



Sustainability-Linked Loan Funding Framework

Contents

1. Introduction	3
1.1 Business Overview	3
1.2 ESG Risk Management	4
1.3 Green Finance	4
1.3.1 Governance Structure	4
1.3.2 Policies and Systems	5
1.3.3 Strategic Goals	5
1.3.4 Business Development of Green Finance	6
1.3.5 Leading Market Position in Sustainable Bonds	6
2. Bank of China Sustainability-Linked Loan Funding Framework	7
2.1 Use of Proceeds	8
2.1.1 Eligible Sustainability-Linked Loans	8
2.1.2 Exclusions	9
2.2 Evaluation and Selection of Eligible Sustainability-Linked Loans	10
2.3 Management of Proceeds	10
2.4 Reporting	11
3. External Review	12
4. Appendix:	13

1. Introduction¹

1.1 Business Overview



Bank of China (“**BOC**”) is the bank with the longest continuous operation among Chinese banks. Formally established in February 1912, the Bank served consecutively as the country’s central bank, international exchange bank and specialised international trade bank.

As China’s most globalised bank, Bank of China has institutions across the Chinese mainland as well as 62 countries and regions, and Bank of China (Hong Kong) Limited and the Macau Branch serve as local note-issuing banks in their respective markets, as of the end of 2022. The Bank has a well-established global service network and an integrated service platform based on the pillars of its corporate banking, personal banking, financial markets and other commercial banking business, which covers investment banking, direct investment, securities, insurance, funds, aircraft leasing, asset management, financial

¹ Sources: Bank of China Website and Annual Reports

technology, financing leasing and other areas, thus providing its customers with financial solutions featuring global expertise and all-round services accessible at any point of contact.

1.2 ESG Risk Management

BOC continuously enhances the management of client ESG risks and has built three lines of defense consisting of business departments, risk management departments and audit departments. We specify customer ESG risk management responsibilities, add binding requirements for environmental and social risk management in our credit policies for more than 80 industries, expand climate-related stress tests to 8 carbon-intensive industries², assess and inform the treatment of transition risks comprehensively and effectively, and adopt the “single-vote veto system” in environmental protection for business approvals.

1.3 Green Finance

1.3.1 Governance Structure

BOC gives full play to the organizational management role of the Board of Directors and the Senior Management in the field of green finance, maintains the three-tier governance structure consisting of the Board of Directors, the Senior Management and specialized teams, and continues to raise the standard of green finance governance, thus laying a solid foundation for advancing various aspects of work related to green finance steadily.

² Electric power, iron & steel, building materials, petrochemical engineering, chemical engineering, paper-making, civil aviation, and non-ferrous metal smelting

1.3.2 Policies and Systems

BOC took the 14th Five-Year Plan for Green Finance as the strategic guidance to continuously improve the “1+1+N” green finance policy system, and guided the comprehensive deepening of green finance practices.



1.3.3 Strategic Goals

As a leader in green finance, Bank of China fully integrates the concept of sustainable development into its own development strategy and makes every effort to build a new green finance system. We set out the basic principles, strategic objectives, and incentives for the green finance development in the 14th Five-Year Plan for Green Finance of Bank of China, aiming to contribute to the realization of the dual carbon goal in China and the protection of the common home of mankind.

1.3.4 Business Development of Green Finance

BOC continued to promote the business development of and product innovation in green finance, continuously enriched the “BOC Green+” product system and service solutions, and provided diversified financial services for customers’ green development.

BOC actively participated in international benchmark green projects, ranking first among Chinese banks on the Bloomberg League Table for “Global Green Loans” and “Global Sustainability-linked Loans” in 2022. Besides, it also ranked first among Chinese banks for the domestic and overseas green bonds issuance, ranked first among Chinese institutions on Bloomberg’s the world’s offshore green bonds League Table for green bond underwriting, and ranked first on National Association of Financial Market Institutional Investors (NAFMII)’s list of investors for green debt financing instruments in 2022.

