

Annual Report on BOCHK's Sustainability Series Bonds


Bank of China (Hong Kong) Limited's (hereinafter referred to as "BOCHK") Sustainability Series Bonds support low-carbon projects and businesses with environmental benefits that foster sustainable and smart living in the renewable energy and green building sectors. As stated in the *BOCHK Sustainability Series Bonds Management Statement* (hereinafter referred to as "the Management Statement")¹, we hereby provide an Annual Report on BOCHK's Sustainability Series Bonds, disclosing the allocation of the bond proceeds as well as the expected environmental impacts of the Eligible Projects as of 31 December 2023.

Outstanding BOCHK Sustainability Series Bonds

Sustainability Series Bonds*	Issue Date	Maturity (Year)	Currency	Coupon	Amount (Million)	HK Equivalent Amount (Million)
Green Bond 2022	February 10 th , 2022	2	HKD	1.33%	2,000	2,000

* The Green Bond 2021 of the Sustainability Series Bonds was matured on July 10th, 2023.

Sustainability Series Bonds Details and Proceeds Allocation

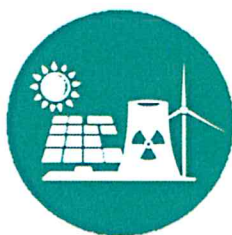
Sustainability Series Bonds	Alignment with
<p>Green Bond 2022 was issued on 10 February 2022. The total issue size of the two-year green bonds was HKD 2,000 million, is under the same series as the RMB green bonds issued in July 2021. The bond was rated by Moody's at Aa3. As of 31 December 2023, all of the net proceeds have been utilized to fund four projects, being one renewable energy project and three green building projects. There was no unallocated amount for the period ended 31 December 2023.</p>	

BOCHK Sustainability Series Bonds Allocations by Sectors

As of 31 December 2023, all amount equal to the net proceeds of BOCHK's Green Bond 2022 have been allocated to Eligible Green Projects, with structural diversification in green sectors, of which renewable energy account and green building for 15% and 85% respectively.

Category	Allocated amount (HKD million)	Number of Projects	Proportion
Renewable energy	300	1	15%
Green building	1700	3	85%
Total	2,000	4	100%

