

Appendix I

Description on Bank of China Limited, Luxembourg Branch's 2023 Transition Bond

Bank of China Limited, Luxembourg Branch plans to issue 2023 Transition Bond ("2023 Transition Bond"). Bank of China Limited (the "Bank") has established the *Bank of China Limited Transition Bonds Management Statement (2023 Version)* (the "Management Statement"). This Management Statement has been prepared to demonstrate Bank of China Limited, Luxembourg Branch will issue Transition Bond (A) in reference to the ICMA *Climate Transition Finance Handbook (2023)*, (B) with reference to the four pillars of ICMA *Green Bond Principles (2021)* and *Sustainability Bond Guidelines (2021)*, (C) in line with the industry economic activity classification and technical indicators for climate transition from *IPSF Common Ground Taxonomy* or *EU Taxonomy for Sustainable Activities* or *Climate Bonds Initiative Sector Criteria*, and with reference to the sections of the above standards that relate to the transition industry, as well as the principles of "Avoidance of Carbon Lock-in" and "Do No Significant Harm", to fund eligible transition projects which are in line with the international science-based strategic pathways of carbon neutrality goals.

For Transition Bonds issued under this Management Statement, the bank will perform disclosures with reference to the *ICMA Climate Transition Finance Handbook (2023)*, and with reference to the four pillars of *ICMA Green Bond Principles (2021)* and *Sustainability Bond Guidelines (2021)* (Use of Proceeds, Project Evaluation and Selection, Management of Proceeds and Reporting).

I. Climate Transition Finance-related Recommended Disclosure

The Bank has considered below four disclosures with reference to the ICMA *Climate Transition Finance Handbook (2023)* disclosure recommendation, in order to raise market awareness of the Bank's Green and Low-carbon Finance strategy which includes transition finance, relevant internal governance and management, business achievement, applicable credit policy and planning in the future, information disclosure planning and, as a financial institution, the Bank's credit service mechanism for helping corporate clients to achieve decarbonization strategy and targets.

1. Climate Transition Strategy and Governance

In recent years, the Bank has been increasingly playing an active role in China's decarbonization steps towards carbon neutrality and global transition towards low-carbon or zero-carbon. The Bank has already embodied green finance into the Bank's overall strategy, and going forward it will further integrate "Green and Low-carbon Finance" into the Bank's overall development strategy. The Bank integrated green finance into the bank-wide "14th Five-Year Development Plan", and took the "14th Five-Year Plan of Bank of China for Green Finance" (the "Plan") as the

strategic guidance to guide the comprehensive deepening of green finance practices. The Bank continuously strengthens the leadership role of the Board of Directors and the management in Green and Low-carbon Finance business. In order to monitor the implementation of the Plan, a Green Finance Committee has been established to coordinate the overall management and professional decision-making of Green and Low-carbon Finance of the whole group. The decarbonization targets of the Bank's business strategy are in full alignment with China's goals of reaching carbon emissions peak before 2030, and achieving carbon neutrality before 2060.

2. Business Model Environmental Materiality

In consideration of China's goals of achieving emissions peak before 2030 and carbon neutrality before 2060, the Bank believes that the future climate and environmental policies, regulatory and market environment factors will result in more severe challenges faced by traditional industries with high emissions. Therefore, the Bank pays significant attention to transition towards low-carbon or zero-carbon within these industries, and will expand the Bank's transition financing to effectively reduce the Bank's carbon footprint and carbon risk exposure in credit portfolios. With the ongoing development of relevant climate policies in China and globally, the Bank will continue to expand the Green and Low-carbon credit business and increase its share within the Bank's overall loan portfolio. Meanwhile, the Bank promotes the transformation and upgrading of carbon-intensive industries and tightens credit balance control over brown industries

3. Climate Transition Strategy and Targets to be Science-based

The Bank has been continuously increasing its emphasis on the Green and Low-carbon Finance and progressively increasing credit support for Green and Low-carbon projects. The Bank improved the ESG risk management policies, systems, and processes in accordance with the national green and low-carbon development goals and plans, as well as relevant regulations including the environmental protection laws, regulations, industrial policies, and industry access policies. The Bank also established an effective whole-process management approach covering risk identification, measurement, assessment, monitoring and reporting, as well as control and mitigation, to control or reduce the risks in the Bank's business activities. The Bank has further integrated its ESG risk management into the whole process of its main business, and clarified the client's ESG risk control responsibilities.

4. Implementation Transparency

The Bank will take issuing Transition Bonds as a starting point and appoint third party reviewers to certify the proceeds allocation for Transition Bonds related projects and the environmental impacts. In the future, with the concept of Green and Low-carbon Finance progressively being embedded into the Bank's overall business, the Bank will ensure to enhance information disclosure transparency on a wider range of Green and Low-carbon Finance, including transition finance.

II. Use of Proceeds

The Bank shall select eligible projects in alignment with the industry economic activity classification for climate transition of the *IPSF Common Ground Taxonomy* or *EU Taxonomy for Sustainable Activities or Climate Bonds Initiative Sector Criteria*, including the two principles of “*Avoidance of Carbon Lock-in*” and “*Do No Significant Harm*”. The Bank has taken reference to the sections of the above standards that relate to the transition industry, and identified relevant measurable quantitative indicators as eligibility thresholds (if any), together with the list of “*Explicitly Excluded Projects*”. The proceeds raised from Transition Bonds will be used for financing and / or refinancing of eligible projects.