1.3.5 Leading Market Position in Sustainable Bonds

BOC has established proactive sustainable development goals and actively issued sustainable bonds, using its financial strength to serve the sustainable development and low-carbon transition of the society. BOC’s sustainable bonds enable BOC to support projects and businesses for environmental and/or social benefits, which are in line with the development strategies and carbon neutrality goals of the countries and regions the projects are located in. As of June 30th, 2023, BOC has issued 41 sustainable bonds in offshore market with a total size of USD17.4 billion equivalent, including 33 green bonds, 3 sustainability bonds, 2 social bonds, 2 transition bonds, and 1 sustainability re-linked bond. Among the green bonds, there are climate bonds, blue bonds, and biodiversity-themed green bonds, etc.

Relying on the advantages in globalized operation and features of integrated operation, BOC accelerated to innovate sustainable finance products and launched a number of first bonds, such as the first blue bond among global commercial institutions, the first biodiversity-themed green bond among global financial institutions, the first public transition bond among global financial institutions, the world’s first sustainability re-linked bond, the first international green bond based on the Common Ground Taxonomy (Updated), and the first sustainability bond among Chinese financial institutions in offshore market, etc. Please refer to **Session 4 Appendix** for more details of sustainable bonds issued by us.

Other than the above mentioned, BOC also acted as the Sole Green Structuring Advisor and Joint Lead Manager for the first local government offshore green bonds and assisted the issuer in obtaining offshore green bond certification.

2. Bank of China Sustainability-Linked Loan Funding Framework

BOC is a leading financial institution committed to advancing sustainable finance by providing innovative solutions that support companies in achieving their sustainable goals. With its **Sustainability-Linked Loan Funding Framework** (the “**SLL Funding Framework**” or the “**Framework**”), BOC aims to promote transparency and accountability in the use of funds for **Sustainability-Linked Loan(s)** (“**SLL(s)**”).

BOC is committed to facilitating the transformation towards a low-carbon and resilient economy, and the SLL Funding Framework is an important step towards achieving this goal. The Framework will enable investors to support companies that are committed to sustainability, while also promoting transparency and accountability in the use of funds for sustainability-linked loans.

Sustainability-Linked Loan Funding (“SLLF”) will include but not limited to bonds, deposits, repos and other forms of financing instruments with structures tailored to contribute to sustainable development by application of the proceeds to finance and/or refinance a pool of eligible sustainability-linked loans.

The Framework is designed to support companies that have set an ambitious and meaningful sustainability target. BOC recognizes the significant developments in the sustainability-linked loan market and draws inspiration from the **Green Bond Principles and Social Bond Principles**³ in developing this Framework, while not claiming direct alignment with it. The sustainability-linked loans that are financed and/or refinanced under this framework will be aligned with the **Sustainability-Linked Loan Principles**⁴. Further information can be found in **Session 2.1 Use of Proceeds**.

The Framework will be in force as long as there are outstanding SLLFs. BOC may update this Framework and commits that new version will be published on the Financing Entity/Entities (“**FE(s)**”) of BOC’s official website, if any.

³ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

⁴ <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>

2.1 Use of Proceeds

An amount equal to the net proceeds of the SLLFs will be used to finance and/or refinance a pool of sustainability-linked loan(s) (“**Eligible Sustainability-Linked Loan(s)**” or “**Eligible SLL(s)**”). Eligible SLL(s) are a subset of sustainability-linked loans financed by the FE(s) of BOC for each SLLF financing. FE(s) of BOC will allocate the net proceeds of the SLLFs to the whole or a part of Eligible SLL(s). FE(s) of BOC may include but not limited to BOC’s overseas branches, etc. The proceeds allocated to SLL(s) will not be determined until the transaction is closed. The allocation will be disclosed in the annual report.

2.1.1 Eligible Sustainability-Linked Loans

FE(s) of BOC will identify a pool of potentially Eligible Sustainability-Linked Loans that meet the criteria for inclusion in the framework.

