



**中国农业银行**

AGRICULTURAL BANK OF CHINA

**香港分行**

HONG KONG BRANCH

Agricultural Bank of China Limited Hong Kong Branch  
Sustainable Bond Framework

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## Introduction

The predecessor of Agricultural Bank of China (“ABC” or the “Bank”) was the Agricultural Cooperative Bank established in 1951. Since the late 1970s, ABC has evolved from a state-owned specialized bank to a wholly state-owned commercial bank and subsequently a state-owned commercial bank. The Bank was restructured into a joint stock limited liability company in January 2009, and was listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange in July 2010. As one of the major integrated financial service providers in China, ABC is committed to building an international first-class commercial banking group with featured operations, efficient and convenient services, diversified functions, and demonstrated value-creation capability.

ABC incorporated green concepts into its core values. In accordance with the Agricultural Bank of China Green Finance Development Plan (2017–2020) and the Agricultural Bank of China Green Bank Construction Plan, the Bank worked for the green and low-carbon development, and were committed to building an energy-saving and environment friendly green bank. ABC took green credit as the focus of fulfilling its social responsibilities, serving the real economy and adjusting its credit structure. The Bank also strengthened green credit policy guidance, increased support for green credit business, and promoted environmental and social risk management, thus maintaining rapid development of our green credit business. In addition, with the mission of serving the real economy, ABC promoted the high-quality development of inclusive finance through digital transformation, supported small and micro enterprises to prevent the pandemic and resume production, and continuously improved financial services for inclusive customers.

Agricultural Bank of China Limited Hong Kong Branch<sup>1</sup> (the “Branch”) is the first overseas branch for its parent bank, Agricultural Bank of China Limited. With the full support from ABC and the long presence in Hong Kong SAR, the Branch takes a leading position to offer the best products and services to support ABC’s overseas strategies and serve all its customers. The Branch is on a sound track of development with positive brand image and strong market position. It has been providing customers with diversified products and services, including trade finance, syndicated loans, wealth management, foreign exchange, bond investment, derivatives, deposits, money exchange, project loans, structured products, etc.

## Agricultural Bank of China Limited Hong Kong Branch Sustainable Bond Framework

Agricultural Bank of China Limited Hong Kong Branch Sustainable Bond Framework (the “Framework”) was developed with the objective of reinforcing the Branch’s capabilities in financing green and social projects, which contribute to the United Nations Sustainable Development Goals.

The Framework aligns with Green Bond Principles 2021, Social Bond Principles 2021 and Sustainability Bond Guidelines 2021 published by International Capital Market Association. The Framework governs the issuance of below sustainable bond by the Branch:

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<sup>1</sup> Incorporated in the People’s Republic of China with limited liability

- Green Bond to finance and / or to refinance eligible green asset
- Social Bond to finance and / or to refinance eligible social asset
- Sustainability Bond to finance and / or to refinance a mix of eligible green and social asset

The Framework was structured under the following four main pillars:



- (i) Use of Proceeds
- (ii) Process for Project Evaluation and Selection
- (iii) Management of Proceeds
- (iv) Reporting





#### (i) Use of Proceeds


The net proceeds from Green Bond, Social or Sustainability Bonds issued by the Branch will be allocated exclusively to finance and / or refinance eligible green and / or social asset as defined below.

Where a company derives 90% or more of its revenues from activities in the eligible green and / or social asset, it will be considered as eligible for financing from Green, Social or Sustainability Bond.




#### Eligible Green Categories:

| Eligible Green Asset Categories | Eligibility Criteria  | United Nations Sustainable Development Goals (SDGs)   |
|---------------------------------|---|---|
| <b>Renewable Energy</b>         | <ul style="list-style-type: none"> <li>• Acquisition, manufacturing, construction, maintenance and upgrade of renewable energy generation facilities, equipment or infrastructure from wind, solar, tidal energy, hydro (life cycle emissions below 50g CO2e/kWh or power density above 10 W/m2), geothermal (life cycle GHG emissions &lt; 100g CO2e/kWh), biomass using waste feedstock (life cycle GHG emissions &lt; 100g CO2e/kWh)</li> <li>• Supporting infrastructure and equipment dedicated for transmission and distribution of renewable electricity from its production site to the electricity grid</li> </ul> | <br>7 AFFORDABLE AND CLEAN ENERGY            |
| <b>Energy Efficiency</b>        | <ul style="list-style-type: none"> <li>• Acquisition, implementation, maintenance and upgrade of products or technologies that increase energy efficiency or reduce energy</li> </ul>   | <br>9 INDUSTRY INNOVATION AND INFRASTRUCTURE |

