

Bank of China Limited

Sustainability Re-Linked Bond Management Statement

Bank of China Limited (“BOC” or the “Bank”) is responsible for the preparation and the fair presentation of this Sustainability Re-Linked Bond Management Statement (the “Statement”).

The Sustainability Re-Linked Bond (“SRLB” or the “Bond”) described in the Statement refers to bonds of which the use of proceeds is to finance and/or refinance the Bank’s eligible Sustainability Linked Loans (“SLLs”). The SRLB is relinked to the performance of Sustainability Performance Targets (“SPTs”) of the underlying SLLs. The corresponding coupon adjustment of the SRLB is adjusted according to the margin adjustment¹ of the underlying SLLs through the relinking mechanism defined in the Statement (“Relinking Mechanism”).

Purpose

The purpose of BOC issuing the SRLB is to enable more capital flow towards sustainable finance, to improve the ecological environment, to tackle climate change, to resource conservation and efficiency, to increase social benefits, and to enhance the corporate governance system.

This Statement lays the framework for the issuance of SRLB, including disclosure on the Relinking Mechanism, Use of Proceeds, SLL Evaluation and Selection, Management of Proceeds, and Reporting. For the avoidance of

¹ All margins hereunder refers to the ESG components of the underlying SLLs’ margin rates.

doubt, despite being prepared with reference to the relevant International Capital Market Association (“ICMA”) principles, this Statement should not be considered compliant with the ICMA Green Bond Principles, Social Bond Principles, Sustainability-Linked Bond Principles.

Assertions from the Management

BOC’s management hereby asserts that it will (A) disclose the Relinking Mechanism in the relevant section of the Statement, (B) disclose explicitly excluded categories in the “Use of Proceeds”, (C) establish a thorough internal process for the “Sustainability Linked Loans Evaluation and Selection”, (D) establish an appropriate tracking process for the “Management of Proceeds”, and (E) set the disclosure standards in the “Reporting” section of the Statement, including third party attestation reports and annual reports.

A. Relinking Mechanism

The Relinking Mechanism is the relationship between the SRLB’s Coupon Adjustments and the changes of the underlying SLL’s margin rate. The Bond coupon is the sum of: (A) the Base Coupon Rate and (B) the SRLB Coupon Adjustment, which is relinked to the SLL’s SPTs as set out in the following mechanism:

(1) Definition

Coupon Reset Frequency: Annually.

Coupon Reset Date: The coupon will be reset on the last interest payment date of each interest-bearing year following the issue date, excluding the maturity date.

New SLL Effective Date: BOC examines the Eligible SLL Portfolio on an

annual basis. The SLL examination period is from 60 calendar days prior to Coupon Reset Date (inclusive) to the Coupon Reset Date (exclusive), and thus the New SLL Effective Date is the same as the Coupon Reset Date.

Base Coupon Rate: The part of the bond coupon rate not adjusted by the Relinking Mechanism, which will be set when the SRLB is issued.

SRLB Coupon Adjustment: The part of the bond coupon rate that is subject to the Relinking Mechanism.

SRLB Coupon Reset Cap: The maximum amount by which the SRLB Coupon Adjustment can increase (non-cumulative).

SRLB Coupon Reset Floor: The maximum amount by which the SRLB Coupon Adjustment can decrease (non-cumulative).

Certificate: A certificate issued or verified by the independent qualified third-party (parties) that is(are) engaged to certify the annual SPTs performance of each underlying SLL. The Certificate includes the SPTs performances and/or the corresponding SLL margin rate adjustments.

Valid Certificate: Certificates issued during the Observation Period². In the initial Eligible SLL Portfolio, a Valid Certificate excludes the one(s) issued prior to the issue date (exclusive) of the Bond. In case of a new underlying SLL is identified, a Valid Certificate excludes the one(s) issued before the New SLL Effective Date (exclusive). All certificates below refer to Valid Certificates.

Validity Period of Certificate: According to the SLL contract, the period of margin rate adjustment specified in the Valid Certificate (from utilization date to termination date).

SLL Portfolio Balance: The sum of all individual SLL balance denominated in SRLB currency within the SLL portfolio.

² Defined in (2) Introduction to Coupon Adjustment Mechanism.

Exchange Rate: If the underlying SLL is denominated in a different currency from the Bond, the underlying SLL's currency will be converted into the Bond's currency based on the rates on the Board of Governors of the Federal Reserve System Foreign Exchange Rates - H.10, on the last business day of the current observation period.

