



GREEN BOND FRAMEWORK

November 2017

Contents

1. CDB Background	3
2. CDB's Green Strategy.....	3
3. Green Bond Framework	4
4. Third Party Verification.....	7
Disclaimer.....	8

1. CDB Background

China Development Bank (“**CDB**”) is China’s Development Finance Institution (“DFI”) and is 100% owned by the Chinese government. It serves national strategy and is dedicated to strengthening China’s competitiveness as well as improving people’s livelihood. As at the end of 2016, CDB had forty domestic branches, one overseas branch, six overseas representative offices, and five major subsidiaries. The five major subsidiaries of CDB include China Development Bank Capital Corporation Ltd., CDB Securities Co., Ltd., China Development Bank Financial Leasing Co., Ltd., China-Africa Development Fund and CDB Development Fund Co., Ltd.

CDB is the world’s largest DFI with total assets of RMB14.34 trillion as at the end of 2016. It is also China’s largest bank for overseas investment and financing with balance of international loans at an equivalent of USD278 billion as at the end of 2016.

CDB is recognised as a quasi-sovereign issuer in the international capital markets. It is rated A1 by Moody’s and A+ by S&P, always on par with the Chinese government. CDB is China’s largest bond house among Chinese banks in the domestic market in terms of issuance volume, with over RMB15 trillion of debt issued and over RMB8 trillion outstanding as at the end of October 2017.

2. CDB’s Green Strategy

CDB has been an active supporter of environmental protection, industrial energy saving and development of a green economy, and has delivered solid results in carrying out prevention and clean-up plans for air, water and soil pollution. It has established dedicated green credit management rules which provide transparency on project due diligence, credit approval and post-lending review following the best practices of the Green Credit Guidelines by the China Banking Regulatory Committee. It also aims to provide stakeholders with the highest level of transparency. CDB is among the first batch of Chinese financial institutions to join the Global Reporting Initiative, demonstrating its commitment to disclose the impact of CDB’s business on critical sustainability issues. CDB has been publishing its annual sustainability report since 2007, which is available on CDB’s website <http://www.cdb.com.cn/English>.

As at the end of 2016, CDB’s balance of green loans amounted to RMB1.57 trillion, ranking first among Chinese banks; its balance of green loans accounted for 15.23% of its total loans, far above the average green loan portfolio ratio of 8.83%¹ for 21 major Chinese banks.

¹ Data source: China Banking Regulatory Commission

3. Green Bond Framework

CDB's Green Bond Framework was established in accordance with the Green Bond Principles 2017 ("**GBP**")², and it comprises the following four core principles as described in the GBP:

- Use of Proceeds;
- Process for Project Evaluation and Selection;
- Management of Proceeds; and
- Reporting.

3.1. Use of Proceeds

The use of proceeds from any bonds issued under CDB's Green Bond Framework (the "**Green Bond Proceeds**") will be used to finance or refinance loans which finance assets or projects that fall under the following categories of eligible assets or projects:

- Energy: offshore and onshore wind farms, and hydro-solar projects;
- Transport: railways infrastructures and metro lines; and
- Water: water resource management projects.

The eligible green assets or projects under CDB's Green Bond Framework comprise financing and refinancing within the above categories of eligible green assets or projects which are or have been originated by various business units of CDB in and outside China (the "**Green Credit Projects**" or the "**Green Projects**").

In addition to the three types of eligible assets or projects mentioned above, CDB will also consider, in its general activities and for future transactions after its inaugural international Green Bond, other types of green projects falling within the GBP, such as:

- Clean Transportation (including electric, hybrid, public, rail, non-motorised and multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions);
- Renewable Energy (including wind power, photovoltaics, and hydroelectric power generation);
- Pollution Prevention and Control (including waste water treatment, reduction of air emissions and waste recycling);
- Energy Efficiency (including industrial energy saving and water saving);
- Environmentally Sustainable Management of Living Natural Resources and Land Use (including environmentally sustainable agriculture, environmentally sustainable animal husbandry, climate smart farm inputs such as biological crop protection or drip-irrigation, environmentally sustainable fishery and

² More information on

<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/GreenBondsBrochure-JUNE2017.pdf>

- aquaculture, environmentally-sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes, etc.);
- Climate Change Adaptation (including disaster prevention, control systems, etc.); and
- Land and Aquatic Biodiversity Conservation (including coastal, marine and river basin protection).

