



Ernst & Young  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

安永會計師事務所  
香港鰂魚涌英皇道979號  
太古坊一座27樓

Tel 電話: +852 2846 9888  
Fax 傳真: +852 2868 4432  
ey.com

# Attestation Report on Pre-issuance of Bank of China (Hong Kong) Limited's Green Bond 2022

## To the Management of Bank of China (Hong Kong) Limited

We have been engaged by Bank of China (Hong Kong) Limited ("BOCHK") to examine the assertions in the accompanying *Description on the Green Bond 2022* (the "Description") and expressed a limited assurance conclusion on the Description.

### Criteria

The Description is prepared in accordance with the *Green Bond Principles 2021* published by the International Capital Market Association (the "Criteria").

### Management's Responsibility

The management of BOCHK (the "Management") is responsible for:

- Preparation of the Description in accordance with the *Green Bond Principles 2021*, and to ensure the fair presentation, accuracy, completeness and validity of the information contained in the Description;
- Design, implement and maintain necessary internal controls in accordance with the *Bank of China (Hong Kong) Limited's Sustainability Series Bonds Management Statement* in meeting the Criteria in relation to project evaluation and selection, use and management of proceeds, and information disclosure and reporting as set out in the *Green Bond Principles 2021*.

### Assurance Practitioner's Responsibility

Our responsibility is to issue a limited assurance conclusion to the Description according to the procedures we have implemented. We conducted our limited assurance engagement in accordance with *International Standard on Assurance Engagements 3000 (Revised): Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board.

Our responsibility is to express an independent limited assurance conclusion as to whether anything has come to our attention to cause us to believe that the Description, in all material respects, does not meet the Criteria.

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### **Our Procedures**

Our procedures performed included, but not limited to:

- Assessed the policies and procedures established by the BOCHK related to the issuance of the BOCHK's Green Bond 2022;
- Interviewed personnel of selected business units to understand the key matters in relation to the policies and procedures;
- Reviewed BOCHK's policies and procedures in relation to the use and management of proceeds for the BOCHK's Green Bond 2022;
- Reviewed BOCHK's policies and procedures in relation to how Management evaluated and selected appropriate project(s) for the BOCHK's Green Bond 2022;
- Reviewed BOCHK's policies and procedures in relation to how Management compiled information and disclosed appropriately in the relevant documentation for the BOCHK's Green Bond 2022; and
- Reviewed the eligibility of all the nominated projects for inclusion in the BOCHK's Green Bond 2022.

### **Conclusion**

Based on our procedures performed, as described in this report as of 8 February 2022, nothing has come to our attention that causes us to believe that the assertions in the Description on the use and management of proceeds, project evaluation and selection and information disclosure and reporting of the BOCHK's Green Bond 2022, in all material respects, does not meet the Criteria as set out in the *Green Bond Principles 2021*'s pre-issuance requirement.



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### Limitations

There are inherent limitations, for example, assurance engagements are based on selective testing of the information being examined and it is possible that fraud, error or non-compliance may occur and not be detected. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. There are additional inherent risks associated with assurance over non-financial information including reporting against standards which require information to be assured against source data compiled using definitions and estimation methods that are developed by the reporting entity. Finally, adherence to the Description are subjective and will be interpreted differently by different stakeholder groups.

Our work is substantially less in scope than an audit conducted in accordance with *International Standards on Auditing* issued by the International Auditing and Assurance Standards Board. Accordingly, we do not express an audit opinion. Our assurance is limited to the BOCHK's Green Bond 2022 issuance, and does not include statutory financial statements. Our assurance is limited to policies and procedures in place as at 8 February 2022, ahead of the issuance of the BOCHK's Green Bond 2022.

### Use of Report

Our responsibility in performing our procedures and reporting thereon is to BOCHK only and in accordance with terms of reference for this engagement as agreed with them. The report may not be suitable for another purpose. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. Any reliance of any such third party may place on the BOCHK's Green Bond 2022 issuance is entirely at its own risk.