External Verifier: The independent accounting or appraisal firm or other independent qualified provider of third-party assurance or attestation services appointed by BOC for each of the issuances.

(2) Introduction to Coupon Adjustment Mechanism

The following steps outline the SRLB coupon adjustment mechanism ("Coupon Adjustment Mechanism"):

1. Determine the SRLB Observation Period

The SRLB Observation Period is the applicable time period for which to calculate the Effective SLL Margin Adjustment. There are two types of observation periods:

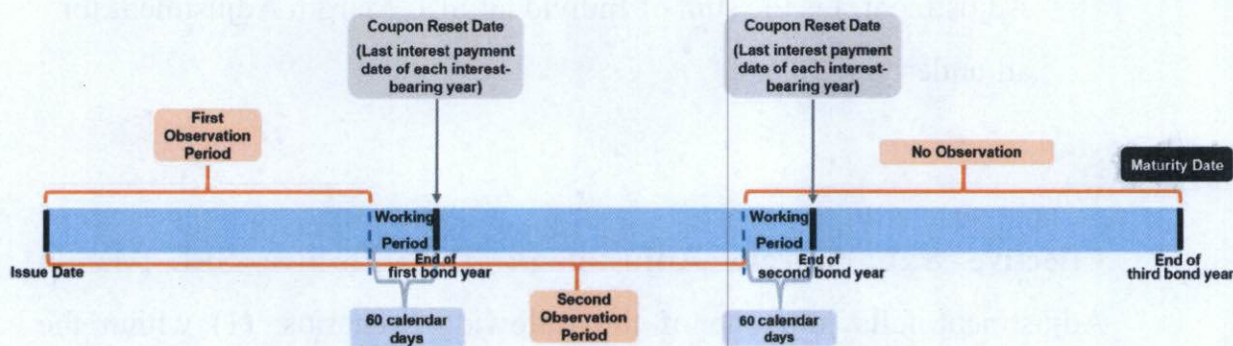
First Observation Period³: The First Observation Period starts from the issue date to 60 calendar days prior to the first Coupon Reset Date (including the first day and excluding the last day); in the case of a new SLL, the First Observation Period is from the New SLL Effective Date to 60 calendar days prior to the next Coupon Reset Date (including the first day and excluding the last day).

Subsequent Observation Period: From the issue date to 60 calendar days prior to the current Coupon Reset Date (including the first day and

³ All the observation period mentioned in this document refers to the Bond's observation period, not the SLL's.

excluding the last day). If the tenor of the SRLB is N years, the number of observation period is N-1, i.e. no observation in the final year. In the case of a new SLL, the Subsequent Observation Period is from the New SLL Effective Date to 60 calendar days prior to the current Coupon Reset Date (including the first day and excluding the last day), also no observation in the final year.

Taking a three-year SRLB as an example, the timeline and the definition of multiple periods mentioned are illustrated in the figure below:



Where:

Working Period: Starting from 60 calendar days prior to the Coupon Reset Date to the Coupon Reset Date (including the first day and excluding the last day). Working Period is the same as the SLL examination period.

2. Calculate Total SLL Margin Adjustment Amount:

The calculation of the Total SLL Margin Adjustment follows the steps below:

- (1) For individual SLL, calculate the margin adjustment amount for each of the SLL (“Individual SLL Margin Adjustment”) based on the

Individual SLL Daily Effective Size, Effective SLL Margin Adjustment and the number of days in the Observation Period using the following formula:

$$\text{Individual SLL Margin Adjustment} = \sum_{i=1}^N \text{Individual SLL Daily Effective Size}_i \times \frac{\text{Effective SLL Margin Adjustment}_i}{365(\text{or } 360)}$$

Note (1): N equals to the day count within the Observation Period for the respective SLL.

Note (2): i is the serial number of the calendar day within the Observation Period (i.e. 1, 2, ..., N).

Note (3): The denominator of the formula is determined by day count convention of each individual SLL, including Actual/365 or Actual/360, and uses the corresponding 365 or 360 days for each individual SLL Margin Adjustment.

(2) Total SLL Margin Adjustment amount (“Total SLL Margin Adjustment”) is the sum of Individual SLL Margin Adjustment for all underlying SLLs.

