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Independent Limited Assurance Report to the Directors of Bank of China Limited

Assurance conclusion

Based on Ernst & Young's ("EY") limited assurance procedures, as described in this report as of 04 July 2016, EY understands that Bank of China Limited ("BOC") has established mechanisms in the use of the proceeds, project evaluation and selection, management of proceeds, and information disclosure and reporting in order to keep accordance with *the Green Bond Principles, 2016*. Nothing has come to EY's attention that causes EY to believe that there are any errors that the use of proceeds, project evaluation and selection, management of proceeds, and information disclosure and reporting in relation to BOC's July 2016 Green Bond issuance is not in accordance with *the Green Bond Principles, 2016*.

Scope

EY has performed a limited assurance engagement in relation to BOC's July 2016 Green Bond issuance in order to provide an opinion as to whether the subject matter detailed below meets, in all material aspects, the criteria as presented below as of 04 July 2016.

Subject Matter

The subject matter for EY's assurance includes the details laid out in *Bank of China Limited Green Bond Management Statement* (the "Management Statement") in relation to BOC's Green Bond issuance process as it relates to:

- Use of proceeds disclosure in the Green Bond documentation;
- Project evaluation and selection criteria including nominated projects and their adherence to the eligibility criteria;
- Policies and procedures for the management of proceeds; and

- Policies and procedures for reporting.

Criteria

The criteria for EY's procedures (the "criteria") are:

- *The Green Bond Principles, 2016* published by the Executive Committee of the Green Bond Principles, with the International Capital Market Association ("ICMA") serving as Secretariat.

Assurance Approach

EY's assurance approach was conducted in accordance with the International Standard on Assurance Engagements 3000: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ("ISAE 3000").

Management Responsibility

The management of BOC ("Management") is responsible for:

- Preparation, presentation and implementation of the use of proceeds as described in the Management Statement in accordance with *the Green Bond Principles, 2016*;
 - Preparation, presentation and implementation of the policies and internal controls (comprising use of proceeds, project evaluation and selection, management of proceeds, and information disclosure and reporting) as described in the Management Statement in accordance with *the Green Bond Principles, 2016*; and
 - Establishing appropriate risk management and internal controls in relation to the preparation, presentation and implementation of the Management Statement so that it is free from material misstatement, whether due to fraud or error.
- Interviewing selected business unit personnel to understand the key issues in relation to BOC's policies and procedures;
 - Reviewing BOC's policies of project evaluation and selection for BOC's July 2016 Green Bond;
 - Reviewing BOC's policies of proceeds management for BOC's July 2016 Green Bond;
 - Reviewing BOC's policies of information disclosure and reporting for BOC's July 2016 Green Bond;
 - Confirming eligibility of nominated projects for inclusion in BOC's July 2016 Green Bond;
 - Checking the accuracy of calculations performed; and
 - Obtaining and reviewing evidence to support key assumptions and other data.

Assurance Practitioner's Responsibility

EY's responsibility is to express a limited assurance conclusion as to whether the subject matter is presented in accordance with the criteria, in all material aspects. EY's assurance engagement has been planned and performed in accordance with ISAE3000.

EY's Approach

EY's assurance procedures performed included, but were not limited to:

- Assessing policies and procedures established by BOC in relation to the issuance of BOC's July 2016 Green Bond;

Assurance Findings

Use of Proceeds

EY's procedures performed included reviewing the Management Statement, conducting interviews with Treasury Division and Corporate Finance Division of BOC, and accessing policies and procedures in the use and management of proceeds according to *Green Bond Principles, 2016*.

Based upon the above procedures, EY understands that BOC has established mechanism to use the proceeds as follows :

All the proceeds of the Green Bonds will be used to fund Eligible Green Projects in the following categories:

- Renewable energy: the production and transmission of renewable energy, and the manufacturing of renewable energy appliances and

products; renewable energy include solar energy, wind energy and biomass energy.

- Pollution prevention and control: waste water treatment, recycling and waste-to-energy power plants;
- Clean transportation: new transportation infrastructure and infrastructure upgrades, rolling stock and vehicles for clean transportation, including electric, hybrid, public, rail and multi-modal transportation; and
- Sustainable water management: sustainable infrastructure for clean and/or drinking water and sustainable urban drainage systems.

Subject to the work performed, nothing has come to EY's attention that causes EY to believe that there are any errors that the use of proceeds is not in accordance with *the Green Bond Principles, 2016*.

Project Evaluation and Selection

EY's procedures performed included reviewing the BOC's internal regulations for its Green Bonds, conducting interviews with Treasury Division, Corporate Finance Division, Credit Management Division, Luxembourg Branch, and New York Branch of BOC, accessing policies and procedures on project evaluation and selection, and examining projects documents according to *the Green Bond Principles, 2016*.

