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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 31 December 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 management during BoC's November 2016 China Green Covered Bond duration is not in accordance with *the Green Bond Principles, 2016*, from the issuance to 31 December 2016.

Scope

EY has performed a limited assurance engagement in relation to BoC's management during its China Green Covered Bond duration 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 31 December 2016.

Subject Matter

The subject matter for EY's assurance includes the implementation of policies and procedures laid out in *Bank of China Limited Green Bond Management Statement* (the "Management Statement") in relation to BoC's management during Green Bond duration as it relates to:

- Implementation of policies and procedures in relation to use and management of proceeds;
- Implementation of policies and procedures in relation to project

evaluation and selection, and the eligibility of invested projects;

- The environmental benefits of invested projects; and
- Implementation of policies and procedures in relation to information disclosure and 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 the implementation of policies and procedures established by BoC in relation to BoC’s management during its November 2016 China Green Covered Bond duration;
- Interviewing selected business unit personnel to understand the implementation of policies and procedures in relation to BoC’s management during its November 2016 China Green Covered Bond duration;
- Reviewing the implementation of policies and procedures in relation to project evaluation and selection during its November 2016 China Green Covered Bond duration;
- Reviewing the implementation of policies and procedures in relation to proceeds management during its November 2016 China Green Covered Bond duration;
- Reviewing the implementation of policies and procedures in relation to information disclosure and reporting during its November 2016 China Green Covered Bond duration;
- Reviewing the environmental benefits of invested projects; ;
- 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 November 2016 China Green Covered Bond issuance.

Use of Proceeds

EY's procedures performed included reviewing the Green Bond Management Statement, Annual Report on Bank of China's November 2016 China Green Covered Bond, and the ledger, conducting interviews with Treasury Division and Corporate Finance Division of BoC, and accessing the implementation of policies and procedures in relation to the use and management of proceeds according to *the Green Bond Principles, 2016* and the Green Bond Management Statement.

Based upon the above procedures, EY understands that BoC has allocated 99.03% of the proceeds in Eligible Green Projects in the following categories:

- Renewable energy: wind power plants and solar 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 there are any errors that the use of proceeds is not in accordance with *the Green Bond Principles, 2016* and the Management Statement.

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, accessing the implementation of policies and procedures in relation to project evaluation and selection, and reviewing projects documents and environmental benefits according to *the Green Bond Principles, 2016* and the Management Statement.

EY conformed to the international assurance standards and conducted assurance on 12 projects (3,381.49 million in RMB) to which the proceeds have been allocated. The 12 projects covered 2 categories, namely renewable energy (solar power plants and 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 there are any errors that the project evaluation and selection is not in accordance with *the Green Bond Principles, 2016* and the Management Statement.

Environmental Benefits of Financed Projects

EY's procedures performed included reviewing the Annual Report on Bank of China's November 2016 China Green Covered Bond according to the *Green Bond Principles, 2016* and the Management Statement. The environmental benefits from BoC's November 2016 China Green Covered Bond are summarized as: reducing CO₂ emission by 333,000 tons / year, reducing COD by 228 tons / year and NH₃-N by 25 tons / year.

EY randomly selected 1 project from each category where BoC allocated its November 2016 China Green Covered Bond for field investigation. The details of the filed investigation of the 2 projects are as follow:

Project I: A 300MW Wind Power Project (the "Project") is located in the east of Inner Mongolia Autonomous Region. It is learnt from the on-site investigation that Phase I of this Project had already been put into operation. The total installed capacity of this project is 49.5MW with the generating hours of 1,486 hours and the grid-connect volume of 73,540MWh. Equivalently, the Project

could save standard coal of 23,400 tons and reduce CO₂ emission of 70,200 tons.

Project II: A Water Treatment Project (the “Project”) located in the eastern China consists of a Urban Sewage Treatment Plant Construction Project, the Urban Network Construction Project, the expansion and the quality upgrading and standard reaching of an Industrial Sewage Treatment Plant (the “Industrial Sewage Treatment Project”), and the Village & Town Sewage Treatment Plant together with the laying of supporting pipeline (the “Village & Town Sewage Treatment Project”). So far, the Industrial Sewage Treatment Project and the Village & Town Sewage Treatment Project have already been put into operation, the Urban Sewage Treatment Plant has not yet started constructing. It is learnt from the on-site investigation that the treatment capacity of the Industrial Sewage Treatment Plant in 2016 is 2.85 million tons. The direct reduction of pollutants are as follows: COD: 327.91 tons / year, BOD: 35.71 tons, SS: 86.16 tons / year, Ammonia Nitrogen: 16.84 tons / year, TN: 5.99 tons / year, TP: 4.47 tons / year. The treatment capacity of the Village & Town Sewage Treatment Plant in 2016 is 4.53 million tons, and the direct reduction of pollutants are as follows: COD: 154.56 tons / year, BOD: 90.77 tons/year, NH₃-N: 36.38 tons / year, SS: 98.45 tons / year, TN: 31.12 tons / year, TP: 4.45 tons / year.

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* and the Green Bond Management Statement.

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 the implementation of policies and procedures in relation to the management of proceeds according to *the Green Bond Principles, 2016* and the Management Statement.

Based upon the above procedures, EY understands that BoC has implemented the mechanism according to the Green Bond Management Statement to manage the proceeds in the following aspects:

In terms of management of proceeds, BoC has employed a separate ledger to register the source of capital and use of proceeds. The ledger has been 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 has evaluated, screened and reviewed projects according to the BoC’s internal regulations for its Green Bond. After release of the loan, allocation of proceeds has been 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.

The net proceeds of the bond equivalent to CNY 3,381.49 million. As of December 31, 2016, 99.03% of the net proceeds of the bond (CNY 3,348.85 million) had been utilized to fund the eligible green projects in at least one of the following categories as set out in the Listing Particulars; the remaining unallocated proceeds was in the form of cash and amounted to CNY million, accounting for 0.97% (CNY 32.64 million) of

the net proceeds. None of the unallocated proceeds was invested in greenhouse gas (GHG) intensive nor 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* and the Green Bond Management Statement.

Information Disclosure and Reporting

EY's procedures performed included reviewing the Annual report of Bank of China's November 2016 China Green Covered Bond, conducting interviews with Treasury Division, Corporate Finance Division, accessing the implementation of policies and procedures in relation to information disclosure according to *the Green Bond Principles, 2016* and the Green Bond Management Statement.

Based upon the above procedures, EY understands that BoC has published the Annual Report on Bank of China's November 2016 China Green Covered Bond on its official website (<http://www.bankofchina.com/investor/ir10/>). BOC has engaged a third party to issue an audit report in relation to the allocation of proceeds.

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* and the Management Statement.

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 November 2016 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 31 December 2016.

Pledged Assets Review

EY reviewed the Portfolio of Qualifying Green Financial Assets as of 31 December 2016. The Portfolio comprises of 10 bonds in the following categories:

- 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 used 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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