In any case, the following categories of projects or assets are strictly excluded:

- Clean coal and fossil fuel-related technologies;
- Nuclear and nuclear-related technologies; and
- Large hydropower dams (more than 25 MW).

3.2. Process for Project Evaluation and Selection

3.2.1. Selection Principles

The evaluation and selection of Green Projects shall be conducted in accordance with:

- Government policies and regulatory requirements. The Green Projects shall meet the regulatory requirements and technology standards in China, as well as the confidentiality requirements in China and in certain industries. The Green Projects shall also be in line with the stage of China's economic development, the relevant industry policies and environmental protection policies.
- International standards and conventions. The international standards and market conventions shall be fully considered for Green Project selection. The selected Green Projects shall have significant and quantifiable environmental benefits, and meet the specific industry and technology standards under the Climate Bonds Standard (“**CBS**”) on an as-needed basis.
- Related systems of CDB. The evaluation and selection of Green Projects shall be in accordance with CDB's current green credit project assessment policies and credit management policies³, as well as the confidentiality requirements of CDB.

3.2.2. Selection process

The evaluation and selection process consists of three stages:

- Creation of a list of Green Credit Projects by the relevant Project Appraisal Department. This department is responsible for i) proposing the list of Green Credit Projects of CDB and ii) assisting with the establishment of the green credit management framework and providing marketing materials such as green credit business developments. Representatives in the department normally have credit background and possess specific industry and environmentally-related knowledge.
- Review and selection of the projects for each issuance by the Treasury and Financial Market Department, the Business Development Department, the

³ CDB's ESG policies will be disclosed in its annual sustainability report which is publicly available on its website <http://www.cdb.com.cn/English>

International Finance Department and the relevant Project Appraisal Departments in CDB in accordance with the Green Bond Framework.

The Treasury and Financial Market Department's responsibilities also include: i) organising and conducting offshore Green Bond issuances; ii) leading the preparation of the Green Bond issuance materials such as Green Bond offering circulars, roadshow materials, management representation letter references and other related issuance documents; and iii) employing qualified reviewers or verifiers to publish related reports.

The Business Development Department is responsible for establishing and preparing a ledger (the "**Ledger**") for the Green Bond Proceeds, to ensure that all the proceeds will be used for Green Projects.

- Final selection of the Green Credit Projects by the relevant Project Appraisal Department. The Project Appraisal Department shall provide recommendations on i) the appropriate Green Credit Projects for a specific Green Bond issuance, in accordance with the laws and regulations in the industry or sector such Green Bond issuance aims to provide financing for, and ii) the applicable information disclosure requirements. The Project Appraisal Department is also responsible for coordinating the relevant CDB branches to provide compliance documents for the third party verifier's verification purposes.

3.3. Management of Proceeds

CDB shall allocate the Green Bond Proceeds to the Green Projects within 24 months after the issuance of such Green Bonds. If part of the net proceeds are used for refinancing, CDB shall disclose the ratio of the proceeds which is used for financing and refinancing to the total proceeds, and shall set out in detail the Green Projects which are refinanced.

CDB's Business Development Department shall establish a Ledger for Green Bond Proceeds, manage the receipts, disbursements, and recovery processes of the Green Bond Proceeds, make sure that the proceeds are allocated to Green Projects only and used in related areas throughout the term of the bond, as well as track and monitor the environmental benefits of all the Green Projects which are funded by Green Bond Proceeds.

The unallocated proceeds shall be earmarked and held in the form of temporary investment instruments such as cash or cash equivalents. However, they are not allowed to be invested in carbon-intensive projects or companies that do not meet the requirements of low-carbon and climate-adaptive economies.

3.4. Reporting

CDB commits to publish annual green bond reports (the "**Green Bond Annual Report**"). These reports will provide information on the allocation and impacts of the Green Bond Proceeds.

