

Annual Report on Bank of China Limited London Branch's 2021 Sustainability Re-Linked Bond

Bank of China Limited London Branch's (hereinafter referred to as "BOC London Branch" or the "Bank") Sustainability Re-Linked Bond ("SRLB") refers to bonds of which the use of proceeds is to finance and/or refinance the Bank's eligible Sustainability Linked Loans ("SLLs"). The SRLB is relinked to the performance of Sustainability Performance Targets ("SPTs") of the underlying SLLs. The SRLB enables more capital flow towards sustainable finance. As stated in the *Bank of China Limited Sustainability Re-Linked Bond Management Statement* (hereinafter referred to as "the Management Statement"), we hereby provide the *Annual Report on Bank of China Limited London Branch's 2021 Sustainability Re-Linked Bond* (the "Annual Report"), disclosing the information of the use of proceeds, process for project evaluation and selection, management of proceeds, reporting of bond, selection of key performance indicators ("KPIs"), calibration of SPTs, loan characteristics, reporting and verification of Sustainability Re-Linked Bond Eligible SLLs Portfolio, as well as relinking mechanism (including Sustainability Re-Linked Bond Coupon Adjustment) for the Second Observation Period which is from 2nd November 2021 to 2nd September 2023.

I. Introduction to Sustainability Re-Linked Bond

In preparing the Annual Report, the Bank referred to four core components of relevant International Capital Market Association (the "ICMA") principles, five core components of *Sustainability Linked Loan Principles 2021* and applied relinking mechanism (including Sustainability Re-Linked Bond Coupon Adjustment) as defined in the Management Statement.

1. Relinking Mechanism

The Base Coupon Rate will be set when the SRLB is issued. And then the coupon is adjusted through the relinking mechanism. The relinking mechanism is the relationship between the SRLB's Coupon Adjustments and the changes of the underlying SLL's margin rate. The SRLB coupon is the sum of the Base Coupon Rate and the Annual Coupon Adjustment, which is relinked to the SLL's SPTs as set out in the Management Statement.

2. Reference to the Four Core Components of the ICMA

1) Use of Proceeds

The net proceeds of the SRLB will be used to finance or refinance the Eligible SLL Portfolio.

The Bank shall refer to the five core components of Sustainability Linked Loan Principles 2021 which include: Selection of KPIs, Calibration of SPTs, Loan Characteristics, Reporting and Verification.

The Bank shall exclude the following categories ("Explicitly Excluded Categories"):

- Fossil fuels related industries, including coal industry;

- Industries related to biofuels, biogas or biomass which utilize food crops as sources;
- Nuclear power related industries;
- Mining and quarrying related industries;
- Luxury services or goods related industries, such as clubhouse operation;
- Alcoholic beverages related industries;
- Gambling and predatory lending enterprises related industries;
- Tobacco and tobacco-related products related industries;
- Weapons and ammunitions related industries.

2) Sustainability Linked Loans Evaluation and Selection

● Preliminary Screening

Prior to the issuance of the Sustainability Re-Linked Bonds, Bank of China's domestic and overseas branches shall conduct a preliminary screening to form a list of nominated eligible SLLs, with reference to the criteria and standards defined in the "Use of Proceeds" section. The nominated SLL portfolio will be submitted to the Bank's Headquarters for further review.

● Review and Approval

Bank of China's Headquarters shall review each of the nominated SLLs and form the Eligible SLL Portfolio as the underlying assets for each SRLB issuance. The Headquarter shall then submit the Eligible SLL Portfolio to an independent third party agency for assessment before the issuance to verify whether such SRLB is aligned with this Management Statement.

● Update and Maintenance

Bank of China's Headquarters shall conduct annual internal review on the Eligible SLL Portfolio to determine if any SLLs need to be replaced or added (for example, in the case of a SLL is repaid early, etc.).

If such changes to the Eligible SLL Portfolio is needed, the Headquarters shall start an update process, including reviewing the newly nominated SLL submitted from domestic and overseas branches to add to the Eligible SLL Portfolio or to replace the SLL(s) that have become ineligible or been repaid and to update the Eligible SLL Portfolio.

An independent third party agency shall be appointed to perform the verification of the Eligible SLL Portfolio (including the replacement of underlying SLLs) and SRLB Coupon Adjustment etc.

3) Management of Proceeds

Bank of China will allocate the proceeds of the SRLB to the eligible SLLs across various domestic and overseas markets through the Bank's global network. Bank of China has established an effective mechanism to manage the proceeds, ensuring that the proceeds raised from SRLB will be allotted to the eligible SLLs.

Bank of China shall record the sources and uses of proceeds in a separate ledger management system to ensure that the proceeds of the SRLB are properly managed and used. The ledger system shall contain information including but not limited to: transaction information (such as issue size, coupon rate, number of SLLs, issue date, maturity date etc.) and the Eligible SLL Portfolio information (such as SLL's names, borrower description, SLL's category, SLL's KPIs and SPTs, disbursement date, repayment date, exchange rate, margin adjustment of the SLL etc.). Bank of China will review and update the ledger annually. Any proceeds allocated to the SLL that have been repaid or otherwise become ineligible shall be reallocated to newly nominated and approved SLL.

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 activities related to the sectors listed in "Explicitly Excluded Categories"). The unallocated proceeds could be temporarily invested in Green 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 SLLs.

