



Ernst & Young Hua Ming LLP
Level 16, Ernst & Young Tower
Oriental Plaza
No. 1 East Chang An Avenue
Dong Cheng District
Beijing, China 100738

安永华明会计师事务所（特殊普通合伙）
中国北京市东城区东长安街1号
东方广场安永大楼16层
邮政编码: 100738

Tel 电话: +86 10 5815 3000
Fax 传真: +86 10 8518 8298
ey.com

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 24 October 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 China Green Covered 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 China Green Covered 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 24 October 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 "Green Bond 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 Green

- Bond 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 Green Bond 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 Green Bond Management Statement so that it is free from material misstatement, whether due to fraud or error.

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 China Green Covered Bond;
- 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 China Green Covered Bond;
- Reviewing BoC's policies of proceeds management for BoC's China Green Covered Bond;
- Reviewing BoC's policies of information disclosure and reporting for BoC's China Green Covered Bond;
- Confirming eligibility of nominated projects for inclusion in BoC's China Green Covered Bond;
- Checking the accuracy of calculations performed; and
- Obtaining and reviewing evidence to support key assumptions and other data.

Assurance Findings

BoC has developed the Green Bond Management Statement which includes the use of proceeds, project evaluation and selection, management of proceeds, and information disclosure and reporting in order to keep accordance with the *Green Bond Principles, 2016*. The Green Bond Management Statement applies to BoC's China Green Covered Bond issuance.

Use of Proceeds

EY's procedures performed included reviewing the Green Bond 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 *the Green Bond Principles, 2016*.

Based upon the above procedures, EY understands that BoC has established an internal mechanism to use raised proceeds

from green bonds to fund Eligible Green Projects in the following four 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.

As for BoC's China Green Covered Bond issuance, the raised proceeds will be invested in renewable energy (wind energy) and pollution prevention and control (waste water treatment).

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 Bond, conducting interviews with Treasury Division, Corporate Finance Division, Credit Management Division 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 headquarter reviews the nominated project list and approve/ reject individual projects for allocation of Green Bond proceeds. The headquarter reviews 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 of 7 projects for which the proceeds may be allocated. The 7 projects covered two categories, namely renewable energy (wind power plants) and pollution prevention and control (waste water treatment projects).

Subject to the work performed, nothing has come to EY's attention that causes EY to believe that the 7 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 49.8MW wind power generation project located in southern China. Estimated annual electricity delivery is 99,830 MWh, which will save

about 34,000 tce¹ of energy and reduce 71,000 tCO₂ of Greenhouse Gases (GHG) emissions, 652.7 tonnes of SO₂, 370.8 tonnes of NO_x and 10,000 tonnes of dust² approximately.

- A comprehensive waste water treatment project located in southwest China, including 5 newly built waste water treatment plants and 1 newly built sludge treatment plant. The total treatment capacity of 5 waste water treatment plants is 345,000 m³/day, which will reduce 21,699.3 tonnes of chemical oxygen demand (COD), 11,479.3 tonnes of biochemical oxygen demand (BOD), 21,936.5 tonnes of suspended solids (SS), 1,848.73 tonnes of ammoniacal nitrogen (NH₃-N) and 315.73 tonnes of total phosphorus (TP) contained in effluent every year. The sludge treatment plant, with a treatment capacity of 500 t/d³, will dispose 182,500 tonnes of solid waste each year and alleviate pollution.

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, 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 Green Bond 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

¹ Ton of standard coal equivalent

² The pollution emission reductions are calculated based on the *Emission Standard of Air Pollutants for Thermal Power Plants* (GB

13223-2011) published by Ministry of Environmental Protection of the People's Republic of China

³ Calculated at 80% of sludge moisture content

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 Bond. 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 Bond.

So long as its China Green Covered 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 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 *Listing Particulars of BOC's China Green Covered Bond* (the "Listing

Particulars") and BoC's internal regulations for its Green Bond, 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 Listing Particulars and fully prepared itself for the information disclosure; BoC has developed a mechanism for information disclosure and reporting, and intends to disclose information on its China Green Covered Bond regularly.

Prior to the issuance, BoC engaged EY as a qualified third party to conduct 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 Listing Particulars.

So long as its China Green Covered 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 BOC's China Green Covered 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 BoC's China Green Covered 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 China Green Covered Bond issuance, and did not include statutory financial statements. EY's assurance is limited to policies and procedures in place as of 24 October 2016, ahead of the issuance of BoC's China Green Covered Bond.

Pledged Assets Review

EY reviewed the Listing Particulars which set out descriptions on the screening and selection of the initial Portfolio of Qualifying Green Financial Assets as of 24 October 2016. EY understands from the above mentioned documents that the initial Portfolio comprises of two types of bonds:

- Green financial bonds that have been issued pursuant to *Circular [2015] No. 39 of the People's Bank of China* relating to the issuance of green financial bonds on the China Inter-bank Bond Market.
- Bonds of which the proceeds are to support projects from categories explicitly recognized by *Green Bond Principles, 2016*

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

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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