These loans will be selected based on:

1. At least one of their **Key Performance Indicators** (“**KPIs**”) and corresponding **Sustainability Performance Targets** (“**SPTs**”)’ positive contribution to at least one of the **Impact Objectives** outlined in the Framework
2. Their alignment with the **Sustainability-Linked Loan Principles** corresponding to the year of signing of the facility
3. Their **KPIs** and corresponding **SPTs** that are considered “**material**” and “**ambitious**” as assessed by an external verifier

To the extent feasible, priority will be granted to:

- Eligible SLL(s) that are aligned with the most recent iteration of the Sustainability-Linked Loan Principles (SLLP 2023, or any further updates thereof)
- Eligible SLL(s) whose KPIs conform to the ICMA’s **Illustrative KPIs Registry**⁵

⁵ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Illustrative-KPIs-Registry-June-2023-220623.xlsx>

Impact Objectives	Description of KPIs included
<p>Climate Transition</p>	<p>Climate Transition covers activities aimed at mitigating the effects of climate change and adapting to the consequences. KPIs considered may include, but are not limited to:</p> <ul style="list-style-type: none"> • Reduction of greenhouse gas emissions • Increase of renewables generation capacity • Reduction of energy consumption • Reduction of energy intensity <p>Standards and methodologies considered may include, but are not limited to:</p> <ul style="list-style-type: none"> • Science Based Targets initiative • Transition Pathway Initiative
<p>Resource Efficiency</p>	<p>Resource Efficiency covers activities in relation to pollution prevention and waste control. KPIs considered may include, but are not limited to:</p> <ul style="list-style-type: none"> • Percentage of waste prevented and minimized • Percentage of waste reused and recycled • Reduction of pollution to air or water
<p>Socioeconomic Advancement</p>	<p>Socioeconomic Advancement covers activities aimed at promoting equitable access and equitable participation. KPIs considered may include, but are not limited to:</p> <ul style="list-style-type: none"> • Percentage of female in managerial positions • Percentage of gender wage gap • Average training hours of employees

2.1.2 Exclusions

The following industries are excluded from eligibility consideration (“Exclusions”):

- Luxury sectors
- Weapon
- Alcohol
- Tobacco
- Fossil fuel
- Nuclear

2.2 Evaluation and Selection of Eligible Sustainability-Linked Loans

FE(s) of BOC follow a rigorous selection process when evaluating Eligible SLL(s). BOC has already established internal guidelines (“Bank of China Limited Customer Environmental (Climate), Social and Governance Risk Management Guidelines (2022 Edition)” or “the Guidelines”) for conducting business and assessing client's ESG risk as well as ESG performance. The Guidelines clearly divide ESG risk management into several steps: risk identification, risk measurement, risk assessment, risk monitoring and reporting, risk control and mitigation. At loan level, the Guidelines require business departments to conduct pre-loan investigation, loan review and post-loan inspection.

1. Preliminary Screening

Based on the loan compliance documents, and referring to the criteria in **Session 2.1 Use of Proceeds**, Corporate Banking and other departments of FE(s) of BOC shall conduct preliminary screening of potential SLL(s) identified by relevant business units, to form the list of nominated SLL(s).

2. Review and Endorsement

FE(s) of BOC will go through assessment procedures to form the list of SLL(s) for external verification. For example, a special committee or team will be formed within relevant FE(s) for undertaking the process to nominate, review and endorse SLL(s). The committee or team will be comprised of representatives with market, industrial and product expertise across relevant areas in relation to the SLLF business, such as Treasury, Corporate Banking, and other related departments.

3. External Review

These approved SLL(s) then undergo an external review process by the external verifier. Once verified, the SLL(s) are included in the **Eligible SLL Ledger** and officially designated Eligible SLL(s).

2.3 Management of Proceeds

FE(s) of BOC will allocate the net proceeds of the SLLFs to the Eligible SLL(s) across various domestic and overseas markets via BOC's global network. BOC has established an effective mechanism to manage the proceeds on bond-by-bond basis, ensuring that the proceeds from the SLLFs will be used to fund the Eligible SLL(s).

