

Bank of China (Hong Kong) Limited
Sustainability Series Bonds¹ Management Statement

Bank of China (Hong Kong) Limited (“BOCHK” or “the Bank”) is responsible for the preparation and fair presentation of this Sustainability Series Bonds Management Statement (the “Management Statement”).

Purpose

This Management Statement has been prepared to demonstrate how BOCHK will issue Sustainability Series Bonds in alignment with the Sustainability Bond Guidelines 2021 (the “Sustainability Bond Guidelines”), the Green Bond Principles 2021 (the “Green Bond Principles”), and the Social Bond Principles 2021 (the “Social Bond Principles”) issued by the International Capital Market Association to finance or to refinance, in part or in whole, new and/or existing assets and projects with environmental or social benefits.

Assertions from the Management

For each Sustainability Series Bond, BOCHK will issue in accordance with this Management Statement, BOCHK’s management asserts that it will, (A) disclose the intended Eligible Project Categories in the “Use of Proceeds” section of such Sustainability Series Bond’s documentation, (B) establish a thorough internal process for Project Evaluation and Selection, (C) establish an appropriate monitoring process for the Management of Proceeds, and (D) annually perform and keep readily available up-to-date report on the use of proceeds and the environmental and/or social performance of the Eligible Projects, as per the recommendations of the Sustainability Bond Guidelines, the Green Bond Principles, and the Social Bond Principles.

I. 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 Projects 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);

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

- 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;
- Affordable basic infrastructure (including clean drinking water, sewers, sanitation, transport);
- Access to essential services (including health, education and vocational training, healthcare);
- Affordable housing;
- Employment generation, and programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crisis (including through the potential effect of small and medium enterprise (SME) financing and microfinance);
- Food security and sustainable food systems (including physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers); and
- Socioeconomic advancement and empowerment (including equitable access to and control over assets, services, resources, and opportunities; equitable participation and integration into the market and society, including reduction of income inequality).

In any case, Eligible Projects exclude the following categories (the “Explicitly Excluded Projects”):

- Fossil fuel dedicated assets;

- Biofuels, biogas or biomass which utilise food crops as sources;
- Nuclear related projects;
- Mining and quarrying related projects;
- Luxury services or goods related, such as clubhouse operation;
- Alcoholic beverages related projects;
- Gambling and predatory lending enterprises related projects;
- Tobacco and tobacco-related products or projects; and
- Weapons and ammunitions related projects.

II. Project Evaluation and Selection

BOCHK shall follow the procedures below to evaluate and select the Eligible Projects:

1. Preliminary Screening

Based on project compliance documents (such as feasibility study reports, 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 submitting 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.

III. 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 the 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 or 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.

IV. Reporting

BOCHK will disclose the allocation of the amounts and the environmental impacts of the Eligible Projects on an annual basis on its official website (<https://www.bochk.com/en/aboutus/esg/sustainability.html>). BOCHK is committed to maintaining 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/en/aboutus/esg/sustainability.html>).

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8 February 2022