



Green Deposit Framework

November 2023

Agricultural Bank of China Limited, Hong Kong Branch
Incorporated in the People's Republic of China with limited liability

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 Branch¹ (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 Green Deposit Framework

The Framework aligns with Green Loan Principles 2023 (“GLP”) published jointly by Asia Pacific Loan Market Association (“APLMA”), Loan Market Association (“LMA”), LSTA and Green Bond Principle (“GBP”). The Framework governs the issuance of

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green deposit to finance and / or refinance eligible green asset by the Branch.

Agricultural Bank of China Limited Hong Kong Branch Green Deposit Framework (the “Framework”) was developed with the objective of reinforcing the Branch’s capabilities in financing eligible green assets defined under GBP and GLP, including but not limited to renewable energy, pollution control, green building et

The Framework was structured under the following main parts:

- Definition of Green Deposit
- Use of Proceeds
- Eligible Green Asset Category
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External review

(i) Definition of Green Deposit

Green Deposit set out in this framework is a product developed by Agricultural Bank of China Limited Hong Kong Branch to allocate deposit captured under this product to financing and/or refinancing eligible green asset defined under GBP and GLP, including but not limited to renewable energy, pollution control, green building etc.

(ii) Use of Proceeds

The net proceeds (hereafter referred to as the Proceeds) from the green deposit accounts in accordance with this Framework shall be used exclusively and allocated to financing and/or refinancing the eligible green project, assets or activities (collectively called “Green Projects”) in the asset pool (“Green Deposit Asset Pool”).

(iii) Eligible Green Asset Category

As Green Projects under Green Deposit Asset Pool may change from time to time, the look back period and the refinancing portion of any net proceeds allocated for Green Projects refinancing cannot be determined at this stage. The Branch would examine any potential Green Project refinancing based on its green attribute and environmental impact before placing under Green Deposit Asset Pool. Green Deposit Asset Pool is defined under the Eligible Green Asset Category listed below.

Eligible Green Categories may include, but are not limited to:

- Renewable energy (including production, transmission, appliances and products);
- Energy efficiency (such as in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products);
- Pollution prevention and control (including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy);
- 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 aquaculture; environmentally sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes);

- Terrestrial and aquatic biodiversity conservation (including the protection of coastal, marine and watershed environments);
- Clean transportation (such as electric, hybrid, public, rail, non-motorised, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions);
- Green technologies (such as carbon extraction technologies and energy storage systems);
- Sustainable water and wastewater management (including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation);
- Climate change adaptation (including efforts to make infrastructure more resilient to impacts of climate change, as well as information support systems, such as climate observation and early warning systems);
- Circular economy adapted products, production technologies and processes (such as the design and introduction of reusable, recyclable and refurbished materials, components and products; circular tools and services; and/or certified eco-efficient products); and
- Green buildings (that meet regional, national or internationally recognized standards or certifications for environmental performance).

(iv) Process for Project Evaluation and Selection

The Branch has established a Green Deposit Working Group (“GDWG”) to review and approve the nominated eligible green asset to ensure that the potential Assets falls into above mentioned Eligible Green Asset Categories and ensure associated risks (including but not limited to environmental and social risks) are fully understood, assessed and controlled. If an asset is approved as an Eligible Green Asset by GDWG in accordance with this Framework, it may be earmarked for the use of proceeds under this Framework and put into the Green Deposit Asset Pool.

Wherever relevant and applicable, GDWG will consider the following:

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

The GDWG shall review each of the nominated projects for approval as eligible green asset. The approved asset will form an eligible green asset list. Until the maturity of the relevant Green Deposits, the GDWG shall review the list of eligible green 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 asset.

(v) Management of Proceeds

The Branch will record the movement of green assets and the allocation of proceeds to ensure that all net proceeds of the green deposit are used to finance and/or refinance the eligible green assets.

If the eligible assets in Green Deposit Asset Pool expires / no longer fulfill the Eligibility Criteria during the life of the Green Deposit, the Branch will delete/replace the ineligible assets and update the green portfolio in a timely manner.

The Branch has a full procedure to ensure total amount of Green Deposit will not at any time exceeds total scale of Eligible Green Asset. If in any circumstances, amount of Green Deposit funds absorbed is greater than the total scale of Eligible Green Asset, the unallocated fund will be held in accordance with the Branch's normal liquidity management policy and the Branch will stop absorbing new Green Deposit. The unallocated proceeds could be temporarily kept in cash or interbank lending market upon approval from GDWG until they are allocated to eligible green asset. However, the unallocated proceed should not at any time invest and/or fund any projects that violates principles of sustainability.

(vi) Reporting

Until full allocation of the Green Deposit 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 Green Deposit Report, which shall be publicly available. The allocation reporting shall include the following information:

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

Where feasible, the Branch shall disclose the relevant information on the expected environmental and / or social benefits of the allocated eligible green asset.

(vii) External Review

The Branch has obtained a Second Party Opinion from HKQAA on this Green Deposit Framework, which confirms the Framework's alignment with the Green Loan Principles 2023. The Second Party Opinion report will be made publicly available.