1. Planning for Use of Proceeds

Prior to the issuance of SLLFs, FE(s) of BOC shall develop the preliminary Eligible SLL(s) List as per **Session 2.2 Evaluation and Selection of Eligible Sustainability-Linked Loans** in the Framework to ensure that the proceeds from SLLFs can be allocated to Eligible SLL(s) in a timely manner. For

the avoidance of doubt, the allocation of the net proceeds means the amount that will only be allocated to the drawn portion of the Eligible SLL(s).

2. Management of Eligible SLL Ledger

Treasury, Global Markets and Asset & Liability Management departments of FE(s) of BOC shall record the source and allocation of proceeds in a separate ledger management system to ensure that all the net proceeds of the SLLFs are properly managed and used.

The ledger system shall contain information including but not limited to: transaction information (issue amount, coupon rate, issue date, maturity date, KPIs and SPTs features of SLL(s), etc.) and the proceeds allocation information (borrower description, loan category, balance, release date, repayment date, exchange rate, interest rate of the loan, etc.).

FE(s) of BOC will review and update the ledger on a regular basis (at least annually). During the life of each SLLF, if the allocated SLL(s) cease to fulfill the eligibility criteria listed out in **Session 2.1.1 Eligible Sustainability-Linked Loans** and/or the allocated SLL(s) have been partially or fully prepaid/repaid during the life of the respective SLLFs, the net proceeds will be reallocated to new Eligible SLL(s).

3. Use of Unallocated Proceeds

Unallocated proceeds shall not be invested in greenhouse gas (GHG) intensive, highly polluting, energy intensive projects nor projects with negative social impacts (including but not limited to **Session 2.1.2 Exclusions**). The unallocated proceeds could be temporarily invested in Sustainable 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 SLL(s).

2.4 Reporting

BOC is committed to maintain the transparency of information disclosure following the best practices.

FE(s) of BOC will publish an Annual SLLF Report ("**Annual Report**") if it has SLLF outstanding. In the Annual Report, the FE(s) of BOC will make disclosure in relation to:

1. The allocation of the proceeds
2. When feasible, the performance of the respective SLL(s) on an aggregated basis

Along with the Annual Report, FE(s) of BOC will also publish:

1. An external review for the Annual Report issued by a qualified verifier
2. One or more external review report(s) for the new Eligible SLL(s) issued by the qualified verifier, where appropriate

3. External Review

Pre-issuance:

BOC has engaged a qualified verifier to provide an external review on its SLL Funding Framework. A new external review will be sought upon any subsequent update.

After submitting the approved SLL(s), a qualified verifier will review all SLL(s) to determine their suitability for eligibility. The review process involves:

- The underlying SLL is in alignment with the Sustainability-Linked Loan Principles
- The selected KPIs are in alignment with at least one of the Impact Objectives
- The verifier confirms that KPIs and SPTs in the underlying SLL are “material” and “ambitious”

Post-issuance:

Relevant data and information contained in the Annual Report of the SLLFs will receive an external review by a qualified verifier.

The Annual Report and external review report will be available on the FE(s) of BOC’s website.



4. Appendix:

Sustainable Bonds Issued (As of June 30th, 2023)

Sustainable Bonds	Maturity (year)	Currency	Amount (million)	Details
Jul-2016 Green Bond	3	USD	500	All of these net proceeds have been utilized to fund renewable energy projects, sustainable water and wastewater management (waste water treatment) project and clean transportation projects.
	3	USD	750	
	5	USD	1,000	
	5	EUR	500	
	2	CNY	1,500	

Sustainable Bonds	Maturity (year)	Currency	Amount (million)	Details
Nov-2016 Green Bond	3	USD	500	The net proceeds have been utilized to fund renewable energy projects and sustainable water and wastewater management (waste water treatment) projects.
Nov-2017 Climate Bond	5	USD	500	All of these net proceeds have been utilized to fund clean transportation projects.
	3	EUR	700	
	3	CNY	1,000	
May-2018 Climate Bond	3	USD	500	All of these net proceeds have been utilized to fund renewable energy projects, sustainable water and wastewater management (waste water treatment) projects and clean transportation projects.