4) Reporting

Bank of China is committed to ensuring the transparency of information disclosure. The following content will be disclosed annually in the "SRLB Annual Report" before the Coupon Reset Date on the Bank's official website, as the SRLB remain outstanding:

- Information of the Eligible SLL Portfolio, where the content includes but not limited to the following:
 - The borrower's sector
 - The description of KPIs or SPTs based on SLL borrowers' sector
- Annual coupon adjustment to provide confirmation on any SRLB Coupon Adjustment

After the SRLB reaches its maturity, the Bank will disclose the annual report on Eligible SLL Portfolio of the final bond year within 120 days after the maturity date.

In addition, annual verification report issued by an External Verifier will be disclosed annually on Bank of China's website, of which the scope includes but not limited to: (A) the verification of the Eligible SLL Portfolio, and (B) SRLB Coupon Adjustment, as the SRLB remain outstanding.

After the SRLB reaches its maturity, the External Verifier will issue a verification report on the Eligible SLL Portfolio of the final bond year within 120 days after the maturity date.

II. Detailed Information of Bank of China Limited London Branch's 2021 Sustainability Re-Linked Bond

1. Outstanding 2021 Sustainability Re-Linked Bond

ISIN Code	Issue Date	Coupon Reset Date	Currency	Maturity (year)	Coupon Type	Coupon Rate	Amount Issued (million)	Net Proceeds (million)
XS2400956020	02/11/2021	02/11/2023	USD	3	Fixed	1%+Annual Coupon Adjustment	300.00	298.46

2. Relinking Mechanism

The bank examines the Eligible SLL Portfolio on an annual basis. The Second Observation Period started from the issue date to 60 calendar days prior to the second Coupon Reset Date (including the first day and excluding the last day). For the Second Observation Period, the bank evaluated five loans. All the five loans issued the Valid Certificate and adjusted margin rates accordingly.

As Relinking Mechanism stated in the Management Statement, the SRLB Coupon Adjustment was calculated based on the Total SLL Margin Adjustment amount and SRLB Issue Size. The bank calculated the margin adjustment amount for each of the SLL based on the Individual SLL Daily Effective Size, SLL Margin Adjustment and the number of days in the Second Observation Period.

3. Eligible SLL Portfolio

The Bank has evaluated five loans which are the same as loans selected when issued, and the approximate total value remains in excess of the bond's issued amount during the most Second Observation Period. Nominated eligible SLL Portfolio may evolve over time. The following is detailed information of the Eligible SLL Portfolio.

Eligible SLL Portfolio

No.	Location	Sector	Selection of KPIs	Loan Characteristics (Margin Adjustment)	Loan Characteristics (Actual Margin Adjustment)	Effective Date of Certificate	SPTs	SLL Margin Adjustment (USD)
1	US, UK	Travel Industry	CO ₂ Emissions Rate	Cap: 2.5bp Floor: -2.5bp	2.5bp for first Certificate	For the first Certificate: effected on 1st July 2022 and cover forward to 9th January 2023 For the second Certificate: effected on 10th January 2023 and cover forward	Not Achieved for the first Certificate Achieved for the Second Certificate	7,095.92
					0 bp for second Certificate			
2	US	Fund Management Industry	ESG performance score	Cap: 5bp Floor: -5bp	0 bp	Effected on 4th April 2023 and cover forward	Achieved	0.00
3	Hong Kong	Trade Industry	KPI 1. Company's ESG management score.	Cap: 0bp Floor: -5bp	-5bp	For the first Certificate: effected on 2nd November 2021 and cover forward to 20th September 2022 For the second Certificate: effected on 21st September 2022 and cover forward	Achieved	-64,865.54
			KPI 2. The increase in the percentage of a certain food volume traded by the borrower traceable to the specific farm.					
			KPI 3. The increase in the percentage of a certain food volume traded by the borrower with social and environmental assessments out of the total traded volume traceable to the specific farm.					
4	UK	Manufacturing Industry	GHG Emissions Level	Cap: 2.5bp Floor: -2.5bp	-2.5bp	For the first Certificate: effected on 25th February 2022 and cover forward to 16th February 2023 For the second Certificate: effected on 17th February 2023 and cover forward	Achieved	-4,278.91
5	Singapore	Storage Industry	ESG Score	Cap: 0bp Floor: -5bp	-5 bps	Effected on 6th December 2022 and cover forward	Achieved	-12,521.56
Total								-74,570.09

4. SRLB Annual Coupon Adjustment

	Coupon Reset
Total SLL Margin Adjustment Amount for the 1st observation period ^①	1,707.99
Total SLL Margin Adjustment Amount for the 2nd observation period ^②	-74,570.09
SRLB Issue size ^③	300,000,000
Initial Coupon Adjustment ((^② - ^①)/ ^③):	-0.02543%
Floor	-0.05000%
Cap	0.05000%
Coupon Adjustment:	-0.02543%
Base Coupon Rate	1.00000%
Bond Coupon	0.97457%

Note: 1. Subject to confidentiality restrictions, the information about SPT is not disclosed in the report.

2. The Second Observation Period is from 2nd November 2021 to 2nd September 2023, while the bond coupon rate calculated will be applied to the period from coupon rest date of 2nd November 2023 to the mature date of 2nd November 2024 (including the first date but excluding the last date).

Bank of China Limited London Branch

13 October 2023