

Case Study:

# Asia's first blue bonds to finance marine-related projects

**Bank of China (BOC)** issued Asia's first blue bonds, the first issued by a commercial bank globally, and only the fourth blue bond to be sold globally.



## Details of the blue bond & use of proceeds

The two-year CNH 3 billion (USD442.50 million) 3.15% bonds due 2022 were issued through BoC's Macau branch under the bank's USD40 billion medium-term note programme.

The net proceeds of the blue bonds will be used to fund eligible projects which must meet the requirements of a sustainable blue economy. A sustainable blue economy is described as a marine-based economy seeking to promote economic growth and preserve marine ecological environment, while ensuring the sustainable use of marine resources.

In order to facilitate the restoration of marine ecological environment, the efficient use of resources and the development of marine industry, the categories of eligible projects endorsed under BoC's 2020 blue bond include renewable energy, including but not limited to offshore wind power projects, which promote the development of marine renewable energy, and sustainable water and wastewater management. The latter includes marine-related integrated sewage treatment projects in coastal cities, which reduce the discharge of untreated sewage to the seas and coastal areas.

### Bond details

<b>Amount:</b>	CNY 3 billion (USD 442.50 million)
<b>Company Ratings:</b>	A1 (Moody's)
<b>Date of Issuance:</b>	22 September 2020
<b>Maturity:</b>	21 September 2022

## Framework

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**The issuance is aligned with the Green Bond Principles (2018) published by the International Capital Market Association.**

As long as the blue bonds are outstanding, BOC will make and keep readily available up-to-date information on the allocation of the proceeds and the environmental performance of the funded Eligible Green Projects on an annual basis on its official website [www.boc.cn/en/investor/ir10/](http://www.boc.cn/en/investor/ir10/).

**BOC intends to maintain the transparency of information disclosure following the best practices recommended by GBP 2018. The following contents will be disclosed annually:**

- A brief description of the Eligible Green Projects to which the Green Bond proceeds were allocated, and the amount and percentage allocated to each of the categories;
- An attestation report issued by a specialised certification body assuring allocation of proceeds; and
- The expected environmental impacts report of the Eligible Green Projects to which the Green Bond proceeds have been allocated will be based on the financing share of the projects.

## Impact

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The pricing was in line with the final price guidance, and 35bp tighter than the initial price range of 3.50% area. The blue bonds attracted an order book of CNH 4.5 billion from 58 accounts, with 96% of the paper distributed in Asia, 3% in offshore US, and 1% in Europe. By type of investors, banks and other financial institutions accounted for 46% of the blue bonds, asset managers 27%, private banks 19%, and insurance companies and other investors 8%.

## Assurance

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Prior to its Green Bond issuance, BOC obtained limited assurance to confirm the alignment of its Green Bond with GBP 2018. As long as the blue bonds are outstanding, the use of proceeds and project environmental benefits disclosed annually will be verified by an external reviewer.



## Key takeaways

- In January 2020, the China Banking and Insurance Regulatory Commission stipulated stakeholders to explore innovative green financial products including blue bonds in order to support development of low-carbon and circular economies and to mitigate pollution problems.
- BOC has opened a new area of sustainable investing with Asia's first blue bonds.
- An innovative financing instrument, blue bonds enable funds raised to finance marine and ocean-based projects that have positive environmental, economic and climate benefits.
- Ocean offers a significant share of world population with jobs and food and are important means of transport for over 80% of world trade, generating an approximately 5% of the total global GDP.



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