and corresponding SPTs that are considered "material" and "ambitious" as assessed by external verifiers

To the extent feasible, priority was be granted to:

- Eligible SLL(s) that are aligned with the most recent iteration of the Sustainability-Linked Loan Principles (SLLP 2023, or any further updates thereof)
- Eligible SLL(s) whose KPIs conform to the ICMA's Illustrative KPIs Registry⁴

Exclusions:

- Luxury sectors
- Weapon
- Alcohol
- Tobacco
- Fossil fuel
- Nuclear

Evaluation and Selection of Eligible Sustainability-linked Loans

Bank followed a rigorous selection process when evaluating Eligible SLL(s). BOC has already established internal guidelines ("*Bank of China Limited Customer Environmental (Climate), Social and Governance Risk Management Guidelines (2022 Edition)*" or "the Guidelines") for conducting business and assessing client's ESG risk as well as ESG performance. The Guidelines clearly divide ESG risk management into several steps: risk identification, risk measurement, risk assessment, risk monitoring and reporting, risk control and mitigation. At loan level, the Guidelines require business departments to conduct pre-loan investigation, loan review and post-loan inspection.

- 1) Preliminary Screening

³ <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>

⁴ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Illustrative-KPIs-Registry-June-2023-220623.xlsx>



Based on the loan compliance documents, and referring to the criteria in Session 2.1 Use of Proceeds, Corporate Banking and other departments of Financing Entity/Entities (“FE(s)”) of BOC shall conduct preliminary screening of potential SLL(s) identified by relevant business units, to form the list of nominated SLL(s).

2) Review and Endorsement

FE(s) of BOC will go through assessment procedures to form the list of SLL(s) for external verification. For example, a special committee or team will be formed within relevant FE(s) for undertaking the process to nominate, review and endorse SLL(s). The committee or team will be comprised of representatives with market, industrial and product expertise across relevant areas in relation to the SLLF business, such as Treasury, Corporate Banking, and other related departments.

3) External Review

These approved SLL(s) then undergo an external review process by the external verifier. Once verified, the SLL(s) are included in the Eligible SLL Ledger and officially designated Eligible SLL(s).

Management of Proceeds

FE(s) of BOC allocated the net proceeds of the SLLFs to the Eligible SLL(s) across various domestic and overseas markets via BOC's global network. BOC has established an effective mechanism to manage the proceeds on bond-by-bond basis, ensuring that the proceeds from the SLLFs will be used to fund the Eligible SLL(s).

1) Planning for Use of Proceeds

Prior to the issuance of SLLFs, FE(s) of BOC shall develop the preliminary Eligible SLL(s) List as per Session 2.2 Evaluation and Selection of Eligible Sustainability-Linked Loans in the Framework to ensure that the proceeds from SLLFs can be allocated to Eligible SLL(s) in a timely manner. For the avoidance of doubt, the allocation of the net proceeds means the amount that will only be allocated to the drawn portion of the Eligible SLL(s).

2) Management of Eligible SLL Ledger

Treasury, Global Markets and Asset & Liability Management departments of FE(s) of BOC shall record the source and allocation of proceeds in a separate ledger management system to ensure that all the net proceeds of the SLLFs are properly managed and used.

The ledger system shall contain information including but not limited to: transaction information (issue amount, coupon rate, issue date, maturity date, KPIs and SPTs features of SLL(s), etc.) and the proceeds allocation information (borrower description, loan category, balance, release date, repayment date, exchange rate, interest rate of the loan, etc.).

FE(s) of BOC will review and update the ledger on a regular basis (at least annually). During the life of each SLLF, if the allocated SLL(s) cease to fulfill the eligibility criteria listed out in Session 2.1.1 Eligible Sustainability-Linked Loans and/or the allocated SLL(s) have been partially or fully

prepaid/repaid during the life of the respective SLLFs, the net proceeds will be reallocated to new Eligible SLL(s).

3) Use of Unallocated Proceeds

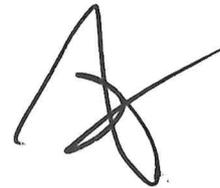
Unallocated proceeds shall not be invested in greenhouse gas (GHG) intensive, highly polluting, energy intensive projects nor projects with negative social impacts. The unallocated proceeds could be temporarily invested in Sustainable Bonds issued by non-financial institutions in domestic or international capital markets, and in money market instruments with good credit ratings and market liquidity, or kept in cash until they are allocated to Eligible SLL(s).

Reporting

BOC maintained the transparency of information disclosure following the best practices.

FE(s) of BOC should publish an Annual SLLF Report ("Annual Report") if it has SLLF outstanding. In the Annual Report, the FE(s) of BOC will make disclosure in relation to:

- 1) The allocation of the proceeds
- 2) When feasible, the performance of the respective SLL(s) on an aggregated basis



Bank of China Limited Sydney Branch

10 March 2025

<p>Yandong Fan Assistant General Manager Bank of China Limited, Sydney Branch</p>
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Appendix: Eligible SLL(s) Portfolio

As of the end of the reporting period, all proceeds have been utilized to fund three eligible sustainability-linked loans, with no unallocated proceeds remaining. These three loans align with the *Sustainability-Linked Loan Principles*, and their KPIs and corresponding SPTs are considered "material" and "ambitious" as assessed by external verifiers.

No	Sector	Location	Impact Objective	Selection of KPIs	SPTs	Margin Adjustment	SPT Verification	Allocated amount (AUD million)
SLL 1	Property	Australia	Climate Transition	Weighted average NABERS rating in relation to water	Achieved	1.5 bps decrease	Obtained	216.00
				Weighted average NABERS rating in relation to energy base building	Not Achieved	No adjustment ⁵		
SLL 2	Retailer	Australia	Climate Transition and Socioeconomic Advancement	GHG emissions	Achieved	3 bps decrease	Obtained	180.00
				Gender balance	Achieved			
SLL 3	Healthcare	Australia	Climate Transition and Socioeconomic Advancement	Mental health first aid	Achieved	2 bps decrease	Obtained	63.52
				Energy intensity	Not Achieved			
				GHG emissions	Achieved			
Total								459.52

⁵ For SLL 1, the margin adjustment based on the weighted average NABERS rating related to energy base building is structured into three tiers: Rating <4.5: Margin increased by 1.5 bps, Rating 4.5–5.0: No adjustment, Rating >5.0: Margin decreased by 1.5 bps. The Weighted average NABERS rating in relation to energy base building is 4.9 (within the 4.5–5.0 range), so the "no adjustment" margin clause applies.



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