Sustainable Bonds	Maturity (year)	Currency	Amount (million)	Details
	5	USD	500	
May-2018 Sustainability Bond	2	HKD	3,000	All of these net proceeds have been utilized to fund employment generation projects, access to essential services projects, renewable energy projects and clean transportation projects.
Nov-2018 Climate Bond	3	JPY	30,000	All of these net proceeds have been utilized to fund clean transportation projects.
	3	CNY	800	
Oct-2019 Climate Bond	3	USD	350	All of these net proceeds have been utilized to fund renewable energy projects and clean transportation projects.

Sustainable Bonds	Maturity (year)	Currency	Amount (million)	Details
	2	EUR	300	
	2	CNY	2,000	
Feb-2020 Social Bond	2	HKD	4,000	All of these net proceeds have been utilized to fund employment generation projects.
	2	MOP	1,000	
Sep-2020 Blue Bond	2	CNY	3,000	All of these net proceeds have been utilized to fund renewable energy projects and sustainable water and wastewater management (waste water treatment) projects.

Sustainable Bonds	Maturity (year)	Currency	Amount (million)	Details
	3	USD	500	
Jan-2021 Transition Bond	3	USD	500	The net proceeds have been utilized to fund projects in the public utility industry and cement industry.
	2	CNY	1,800	
Apr-2021 Green Bond	5	USD	500	All of these net proceeds have been utilized to fund renewable energy projects, green building projects and clean transportation projects.
	3	EUR	500	

Sustainable Bonds	Maturity (year)	Currency	Amount (million)	Details
	3	USD	500	
	2	CNY	1,350	
Sep-2021 Biodiversity Green Bond	2	CNY	1,000	The net proceeds have been utilized to fund terrestrial and aquatic biodiversity conservation projects and environmentally sustainable management of living natural resources and land use project.
	2	MOP	1,000	
Sep-2021 Green Bond	3	USD	300	The net proceeds have been utilized to fund renewable energy projects and green building project.

Sustainable Bonds	Maturity (year)	Currency	Amount (million)	Details
Oct-2021 Sustainability Re-Linked Bond	3	USD	300	October 2021 Sustainability Re-Linked Bond was the world's first ever Sustainability Re-Linked Bond. The bond coupon is adjusted through the relinking mechanism.
Feb-2022 Green Bond	2	USD	300	All of these net proceeds have been utilized to fund renewable energy projects, sustainable water and wastewater management (waste water treatment) projects and clean transportation projects.
	3	USD	300	
Feb-2022 Sustainability Bond	3	USD	400	The net proceeds have been utilized to fund access to essential services projects, renewable energy project and green building projects.
Apr-2022 Green Bond	3	USD	1,000	All of these net proceeds have been utilized to fund clean transportation projects, renewable energy projects, pollution prevention and control projects and green building projects.

Sustainable Bonds	Maturity (year)	Currency	Amount (million)	Details
	3	USD	500	
	3	EUR	500	
Jun-2022 CGT Green Bond	3	USD	500	The net proceeds have been utilized to fund renewable energy projects and energy efficiency projects.
Nov-2022 Biodiversity Green Bond	3	USD	400	The net proceeds have been utilized to fund terrestrial and aquatic biodiversity conservation projects and environmentally sustainable management of living natural resources and land use project.
March-2023 Sustainability Bond	2	CNY	1,000	The net proceeds have been utilized to fund renewable energy projects, sustainable water and wastewater management (waste water treatment) and employment generation projects.

Sustainable Bonds	Maturity (year)	Currency	Amount (million)	Details
Jun-2023 Green Bond	3	USD	500	The net proceeds have been utilized to fund renewable energy projects, pollution prevention and control projects and green buildings project.