Explicitly Excluded Projects:

- Coal power generation related projects, including clean coal power generation or other higher efficiency coal plant technologies (e.g. subcritical or supercritical to ultra-supercritical technology for coal plants)
- Biofuels, biogas or biomass which utilize food crops as sources
- Nuclear related projects
- Mining and quarrying related projects
- Luxury services or goods related projects, such as clubhouse operation
- Alcoholic beverages related projects
- Gambling and predatory lending enterprises related projects
- Tobacco and tobacco-related products related projects
- Weapons and ammunitions related projects

III. Process for Project Evaluation and Selection

1. Preliminary Screening

Based on the project compliance documents (such as feasibility study report and approval, environmental impact assessment report and approval), and referring to criteria and standards of eligible project categories defined in the “Use of Proceeds” section, the Bank’s domestic and overseas branches shall conduct preliminary screening of eligible projects, to form the list of nominated projects and submit to the Headquarter for further review.

2. Review and Approval

The Bank’s Headquarter shall review each of the nominated projects, and then submit to professional third party agencies for independent assessment. Approval will be granted to nominated projects certified by the professional third party agencies. The approved projects will form the Eligible Project List.

3. Update and Maintenance

The Bank's Headquarter shall review the Eligible Project List on a regular basis and determine if any changes are necessary (for example, if a project has become ineligible due to amortization, prepayment, sale or other reasons). If such changes are necessary, the Headquarter shall organize domestic and overseas branches to nominate new projects and approve the eligible ones to replace projects that have become ineligible due to amortization, prepayment, sale or other reasons.

IV. Management of Proceeds

1. Planning for Use of Proceeds

Prior to the issuance of Transition Bonds, the Bank shall develop the preliminary Eligible Project List as per "Project Evaluation and Selection" section in the Statement, to ensure that proceeds raised from Transition Bonds can be allocated to the eligible projects.

2. Management of Separate Ledger

The Bank shall record the source and allocation of proceeds in a separate ledger management system to ensure that the proceeds of the Transition Bonds are properly managed and used. The ledger system shall contain information including but not limited to: transaction information (including but not limited to issue amount, coupon, issue date and maturity date, etc.) and proceeds allocation information (including but not limited to project name, borrower description, project category, balance, release date, repayment date, exchange rate, interest rate of the loan, etc.). The Bank will review and update the ledger on time. Any proceeds allocated to the projects that have been amortized, prepaid, sold or otherwise become ineligible due to other reasons shall be reallocated to newly nominated and approved projects

3. Use of Unallocated Proceeds

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 "Explicitly Excluded Projects"). The unallocated proceeds could be temporarily invested in Green or Transition 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.

V. Reporting

The Bank will make disclosure in relation to the eligible projects' proceeds allocation and environmental impacts on an annual basis on the official website when the Transition Bonds remain outstanding. The Bank is committed to ensuring the transparency of information disclosure in accordance with the best practices recommended by the ICMA. The contents to be disclosed annually include but not limited to:

- Annual report of the Transition bonds, where the content includes but not limited to the following proceeds allocation and environmental impacts information:
 - ✓ A brief description of the eligible projects where the proceeds were allocated, and breakdown in terms of amount and percentage allocated to each of the categories
 - ✓ The unallocated proceeds and how they are invested temporarily
 - ✓ Appropriate case information of the selected eligible projects
 - ✓ The environmental benefits of each category of the eligible projects where the proceeds were allocated
- An attestation report for the annual report issued by a qualified third party
- An attestation report for the use of proceeds issued by a qualified third party

Eligible Project List

The Bank has established a list of eligible projects, with an approximated total value of EUR 329.60 million. Nominated projects list may evolve over time. The following is detailed information of the eligible projects.

Eligible Project List

NO.	Region	Project	Eligible Project Categories	Meeting the Quantitative Indicators & Eligibility Thresholds in the Eligible Project Categories	Loan Amount (EUR million)
1	Hebei Province, Northern China	Reduction of carbon emissions/energy consumption during steel processing	Steel Industry	Yes	197.76
2	Hebei Province, Northern China	Reduction of carbon emissions/energy consumption during steel processing	Steel Industry	Yes	98.88
3	Hebei Province, Northern China	Collection and recycling of scrap iron and steel, and utilization of scrap iron and steel for steel reproduction	Steel Industry	Yes	6.59
4	Hebei Province, Northern China	Collection and recycling of scrap iron and steel, and utilization of scrap iron and steel for steel reproduction	Steel Industry	Yes	26.37
Total Loan Amount (EUR million)					329.60

The following set forth certain information of sample eligible projects:

- A project will reduce carbon emissions and energy consumption during steel processing after taking relevant measures. This project adopts advanced and efficient energy saving and carbon reduction technology in sintering, ironmaking and other processes, and rationally uses the waste heat, pressure and energy generated in the production process to achieve energy saving and emission reduction. The carbon emissions intensity for Hot metal and Sintered ore is below GHG emissions thresholds (1.331 tCO₂e / t product for Hot metal and 0.163 tCO₂e / t product for Sintered ore).
- A project using scrap based Electric Arc Furnace (EAF). The project adopts advanced EAF, supporting photovoltaic power generation, waste heat steam power generation, scrap recycling and processing center and other renewable resources comprehensive utilization facilities. And the proportion of steel scrap input reaches 80% as total annual inputs which is above the limitation 70%.

Bank of China Limited, Luxembourg Branch