3.4.1. Allocation Reporting

The Green Bond Annual Report will report the allocation of the Green Bond Proceeds with a list of Green Credit Projects and the relevant loan amounts and the proportion attributable to financing and re-financing, as well as other details on as-needed basis.

The allocation proceeds shall be audited by an independent third party verifier. The third party verifier will publish an annual audit report on the Green Bond Proceeds (the “**Green Bond Proceeds Annual Audit Report**”).

3.4.2. Environmental Reporting

In addition to project-related reporting, in the Green Bond Annual Report, CDB will also provide environmental reporting to show the potential environmental benefits of selected Green Projects using impact indicators as shown below. The evaluation methods and key implied assumptions will be also described in the Green Bond Annual Report.

Asset Categories	Impact Indicators
Energy	<ul style="list-style-type: none"> - kWh of power generated from renewable energy - Tonnes of CO₂ (or other GHG) avoided per year
Transport	<ul style="list-style-type: none"> - Tonnes of CO₂ (or other GHG) avoided - Number of passengers
Water	<ul style="list-style-type: none"> - Amount of water saved/treated - Number of people benefited

The Green Bond Annual Report and the Green Bond Proceeds Annual Audit Report will be publicly available via annual updates on CDB’s official website <http://www.cdb.com.cn/English/>.

4. Third Party Verification

4.1. Pre- and post-issuance verification

CDB will engage an independent third party verifier to provide pre-issuance verification (the “**Green Bond Pre-issuance Assurance Report**”). The Green Bond Pre-issuance Assurance Report will cover the use and management of the Green Bond Proceeds, project evaluation and selection, and information disclosure and reporting. The third party verifier shall also conduct post-issuance assurance on an annual basis and publish a report (the “**Green Bond Post Issuance Assurance Report**”).

The Green Bond Pre-issuance Assurance Report and the Green Bond Post Issuance Assurance Report will be publicly available via annual updates on CDB’s official website: <http://www.cdb.com.cn/English/>.

4.2. Climate Bond Initiative (“CBI”) Certification

Bonds issued under CDB’s Green Bond Framework may be certified by the CBI against the CBS.

Disclaimer

The information and opinions contained in this Green Bond Framework are provided as at the date of this document and are subject to change without notice. CDB does not assume any responsibility or obligation to update or revise any such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise.

This Green Bond Framework is provided for information purposes only and does not constitute, or form part of, any offer or invitation to underwrite, subscribe for or otherwise acquire or dispose of, or any solicitation of any offer to underwrite, subscribe for or otherwise acquire or dispose of, any debt or other securities (“**securities**”) of CDB and is not intended to provide the basis for any credit or any other third party evaluation of securities. If any such offer or invitation is made, it will be done so pursuant to separate and distinct documentation in the form of a prospectus, offering circular or other equivalent document (a “**prospectus**”) and any decision to purchase or subscribe for any securities pursuant to such offer or invitation should be made solely on the basis of such prospectus and not these materials.

This material should not be considered as a recommendation that any investor should subscribe for or purchase any securities. Any person who subsequently acquires securities must rely solely on the final prospectus published by CDB in connection with such securities, on the basis of which alone purchases of or subscription for such securities should be made. In particular, investors should pay special attention to any sections of the final prospectus describing any risk factors. The merits or suitability of any securities or any transaction described in these materials to a particular person’s situation should be independently determined by such person. Any such determination should involve, inter alia, an assessment of the legal, tax, accounting, regulatory, financial, credit and other related aspects of the securities or such transaction.

This material is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation.

This Green Bond Framework may contain projections and forward looking statements. Any such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause CDB’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Any such forward-looking statements will be based on numerous assumptions regarding CDB’s present and future business strategies and the environment in which CDB will operate in the future. Further, any forward-looking statements will be based upon assumptions of future events which may not prove to be accurate. Any such forward-looking statements in these materials will speak only as at the date of these materials and CDB assumes no obligation to update or provide any additional information in relation to such forward-looking statements.