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|   | <p>consumption by at least 30% of the related asset(s) or technology(ies), such as:</p> <ul style="list-style-type: none"> <li>○ Energy efficient HVAC systems, lighting systems, windows and doors</li> </ul> <ul style="list-style-type: none"> <li>• Acquisition, implementation, maintenance and upgrade of products or technologies that improve efficiency in the delivery of bulk energy services, such as: <ul style="list-style-type: none"> <li>○ Smart grid and energy storage (battery and pumped hydro)</li> </ul> </li> </ul>  |   |
| <b>Clean Transportation</b>                   | <ul style="list-style-type: none"> <li>• Acquisition, manufacturing, construction, maintenance and upgrade of facilities, equipment or infrastructure dedicated to zero direct emission transport including electrified, hydrogen public transportation (e.g. trains, busses, trams and ferries) and vehicles (e.g. cars, trucks and vessels)</li> </ul>   |    |
| <b>Sustainable Water and Waste Management</b> | <ul style="list-style-type: none"> <li>• Acquisition, manufacturing, construction, maintenance and upgrade of facilities, equipment or infrastructure dedicated for: <ul style="list-style-type: none"> <li>○ Water treatment activities including wastewater treatment, water recycling, and improving water quality</li> <li>○ Waste management activities such as waste prevention, waste reduction and waste recycling</li> </ul> </li> </ul>  | <br> |
| <b>Green Building</b>                         | <ul style="list-style-type: none"> <li>• Acquisition, construction, operation, maintenance, renovation and upgrade of building that have received, or expect to receive below recognized green building certifications: <ul style="list-style-type: none"> <li>○ Chinese Green Building Evaluation Label – 2 Star or above (Design / Operations Label); or</li> <li>○ Building Research Establishment Environmental Assessment Method (BREEAM) – Excellent or above; or</li> <li>○ U.S. Leadership in Energy and Environmental Design (LEED) – Gold or above; or</li> <li>○ Hong Kong BEAM Plus – Gold or above</li> </ul> </li> </ul> |    |

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| <b>Sustainable Marine Economy, Marine Environmental Protection and Coastal Climate Change Adaptation</b> | <ul style="list-style-type: none"> <li>Acquisition, manufacturing, construction, maintenance and upgrade of facilities or infrastructure dedicated for: <ul style="list-style-type: none"> <li>Sea water desalinization plant which are powered at least 90% by renewable energy</li> <li>Urban drainage system, river training and other forms of flooding mitigation and control to strengthen resilience against climate change in coastal areas</li> </ul> </li> </ul> |  |
|--|--|---|

### **Eligible Social Categories:**

| <b>Eligible Social Asset Categories</b> | <b>Eligibility Criteria</b>   | <b>United Nations Sustainable Development Goals (SDGs)</b>  |
|---|---|---|
| <b>Access to Essential Services</b>     | <ul style="list-style-type: none"> <li>Construction, maintenance and upgrade of public hospitals, eldercare centers and healthcare facilities</li> <li>Construction, maintenance and upgrade of public education facilities (e.g. schools, universities and vocational training centers)</li> </ul>   | <br> |
| <b>Employment Generation</b>            | <ul style="list-style-type: none"> <li>Loans to micro, small and medium enterprises as defined by the Trade and Industry Department of the Hong Kong SAR government, including: <ul style="list-style-type: none"> <li>Women entrepreneurs (SMEs where more than 50% of the shares belong to women, in case the women ownership is below 50%, the SME shall be 20% female owned, have at least 1 woman as CEO / COO / President / Vice President (managerial role) and &gt;30% board of directors comprised of woman, if a board exists)</li> <li>Owned and / or operated by migrants or youth</li> </ul> </li> </ul> |    |

For clarification purposes, asset dedicated for the following activities shall be excluded from financing by any Green, Social or Sustainability Bond: fossil fuel-based power generation,

transportation of fossil fuel, biomass power that competes with food sources, nuclear power, child labor, weapons, mining, adult entertainment.

For any potential eligible hydropower projects under this framework, an environmental impact assessment (“EIA”) will be conducted by a credible body, and there would be no significant risk or expected negative impact or significant controversy surrounding the project identified in the EIA.

## (ii) Process for Project Evaluation and Selection

The Branch has established a Sustainable Finance Working Group (“SFWG”) to oversee the process of project evaluation and selection for the Green, Social and Sustainability Bond issuance by the Branch. The SFWG will meet on an annual basis and any time when the situation requires.

The SFWG is chaired by the Chief Executive Officer of the Branch and is composed by representatives from the following departments:

- Financial Markets Department
- Corporate Banking 1 Department
- Corporate Banking 2 Department
- Financial Institutions Department
- Asset and Liability Department
- Credit Department
- Legal and Compliance Department
- Risk Management Department
- Other relevant business units

Prior to the issuance of any Green, Social or Sustainability Bonds, Corporate Banking 1 Department, Corporate Banking 2 Department and Financial Institutions Department of the Branch shall conduct a preliminary screening of potential eligible green / social projects in accordance with the criteria and standards set out in the “Use of Proceeds” section in this Framework, and form a list of nominated eligible green / social asset which will be submitted to the SFWG for further review.