Where:

Effective SLL Margin Adjustment: The Effective SLL Margin Adjustment falls into one of the following scenarios: (1) within the Validity Period of Certificate, the Effective SLL Margin Adjustment will be calculated based on the corresponding Valid Certificate. To avoid any duplication, the margin adjustment which has been included in previous observation period(s) should be excluded from the calculation in future observation period(s). (2) If the issuance of certificate is delayed, the Effective SLL Margin Adjustment will be calculated based on the terms in the corresponding SLL contract until the Certificate is issued and becomes effective. To avoid any duplication, the margin adjustment which has been included in previous observation period(s) should be excluded from the calculation in future observation period(s). (3) Prior to the Valid Certificate issuance deadline, and the Valid Certificate hasn’t been issued,

the Effective SLL Margin Adjustment will be zero. (4) If the Certificate is issued on time yet before the effective date of Validity Period, the Effective SLL Margin Adjustment will be zero.

Individual SLL Daily Effective Size: As the SLL Portfolio Balance is variable, there might be a size mismatch when SLL Portfolio Balance and SRLB Issue Size are not aligned. Individual SLL Daily Effective Size is the effective size of the corresponding SLL denominated in SRLB currency and is used to compute the Total SLL Margin Adjustment. During the life of SRLB, the following two scenarios might occur and the calculation methodologies of corresponding Individual SLL Daily Effective Size are as below:

- A. When daily SLL Portfolio Balance is less than or equal to SRLB Issue Size, Individual SLL Daily Effective Size equals to the individual SLL daily balance denominated in SRLB currency, no further adjustments needed.
- B. When daily SLL Portfolio Balance is larger than SRLB Issue Size, Individual SLL Daily Effective Size is calculated based on the Daily Effective SLL Multiple and individual SLL Daily Balance denominated in SRLB currency with below formula:

$$\begin{aligned} \text{Individual SLL Daily Effective Size} \\ &= \text{Daily Effective SLL Multiple} \\ &\times \text{Individual SLL Daily Balance denominated in SRLB currency} \end{aligned}$$

Under such scenario, the Daily Effective SLL Multiple is calculated based on the formula below and will be always less than 1:

$$\text{Daily Effective SLL Multiple} = \text{SRLB Issue Size} \div \text{Daily SLL Portfolio Balance}$$

3. Calculate SRLB Initial Coupon Adjustment:

The SRLB Initial Coupon Adjustment (“**SRLB Initial Coupon Adjustment**”) is calculated based on the Total SLL Margin Adjustment amount, and SRLB Issue Size using the following formula:

$$\text{SRLB Initial Coupon Adjustment} = \frac{\text{Total SLL Margin Adjustment}}{\text{SRLB Issue Size}}$$

Where:

SRLB Issue Size: The total amount of the Bond notional value.

4. *Determine SRLB Coupon Adjustment:*

Based on the result from Step 3, if the SRLB Initial Coupon Adjustment is positive, take $\text{MIN}\{\text{SRLB Initial Coupon Adjustment, SRLB Coupon Reset Cap}\}$ as the SRLB Coupon Adjustment. If the SRLB Initial Coupon Adjustment is negative, take $\text{MAX}\{\text{SRLB Initial Coupon Adjustment, SRLB Coupon Reset Floor}\}$ as the SRLB Coupon Adjustment.

5. *Determine SRLB Coupon:*

The SRLB coupon is the sum of Base Coupon Rate and SRLB Coupon Adjustment.

6. *Applicable Period for the SRLB Coupon:*

The SRLB coupon will be announced before the Coupon Reset Date (exclusive). The announced SRLB coupon will be applicable from the Coupon Reset Date (inclusive) until the next Coupon Reset Date (exclusive).

(3) Other Information

Responsibilities of Third Party Agency:

Prior to the SRLB issuance, the third party agency shall issue a pre-issuance attestation report to verify the Eligible SLL Portfolio and Coupon Adjustment Mechanism. After the issuance, the third party agency shall issue a post-issuance verification report annually during the life of the SRLB to verify the Eligible SLL Portfolio and SRLB Coupon Adjustment.

B. Reference to the Four Core Components of the ICMA

For each SRLB issued under this Statement, BOC refers to the four core components of relevant ICMA Principles, which are: I. Use of Proceeds, II. Sustainability Linked Loans Evaluation and Selection, III. Management of Proceeds, and IV. Reporting.

I. Use of Proceeds

The net proceeds of the SRLB will be used to finance or refinance the Eligible SLL Portfolio.