¹ https://www.bochk.com/dam/esg/sd-finance-portfolio_en.html



15%

Renewable energy

Solar power projects



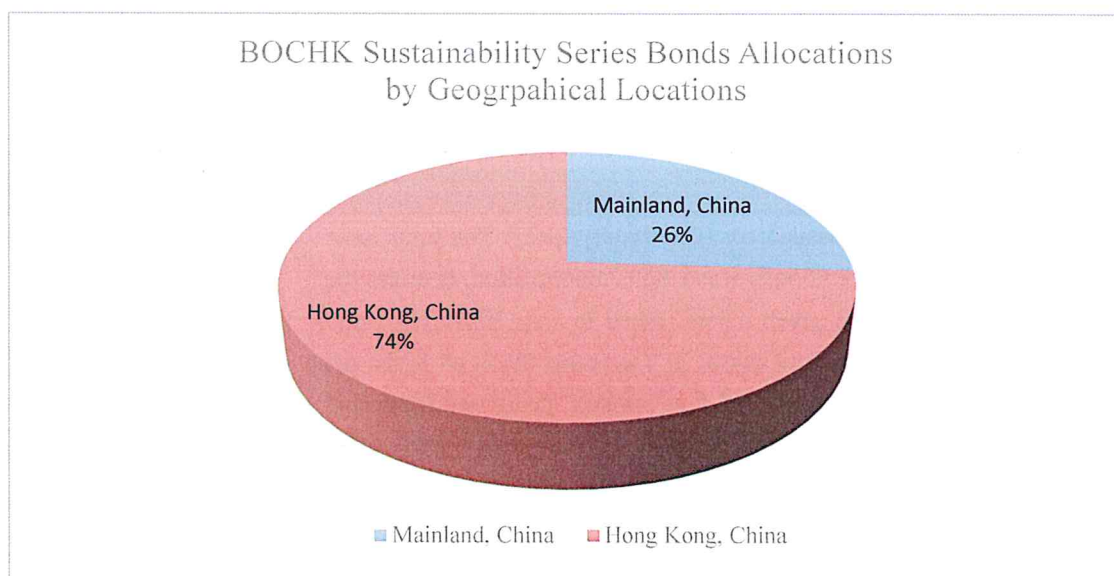
85%

Green Building

Green building project

BOCHK Sustainability Series Bonds Allocations by Geographical Locations

As of 31 December 2023, the amount equal to the net proceeds of BOCHK's Green Bond 2022 have been allocated to projects located across Mainland China and Hong Kong.



Location	Allocated amount (HKD million)	Proportion
Mainland, China	520	26%
Hong Kong, China	1,480	74%
Total	2,000	100%



Impact Reporting

The environmental impact
Due to the considerations of confidentiality for our loan clients, the environmental impact results of the green projects are disclosed on a portfolio basis. For each of the indicators in the table, the project-by-project results include only the pro-rated share (as a percentage of the issuer's share of the total financing) of the total projects' results; these individual pro-rata project impacts are then aggregated to indicate the overall impact of the funded projects in a certain category.
The environmental impact is calculated as:
For Renewable Energy Projects , the environmental impact is calculated based on the operational data publicly disclosed by the borrowers, where applicable.
For Green Building Projects , the environmental impact is assessed based on the green building certifications and/or the rating level of certifications obtained.
The data used for calculating the expected environmental impacts was based on different sources, including third-party environmental impact assessment reports, internal data or reports prepared by the borrowers and other relevant information published by the state authorities, international organizations, etc., where applicable.

The expected environmental impact of Green Bond 2022 is summarized as follows:

Renewable energy (Solar power project)	Allocated amount (HKD Million)	Annual generation (MWh)	Renewable energy capacity added (MW)	Annual GHG emissions reduced (CO ₂ Tonnes)
	300	129,221.69	125	106,523.33

Green building	Allocated amount (HKD million)	Certification Standard
	1,700	Platinum rating under LEED v4, Provisional Silver rating under BEAM Plus NB V1.2, 2-star by China Green Building Evaluation Standard

Example

The property development project is located in Wuhan's optical valley, a new high-tech area in Hubei Province of China. The project is the third large-scale urban complex development project which aims to provide a new landmark complex for Hubei's provincial capital Wuhan. The property development project has obtained the 2-star by China Green Building Evaluation Standard.



Use of Proceeds

An amount equal to the net proceeds of the Sustainability Series Bonds will be allocated to finance or refinance, in whole or in part, eligible assets and projects, including the Bank's own operations, in the Eligible Project Categories as defined below (the "Eligible Projects"). Such Eligible Project may include financing for other related and supporting expenditures such as research and development, or to a customer or project that derives at least 90 percent of its revenue from activities in Eligible Project Categories.

"Eligible Project Categories" include but are not limited to:

- Renewable energy (including the production and transmission of renewable energy, and the manufacturing of renewable energy appliances and products; renewable energy includes solar energy, onshore and offshore wind energy, and biomass energy);
- Energy efficiency (such as in newly built and refurbished buildings, energy storage, district heating, smart grids, appliances, and products);
- 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);
- 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 and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation);
- Green buildings which meet regional, national or internationally recognised standards or certifications;

In any case, eligible projects exclude the following categories (the "Explicitly Excluded Projects"):

1. Fossil fuel dedicated assets;
2. Biofuels, biogas or biomass which utilise food crops as sources;
3. Nuclear related projects;
4. Mining and quarrying related projects;
5. Luxury services or goods related, such as clubhouse operation;
6. Alcoholic beverages related projects;
7. Gambling and predatory lending enterprises related projects;
8. Tobacco and tobacco-related products related projects; and
9. Weapons and ammunitions related projects.