Based upon the above procedures, EY understands that, for those projects already nominated, BOC evaluated and selected projects in the following aspects:

Domestic and overseas branches conduct a preliminary screening of potential projects adhering to the Eligible Green Project Categories and form a nominated project

list. The headquarters review the nominated project list and approve/ reject individual projects for allocation of Green Bond proceeds. The headquarters review the project list on a quarterly basis and determine if any changes are necessary (for example, if a project has amortized, prepaid, been sold or otherwise become ineligible). Domestic and overseas branches are mobilized to nominate new eligible projects to substitute matured, prepaid or otherwise no longer qualified projects.

EY conformed to the international assurance standards and conducted assurance 12 projects for which the proceeds may be allocated. The 12 projects covered three categories, namely pollution prevention and control (waste water treatment projects), clean transportation (urban rail projects) and renewable energy (solar power plants and wind power plants).

Subject to the work performed, nothing has come to EY's attention that causes EY to believe that the 12 nominated projects are not in accordance with the categories set out in *the Green Bond Principles, 2016*.

Expected environmental benefits of some nominated projects are as below:

- A wind power generation project located in northeastern Poland consists of 35 wind turbine generators (WTGs) type Gamesa G90 of a nominal capacity 2 MW each, reaching total installed capacity of 70 MW. Estimated annual electricity delivery is 177,199 MWh, which will save about 63,792 tce¹ of energy and reduce 143,885

¹ Ton of standard coal equivalent

tCO₂ of GHG², 66.98 tonnes of SO₂, 66.98 tonnes of NO_x and 20.09 tonnes of dust³ approximately. It will bring direct socio-economic impacts on the development of the local commune and inhabitants, which includes the increase of the commune tax income, the increase of the annual income of land leasers, unemployment reduction by employing local inhabitants at the wind farm during construction, and improvement of the local communication routes.

- A 50MWp solar power generation project located in southwestern China with an expected operation life of 25 years, it connects to the grid via a 35kV-110kV substation. Estimated annual electricity delivery is 69,812.08 MWh, which will save about 25,132 tce of energy and reduce 53,275 tCO₂ of GHG⁴, 26.39 tonnes of SO₂, 26.39 tonnes of NO_x and 7.92 tonnes of dust approximately.
- A 200 MW wind power generation project located in northern China. Estimated annual electricity delivery is 474,611.603 MWh, which will save about 170,860 tce of energy

and reduce 427, 482 tCO₂ of GHG, 179.40 tonnes of SO₂, 179.40 tonnes of NO_x and 53.82 tonnes of dust approximately.

- A waste water treatment project located in eastern China with treatment capacity of 60,000 m³/day, which will reduce 5,913 tonnes of chemical oxygen demand (COD), 2,518 tonnes of biochemical oxygen demand (BOD), 3,613.5 tonnes of suspended solids (SS) , 186.3 tonnes of NH₃-N⁵ and 42.8 tonnes of total phosphorus (TP) contained in effluent every year.
- An urban rail project located in southern China with an expected operation life of 25 years. The railway is 32.1km long with 17 stations of which 11 stations are underground and 6 stations are above the ground. It is estimated that passenger flow volume will be 286,600 person-time/day before 2021, reducing 209,218 tCO₂ of GHG annually, 637,000 person-time/day before year 2028, reducing 465,010 of tCO₂ annually and 944,800 person-time/day before year 2043, reducing 689,704 tCO₂ of GHG annually.

² The GHG emission reductions are calculated based on the emission factor published by National Centre for Emission Management (KOBIZE)

³ The pollution emission reductions are calculated based on the *Emission Standard of Air Pollutants for Thermal Power Plants* published by Ministry of Environmental Protection of the People's Republic of China

⁴ The GHG emission reductions are calculated based on *2015 Baseline Emission Factors for Regional Power Grids in China* published by China's National Development and Reform Commission

EY reviewed BOC's 2015 Social and Responsibility Report and conducted assessment of BOC's management policies, practices and achievements regarding environmental and social integrity and stakeholder engagement. EY also conducted interviews with responsible departments, reviewed internal data log,

⁵ Ammoniacal nitrogen

and fully examined BOC's performance in areas of social and environmental integrity.

Based upon the above procedures, EY understands that BOC has established a management foundation for environmental and social integrity, developed a general working mechanism for information record and management, and was able to disclose information effectively; BOC could provide financial support to other stakeholders and promoted social and environmental development; BOC has published management policies regarding employee, community engagement, and environment, along with customized stakeholder engagement; BOC has carried out environmental and social related work up to the international standards; and BOC has set up social engagement mechanism and could effectively manage its social contribution.