The SFWG will review the nominated eligible green / social asset to ensure that the approved asset under this Framework has significant positive environmental and / or social impact, and would not do significant harm to the environment or society. Where relevant and applicable, SFWG will consider the following:

- The environmental and social impact assessment / certification / report of the nominated eligible green / social asset
- The alignment of the nominated eligible green / social asset with the ABC or the Branch’s sustainability policies / strategy or United Nations Sustainable Development Goals
- The nominated eligible green / social asset’s compliance with relevant local, national, and / or international environmental, social standards and regulatory requirements

The SFWG shall review each of the nominated projects for approval as eligible green / social asset. The approved asset will form an eligible green / social asset list.

Until the maturity of the relevant Green Bond, Social or Sustainability Bond, the SFWG shall review the list of eligible green / social asset on an annual basis. In case of divestment or cancellation of an allocated asset, or if an allocated asset no longer meets the eligibility criteria, the Branch shall reallocate the proceeds to other eligible green / social asset.

### (iii) Management of Proceeds

The Branch shall establish a register (the “Register”) to record, track and manage the allocation of the proceeds from each issuance of Green, Social or Sustainability Bond.

The Register shall contain information on the Green, Social or Sustainability Bond issuance (such as the issuance amount, issuance date and maturity date, and other necessary information) and the allocation to eligible green / social asset (such as the project / client name, eligible green / social asset category, brief description on the use of proceeds and other necessary information).

Any balance of the net proceeds from Green, Social or Sustainability Bonds that have not been allocated to eligible green / social asset will be held in accordance with the Branch’s normal liquidity management policy. The unallocated proceeds could be temporarily invested in Green, Social and Sustainability Bonds, in money market instruments with good credit rating and market liquidity, or kept in cash until they are allocated to eligible green / social asset.

### (iv) Reporting

Until full allocation of the Green, Social or Sustainability Bond proceeds, the Branch shall report the information on the allocation of proceeds on an annual basis in the annual Corporate Social Responsibility Report or in a standalone Sustainable Bond Report, which shall be publicly available. The allocation reporting shall include the following information:

- Allocation amount by eligible green / social asset categories
- Remaining amount of unallocated proceeds
- Project case studies, subject to confidentiality

Where feasible, the Branch shall disclose the relevant information on the expected environmental and / or social benefits of the allocated eligible green / social asset. Below are examples of impact indicators that may be reported:

| Eligible Green / Social Asset Categories | Potential Impact Indicators   |
|--|---|
| Renewable Energy                         | <ul style="list-style-type: none"><li>• Capacity installed (MW)</li><li>• Annual renewable energy generation (MWh/year)</li><li>• Annual GHG emissions avoided (tCO2e/year)</li></ul> |



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| Energy Efficiency   | <ul style="list-style-type: none"> <li>• Annual energy consumption reduced (KWh)</li> <li>• Percentage of energy consumption reduced or energy efficiency improved</li> </ul>  |
| Clean Transportation  | <ul style="list-style-type: none"> <li>• Annual passenger or freight capacity</li> <li>• Annual GHG emissions avoided (tCO<sub>2</sub>e/year)</li> <li>• Number of electronic vehicles produced / supported</li> </ul>   |
| Sustainable Water and Waste Management  | <ul style="list-style-type: none"> <li>• Annual amount of water / rainwater / wastewater collected / treated / recycled / reused (m<sup>3</sup>/year)</li> <li>• Annual tons of waste managed / prevented / reduced / recycled (m<sup>3</sup>/year)</li> </ul> |
| Green Buildings   | <ul style="list-style-type: none"> <li>• Type and level of green building certifications obtained</li> <li>• Annual energy savings (MW/year)</li> </ul>  |
| Sustainable Marine Economy, Marine Environmental Protection and Coastal Climate Change Adaptation | <ul style="list-style-type: none"> <li>• Capacity of sea water desalinization</li> <li>• Number of flood mitigation and control facilities built</li> <li>• Length of urban drainage system or other forms of flooding mitigation built</li> </ul>             |
| Access to Essential Services  | <ul style="list-style-type: none"> <li>• Number of buildings/infrastructure/units built or upgraded</li> <li>• Number of people served</li> </ul>  |
| Employment Generation   | <ul style="list-style-type: none"> <li>• Amount of loans to micro, small and medium enterprises</li> <li>• Number of employees, businesses and communities supported</li> </ul>  |

## External Review

The Branch has obtained a Second Party Opinion from Sustainalytics on this Sustainable Bond Framework, which confirms the Framework's alignment with the Green Bond Principles 2021, Social Bond Principles 2021 and Sustainability Bond Guidelines 2021. The Second Party Opinion report will be made publicly available.