Project Evaluation and Selection

BOCHK follows the procedures below to evaluate and select the Eligible Projects:

1. Preliminary Screening

Based on project compliance documents (such as feasibility study reports and approvals, environmental impact assessment reports and approvals), and referring to criteria and standards of Eligible Project Categories set out in the “Use of Proceeds” section, BOCHK’s relevant business departments shall conduct preliminary screening to form the list of nominated projects for further review by the relevant risk management departments.

2. Review and Approval

The relevant risk management departments of BOCHK shall further review each of the nominated projects to ensure compliance with the Bank’s risk management policies prior to submission such nominated projects to professional third-party agencies for independent assessment. Only projects certified by a professional third-party agency will form the “Eligible Project List”.

3. Update and Maintenance

BOCHK shall review the Eligible Project List on a quarterly basis and determine if any changes are necessary (for example, if a project has become ineligible due to amortisation, prepayment, sale or other reasons). If projects have become ineligible due to amortisation, prepayment, sale, or other reasons, BOCHK shall nominate new projects for review and include those approved in the Eligible Project List.

Management of Proceeds

BOCHK will allocate an amount equal to the net proceeds of the Sustainability Series Bonds to Eligible Projects across various domestic and overseas markets via BOCHK’s global network. BOCHK has established an effective mechanism to manage the proceeds, ensuring that the proceeds from the Sustainability Series Bonds will be used to fund the Eligible Projects.

1. Planning for Use of Proceeds

Prior to the issuance of Sustainability Series Bonds, BOCHK shall develop a preliminary Eligible Project List (as described in “Project Evaluation and Selection” above) to ensure that an amount equal to the net proceeds from Sustainability Series Bonds can be allocated to Eligible Projects in a timely manner.

2. Management of Separate Ledger

BOCHK shall record the relevant information in a separate ledger management system to ensure that the amounts are properly managed and used. The ledger system shall contain transaction information (such as issue amount, coupon rate, issue date, and maturity date.) and proceeds allocation information (such as project name, borrower description, project category, approved limit, outstanding balance, drawdown date, repayment date, and interest rate of the loan.). BOCHK will



review and update the ledger on a quarterly basis. Any amounts allocated to the Eligible Projects that have amortised, been prepaid, sold or otherwise become ineligible shall be reallocated to newly nominated and approved Eligible Projects.

3. Use of Unallocated Proceeds

Unallocated amounts shall not be invested in greenhouse gas intensive, highly polluting, energy intensive projects nor projects with negative social impacts (including but not limited to the Explicitly Excluded Projects). The unallocated amounts could be temporarily invested in sustainability series bonds (which includes green bonds, social bonds and sustainability 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.

Reporting

BOCHK will disclose the allocation of the amounts and the environmental impacts from Eligible Projects on an annual basis on its official website (https://www.bochk.com/dam/esg/sd-finance-portfolio_en.html). BOCHK is committed to maintain the transparency of information disclosure following the best practices recommended by the Sustainability Bond Guidelines, the Green Bond Principles and the Social Bond Principles. The following contents will be disclosed annually:

1. Annual report of the Sustainability Series Bonds, where the content includes the following allocation and environmental and/or social impacts information:
 - a brief description of the Eligible Projects to which the amounts were allocated, and the breakdown in terms of amount and percentage allocated to each Eligible Project Category;
 - any unallocated amounts and how they are invested temporarily;
 - appropriate case information of the Eligible Projects; and
 - the environmental and/or social impact per Eligible Projects Category under which amounts were allocated
2. An attestation report for the annual report issued by an independent qualified third party, and
3. An attestation report for the use of proceeds issued by a qualified third party

Moreover, BOCHK will also publish a statement on an annual basis to confirm that the utilization of proceeds of the Sustainability Series Bonds complies with the Management Statement on its official website (https://www.bochk.com/dam/esg/sd-finance-portfolio_en.html).

For and on behalf of Bank of China (Hong Kong) Limited

7 June, 2024