Subject to the work performed, nothing has come to EY's attention that causes EY to believe that there are any errors that the project evaluation and selection is not in accordance with *the Green Bond Principles, 2016*.

Management of Proceeds

EY's procedures performed included reviewing the Management Statement, conducting interviews with Treasury Division and Corporate Finance Division of BOC, and accessing policies and procedures in the management of proceeds according to *the Green Bond Principles, 2016*.

Based upon the above procedures, EY understands that BOC has established a mechanism to manage the proceeds in the following aspects:

In terms of management of proceeds, BOC will use a separate ledger to register the source of capital and use of proceeds. The ledger will be updated and maintained on a quarterly basis to make sure that all of the proceeds can be traced and invested in green projects.

In terms of the allocation of funds, prior to releasing loans to projects, BOC will evaluate, screen and review projects according to the BOC's internal regulations for its Green Bonds. After release of the loan, allocation of proceeds will be reviewed by BOC on a regular basis in order to make sure that all proceeds are invested in green projects in accordance with the eligibility criteria set out in the BOC's internal regulations for its Green Bonds.

So long as its July 2016 Green Bond is outstanding, BOC can invest unallocated proceeds in green bonds issued by non-financial institutions in onshore or offshore markets or in the money market instruments temporarily, until the proceeds are allocated to Eligible Green Projects. Unallocated proceeds shall not be invested in greenhouse gas (GHG) intensive, highly polluting nor energy- intensive projects.

Subject to the work performed, nothing has come to EY's attention that causes EY to believe that there were any errors that the use and management of proceeds is not in accordance with *the Green Bond Principles, 2016*.

Information Disclosure and Reporting

EY's procedures performed included reviewing the *Bank of China July 2016 Green Bond Offering Circular* and BOC's

internal regulations for its Green Bonds, conducting interviews with Treasury Division, Corporate Finance Division, Credit Management Division, and Administration Office accessing the preparation of information disclosure pre and post issuance according to *the Green Bond Principles, 2016*.

Based upon the above procedures, EY understands that BOC has developed the *Bank of China July 2016 Green Bond Offering Circular* and fully prepared itself for the information disclosure; BOC has developed a mechanism for information disclosure and reporting, and intends to disclose Green Bond information regularly.

Prior to the issuance, BOC engaged EY as a qualified third party to conduct Green Bond pre-issuance assurance so as to make sure that all proceeds are likely to be invested in green projects and that those projects already nominated have sound environmental and social benefits and meet the eligibility criteria set out in the BOC's internal regulations for its Green Bond. BOC has clearly defined the project evaluation and selection process, the proceeds management process and the information disclosure process in the *Bank of China July 2016 Green Bond Offering Circular*.

So long as its July 2016 Green Bond is outstanding, BOC will make and keep readily available up-to-date information on the use of the proceeds and the environmental performance of the Eligible Green Projects on an annual basis on its official website (www.boc.cn) and through other channels where feasible, such as annual reports or social responsibility report. The following contents will be disclosed annually: 1. a brief description of the Eligible Green Projects to which the Green

Bond proceeds were allocated, and the amount and percentage allocated to each category; 2. an audit report issued by a specialized certification body assuring allocation of proceeds; 3. the expected environmental impacts of the Eligible Green Projects to which the Green Bond proceeds have been allocated. BOC will adopt some quantitative performance measures of certain categories, where feasible, and disclose them on an aggregated portfolio basis. The environmental impact section will be reviewed by a specialized certification body.

Subject to the work performed, nothing has come to EY's attention that causes EY to believe that there are any errors that the information disclosure and reporting is not in accordance with *the Green Bond Principles, 2016*.

Limitations

There are inherent limitations in performing assurance 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. 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 ISAE 3000, and *Green Bond Principles, 2016* is subjective and will be interpreted differently by different stakeholder groups.

Process conducted in the limited assurance, and the scope of this process will be less than that of reasonable assurance. EY's

assurance work and report will not express an opinion on the effectiveness and performance of BOC's management system and procedure.

EY's assurance was limited to the BOC's July 2016 Green Bond issuance, and did not include statutory financial statements. EY's assurance is limited to policies and procedures in place as of 04 July 2016, ahead of the issuance of BOC's July 2016 Green Bond.

Use of Report

EY's responsibility in performing EY's assurance activities is to the directors of BOC only and in accordance with the terms of reference for this engagement as agreed with them. EY do not therefore accept or assume any responsibility for any other

purpose or to any other person or organization. No statement is made as to whether the criteria are appropriate for any third party purpose.

EY's Independence and Assurance Team

The firm and all professional personnel involved in this engagement have met the independence requirements of mainland China or International professional ethical requirements. EY's team has required competencies and experience for this assurance engagement.

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04 July 2016