

Appendix I

China Development Bank Description of China Development Bank's 2017 Green Bond

In accordance with the *Green Bond Principles* (2017) published by The Executive Committee of the Green Bond Principles (GBP) (the International Capital Market Association (ICMA) serves as its secretariat), and *Climate Bonds Standard* (V2.1) published by Climate Bonds Initiative (CBI), the China Development Bank ("CDB") established the *Interim Measures for the Administration of China Development Bank's Offshore Green Bonds* (the "Guideline") and *Green Bond Framework of China Development Bank* (the "Framework"), defined the use and management of proceeds, project evaluation and screening, as well as information disclosure and reporting.

Use and Management of Proceeds

In accordance with the Guideline, CDB defined the responsibility of Treasury and Financial Market Department, Business Development Department, Finance and Accounting Department and Operations Department on the use and management of proceeds. CDB will employ a separate ledger to manage the transfer, allocation and payback of proceeds, making sure that all of the proceeds will be invested in green projects during bond duration.

In accordance with the Framework, CDB shall allocate the proceeds to the green projects within 24 months after the issuance of the bond. If part of the net proceeds is used for refinancing, CDB shall disclose the ratio of the proceeds which is used for financing and refinancing to the total proceeds. In most cases, the green projects will not be linked to other climate bonds, unless the proportion split of the green projects to be funded by proceeds of other climate bonds will be disclosed, or the current climate bond is to be refinanced by other climate bonds. So long as its 2017 Green Bond is outstanding, CDB can invest unallocated proceeds either in green bonds issued by non-financial corporates or in the money market instruments with good credit rating and market liquidity which the proceeds shall be held in the form of temporary investment instruments such as cash or cash equivalents to serve its financial functions, however they are not allowed to invest in carbon-intensive projects that do not meet the requirements of low-carbon and climate-adaptive economies, and in greenhouse gas (GHG) intensive, highly polluting nor energy-intensive projects.

Project Evaluation and Selection

In accordance with the Guideline, CDB defined the responsibility of Treasury and Financial Market Department, Business Development Department, and Project Appraisal Department on project evaluation and selection, making sure that the selection of green projects in accordance with national policies and requirements, international standards and practices, and CDB's related systems. Besides, in accordance with the Framework, the green projects selected shall meet the

specific industry and technology standards under the Climate Bond Standards (the "CBS"). The issue amount of CDB's 2017 Green Bond is no more than 3 billion USD. CDB nominated 10 projects, with a total value of 10.993 billion USD. Nominated categories include Energy category, and Transport category. Potentially disbursed category includes Water category. Projects to be disbursed will be identified when the proceeds are in place. Projects nominated list with detailed information is attached after the report.

Examples of the expected environmental benefits are as follows:

- A railway project located in northwest of China: The railway has total length of 1,776 km, with 31 stations in total. The conveying capacity of railway will be 350 million tons/year of freight, and 40 million passengers/year. In the short term, this line will be passenger and freight mixed mainline railway, and as the major railway link between the three northwest provinces/regions and the inland of China; in the long term, the priority of this line is passenger transportation, also give consideration to freight transportation. The project will annually reduce approximately 7.60 million tons of CO₂ emissions.
- A wind power project located in Pakistan: the project is located near the Village Jhimpir, District Thatta, and capital city of the southern province Sindh. The nominated capacity of this project is 49.5MW, annual electricity delivery is 152,900 MWh, which will save about 55,000 tce [Ton of standard coal equivalent] of energy, equivalent to 77,000 tons of raw coal annually and reduce many types of air pollutants emissions, including 16,205 tons of SO₂, 4,598 tons of NO_x, 116 tons of CO, 860,000 tons of CO₂, 46 tons of hydrocarbon and reduce huge amount of dust annually.
- A water supply project located in Sri Lanka: The project is located in Sri Lanka's western province, 40 km in the north of Colombo. After the completion of the water plant, the water supply coverage is 397 km². The water supply capacity in the first phase will be 54000 m³/d, and the plant is expected to be completed by 2017. The second phase will be 27,000 m³/d, thus the total water supply will reach 81,000 m³/d.

CDB emphasizes the improvement of the green credit system, strengthen environmental risk management; promote the market-oriented operation of the green projects, raise and guide social capital to invest in the field of ecological and environmental protection; increase support for clean energy, energy conservation and environmental protection. Deepen the consensus with all stakeholders on environmental protection actions and addressing climate challenges, by optimizing the capital allocation and innovative investment and financing models, assisting carbon emissions reduction, and maintain ecological security. In addition, CDB will further improve the green credit management and the green credit policy system, actively support green, low-carbon and circular economy development projects, such as renewable energy, industrial transformation, energy saving, environmental protection, in order to promote energy saving and emissions reduction, and the comprehensive environmental governance.

Information Disclosure and Reporting

In terms of the management of the proceeds, in accordance with the Guideline, CDB defined the responsibility of Treasury and Financial Market Department, Business Development Department and Policy Research Department on the reporting disclosure and reporting. Prior to the issuance, CDB engaged qualified independent third party to conduct Green Bond pre-issuance assurance so as to make sure that all proceeds are to be invested in green projects, the management of proceeds is in accordance with related requirements, and the environmental benefits and social impacts of those projects meet the expectations of investors.

During the period of bond duration, CDB will engage qualified independent third party to conduct evaluations on the use of proceeds, the support of the development of green industry projects and their environmental benefits over the previous year. So long as its 2017 Green Bond is outstanding, in accordance with the *Green Bond Principles* (2017) and *Climate Bonds Standard* (V2.1), CDB will annually disclose evaluation report, issued by qualified independent third party to the market, on the use of proceeds and the achieved environmental benefits. In accordance with the Framework, CDB shall disclose report within 120 days after the end of each fiscal year and the CDB report will include a green projects list which consists of projects that are invested (or reinvested) by green bond proceeds, project introduction, amounts invested, environmental benefits, impact indicators, evaluation methods and key implied assumptions.



China Development Bank

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Nominated and potentially disbursed projects list

No.	Financing Project	Sector	Region	Loan Amount (USDmn)
1	Wind Power Project	Energy	Fujian, China	799
2	Wind Power Project	Energy	Xinjiang, China	188
3	Wind Power Project	Energy	Pakistan	104
4	Hydro-Solar Project	Energy	Qinghai, China	422
5	Railway Project	Transport	Gansu-Qinghai, China	3,014
6	Railway Project	Transport	Ningxia-Gansu-Shaanxi, China	3,420
7	Railway Project	Transport	Anhui-Fujian, China	678
8	Light Rail Project	Transport	Kazakhstan	1,510
9	Metro Project	Transport	Fujian, China	663
10	Water Resources Management Project	Water	Sri Lanka	195
Total Loan Amount (USDmn)				10,993

Summary of nominated and potentially disbursed categories

Category	Number of projects	Location of projects	Loan Amount (USDmn)
Energy	4	China, Pakistan	1,513
Transport	5	China, Kazakhstan	195
Water	1	Sri Lanka	9,285