BOC shall refer to the five core components of Sustainability Linked Loan Principles 2021 (“SLLP”), which include: Selection of Key Performance Indicators (“KPIs”), Calibration of Sustainability Performance Targets (“SPTs”), Loan Characteristics, Reporting and Verification.

BOC shall exclude the SLL falls within the following categories (“Explicitly Excluded Categories”)

- Fossil fuels related industries, including coal industry
- Industries related to biofuels, biogas or biomass which utilize food crops as sources
- Nuclear power related industries

- Mining and quarrying related industries
- Luxury services or goods related industries, such as clubhouse operation
- Alcoholic beverages related industries
- Gambling and predatory lending enterprises related industries
- Tobacco and tobacco-related products related industries
- Weapons and ammunitions related industries

II. Sustainability Linked Loans Evaluation and Selection

BOC shall follow the procedures below to evaluate and select the eligible SLLs:

1. Preliminary Screening

Prior to the issuance of the Sustainability Re-Linked Bonds, BOC's domestic and overseas branches shall conduct a preliminary screening to form a list of nominated eligible SLLs, with reference to the criteria and standards defined in the "Use of Proceeds" section. The nominated SLLs will be submitted to the BOC Headquarters for further review.

2. Review and Approval

BOC Headquarters shall review each of the nominated SLLs and form the Eligible SLL Portfolio as the underlying assets for each SRLB issuance. The Headquarter shall then submit the Eligible SLL Portfolio to an independent third party agency for assessment before the issuance to verify whether such SRLB is aligned with this Management Statement.

3. Update and Maintenance

BOC Headquarters shall conduct annual internal review of the Eligible SLL Portfolio to determine if any SLL needs to be replaced or added (for example,

in case of a SLL is repaid early, etc.)

If such changes to the Eligible SLL Portfolio are needed, the Headquarters shall start an update process, including reviewing the newly nominated SLL submitted from domestic and overseas branches to add to the Eligible SLL Portfolio or to replace the SLL(s) that have become ineligible or been repaid and to update the Eligible SLL Portfolio.

An independent third party agency shall be appointed to perform the verification of the Eligible SLL Portfolio (including the replacement of underlying SLLs) and SRLB Coupon Adjustment etc.

III. Management of Proceeds

BOC will allocate the proceeds of the SRLB to the eligible SLLs across domestic and overseas markets through BOC's global network. BOC has established an effective mechanism to manage the proceeds, ensuring that the proceeds raised from SRLB will be allotted to the eligible SLLs.

BOC shall record the sources and use of proceeds in a separate ledger management system to ensure that the proceeds of the SRLB are properly managed and used. The ledger system shall contain information including but not limited to: transaction information (such as issue size, coupon rate, number of SLLs, issue date, maturity date etc.) and the Eligible SLL Portfolio information (such as SLL's names, borrower description, SLL's category, SLL's KPIs and SPTs, disbursement date, repayment date, exchange rate, margin adjustment of the SLL etc.). BOC will review and update the ledger annually. Any proceeds allocated to the SLL that have been repaid or otherwise

become ineligible shall be reallocated to newly nominated and approved SLLs.

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 activities related to the sectors listed in “Explicitly Excluded Categories”). The unallocated proceeds could be temporarily invested in Green 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 SLLs.

IV. Reporting

BOC is committed to ensuring the transparency of information disclosure. The following content will be disclosed annually in the “SRLB Annual Report” before the Coupon Reset Date on BOC’s official website (<http://www.boc.cn/en/inhhvestor/ir10/>), as the SRLB remain outstanding:

1. Information of the Eligible SLL Portfolio, where the content includes but not limited to the following:
 - The borrower’s sector
 - The description of KPIs or SPTs based on SLL borrowers’ sector
2. Annual coupon adjustment to provide confirmation on any SRLB Coupon Adjustment.

After the SRLB reaches its maturity, BOC will disclose the annual report on Eligible SLL Portfolio of the final bond year within 120 days after the

maturity date.

In addition, annual verification report issued by an External Verifier will be disclosed annually on BOC's website, of which the scope includes but not limited to: (A) the verification of the Eligible SLL Portfolio, and (B) SRLB Coupon Adjustment, as the SRLB remains outstanding.

After the SRLB reaches its maturity, the External Verifier will issue a verification report on the Eligible SLL Portfolio in the final bond year within 120 days after the maturity date.