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### Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Federation of Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies *International Standard on Quality Control 1, "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements"*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Certified Public Accountants  
Hong Kong  
8 February 2022

## APPENDIX 1

### DESCRIPTION ON THE GREEN BOND 2022

Bank of China (Hong Kong) Limited (“BOCHK” or the “Bank”) plans to issue the second "Sustainable and Smart Living" themed green bond (the "**Green Bond 2022**") and the Bank has established the *Bank of China (Hong Kong) Limited Sustainability Series Bonds Management Statement* (the "**Management Statement**"). The Management Statement has been prepared to demonstrate how the Bank will issue (amongst other sustainability series bonds) green bonds in accordance with the *Sustainability Bond Guidelines 2021* (the "**Sustainability Bond Guidelines**") and the *Green Bond Principles 2021* (the "**Green Bond Principles**") issued by the International Capital Market Association to finance or refinance, in part or in whole, new and/or existing assets and projects with environmental benefits.

#### Use of Proceeds

Under the Management Statement, an amount equal to the net proceeds of green 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 per cent. 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); and
- 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**"):

- 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.

### **Project Evaluation and Selection**

Under the Management Statement, the Bank shall follow the procedures below to evaluate and select the Eligible Projects.

#### *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 Management Statement, the relevant business departments of the Bank shall conduct

preliminary screening to form the list of nominated projects for further review by the relevant risk management departments.

#### *Review and Approval*

The relevant risk management departments of the Bank 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**".

#### *Update and Maintenance*

The Bank 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, the Bank shall nominate new projects for review and include those approved in the Eligible Project List.

#### **Management of Proceeds**

The Bank will allocate an amount equal to the net proceeds of green bonds to the Eligible Projects across various domestic and overseas markets via the Bank's global network. The Bank has established an effective mechanism to manage the proceeds, ensuring that the proceeds from green bonds will be used to fund the Eligible Projects.

#### *Planning for Use of Proceeds*

Prior to the issuance of green bonds, the Bank 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 the green bonds can be allocated to Eligible Projects in a timely manner.

#### *Management of Separate Ledger*

The Bank 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). The Bank 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.

### *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.

### **Reporting**

The Bank 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>). The Bank is committed to maintaining transparency of information disclosure following the best practices recommended by the Sustainability Bond Guidelines and the Green Bond Principles. The following contents will be disclosed annually:

- Annual report of the green bonds, where the content includes the following allocation and environmental 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 impact per Eligible Projects Category under which amounts were allocated;
- An attestation report for the annual report issued by an independent qualified third party; and
- An attestation report for the use of proceeds issued by a qualified third party.

Moreover, the Bank will also publish a statement on an annual basis to confirm that the utilisation of proceeds of the green bonds complies with the Management Statement on its official website (<https://www.bochk.com/en/aboutus/esg/sustainability.html>).

### **Eligible Project List**

With an aim of contributing to the transformation to, and promotion of, low-carbon and eco-friendly lifestyles, the Bank intends to issue the "Sustainable and Smart Living" themed green bonds, the proceeds



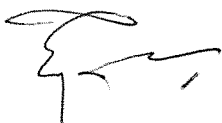
of which will be used to finance or refinance low-carbon infrastructure projects or businesses that foster sustainable and smart living. Eligible Project Categories under the "Sustainable and Smart Living" theme include "renewable energy" and "green buildings" sectors as defined in the Management Statement. An Eligible Project List has been established by the Bank for the Green Bonds, with an approximate total value of HK\$4,340 million. Such Eligible Project List may evolve over time. The following tables set forth detailed information of the current Eligible Projects.

No.	Location	Eligible Project	Eligible Project Category	Loan Amount (HK\$ in millions)
1	Hong Kong, China	Green Building	Green Building	2,600
2	Hong Kong, China	Green Building	Green Building	750
3	China	Renewable Energy	Renewable Energy	600
4	China	Green Building	Green Building	390
<b>Total Loan Amount (HK\$ in millions)</b>				<b>4,340</b>

Eligible Project Category	Loan Amount (HK\$ in millions)	Number of Projects	Loan Proportion
Green Buildings	3,740	3	86%
Renewable Energy	600	1	14%
<b>Total</b>	<b>4,340</b>	<b>4</b>	<b>100%</b>

Location	Loan Amount (HK\$ in millions)	Number of Projects	Loan Proportion
China	4,340	4	100%
<b>Total</b>	<b>4,340</b>	<b>4</b>	<b>100%</b>

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




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8 Feb 2022