



# **China Construction Bank**

## **Green, Social and Sustainability Bond Framework**

**September 2018**

## 1. Introduction

China Construction Bank Corporation (“CCB” or the “Bank”), headquartered in Beijing, is a leading large-scale joint stock commercial bank in China. It was listed on Hong Kong Stock Exchange in October 2005 (stock code: 939) and the Shanghai Stock Exchange in September 2007 (stock code: 601939). At the end of 2017, the Bank’s market capitalisation reached US\$232,898 million, ranking fifth among all listed banks in the world. In terms of tier 1 capital, the Bank ranked second in the World’s Top 1000 Banks by the UK magazine *The Banker* in 2017.

With 14,986 banking outlets, of which 14,955 in mainland China, the Bank has commercial banking branches and subsidiaries in 29 countries and regions, covering various industries including asset management, financial leasing, trust, life insurance, property & casualty insurance, investment banking, futures and pension. Based on real economy, CCB constantly innovates products and services with customer focus. CCB strives to “become a bank that serves the general public, promotes people’s livelihood, facilitates low carbon and environmental protection, and achieves sustainable development”.

### **A low-carbon and environmentally-friendly bank**

With focus on global climate change, CCB adheres to the strategic approaches to use financial power to promote environmental protection and harmonized development of society. CCB has made the transformation into a "green bank" as its medium and long-term business plan. The Bank seeks to continuously improve its green credit policies and institutional mechanisms, adjusts the allocation of its own credit resources, strengthens the management of environmental and social risks, and takes social responsibility on reducing greenhouse gas emissions and supporting development in the green field.

In the credit area, CCB takes as its priority to support the fields of clean energy, clean transportation, energy-saving and emission-reduction, energy-saving and environmental protection service, pollution control, as well as the industries with low-carbon and environmental protection characteristics such as advanced manufacturing industry and information technology industry, and increases financial resources to these areas. The bottom line of CCB for establishing credit relationship is to meet the requirement of energy-saving and emission-reduction, energy consumption and pollution discharge standard. For customers who violate environmental laws and regulations, CCB implements “Green one vote veto system”. CCB supports enterprises to use new equipment and new technology for energy-saving and emission-reduction, and effectively promotes traditional industrial structure adjustment and technological upgrade. As of the end of 2017, the balance of green credit loans exceeded RMB1 trillion.

## **A bank that actively develops inclusive finance**

The Bank proactively serves the real economy, and takes its financial services to small and micro enterprises, innovator and entrepreneur groups and agriculture-related sectors as its key strategy. It accelerated the pace of inclusive finance business, and actively supported the development of small and micro enterprises.

The Bank took the lead among major domestic commercial banks to establish an Inclusive Finance Department. In particular, the Bank established effective development mechanisms to promote the operation, management and risk control of the inclusive finance business line. CCB initiated scorecard for small and micro enterprises in the domestic market, breaking through the information and credit “bottlenecks” in the financing services for small and micro enterprises. Leveraging on the edges of its “new generation” system, CCB takes the lead in realizing data information integration and precise “portrait”. CCB is the first bank to prompt “small and micro quick loan” while achieving online financing of the whole process. As of the end of 2017, loans to small and micro enterprises and agriculture-related loans reached RMB1.61 trillion and RMB1.77 trillion respectively.

## **2. Framework Overview**

This CCB *Green, Social and Sustainability Bond Framework* (“GSSBF”) has been developed to demonstrate how CCB and its entities issue Green, Social and/or Sustainability (“GSS”) bonds to fund projects that will deliver environmental and social benefits to support CCB’s business strategy and vision.

For each GSS bond, CCB management undertakes that it will adopt the following principles:

- I. Use of Proceeds
- II. Project Evaluation and Selection
- III. Management of Proceeds, and
- IV. Reporting

### **2.1 Use of Proceeds**

The net proceeds of each GSS bond will be allocated to financing of CCB loans to customers and CCB’s own operating activities in Green Eligible Categories and Social Eligible Categories:

- The net proceeds of CCB’s Green bond will be allocated to Green Eligible Categories as defined in 2.1.1
- The net proceeds of CCB’s Social bond will be allocated to Social Eligible Categories as defined in 2.1.2
- The net proceeds of CCB’s Sustainability bond will be allocated to Green Eligible Categories and Social Eligible Categories as defined in 2.1.1 and 2.1.2

### 2.1.1 Green Eligible Categories

| Green Bond Principles Categories | Sustainable Development Goals Categories   | Eligibility Criteria   |
|----------------------------------|--|--|
| Renewable Energy                 |   | <ul style="list-style-type: none"> <li>● Production and transmission of renewable energy                             <ul style="list-style-type: none"> <li>- Examples include wind power, solar photovoltaic power, solar thermal utilization, hydropower, biomass energy, renewable energy promotion projects and other renewable energy utilization (the utilization of geothermal energy, ocean energy, air source heat energy and other renewable energy sources)</li> </ul> </li> <li>● Infrastructure construction related to renewable energy, such as land development, construction of transport networks and base stations</li> </ul> |
| Energy Efficiency                |   | <ul style="list-style-type: none"> <li>● Energy saving and emission reduction                             <ul style="list-style-type: none"> <li>- Examples include industrial energy conservation, energy management centres, urban-rural infrastructure construction with energy saving and emission reduction, reduction of pollutants</li> <li>- Examples include smart grids, energy internet, distributed energy infrastructure<sup>1</sup></li> </ul> </li> </ul>   |
| Pollution Prevention and Control |   | <ul style="list-style-type: none"> <li>● Pollution prevention and environmental restoration projects                             <ul style="list-style-type: none"> <li>- Examples include industrial solid waste and waste gas (liquid) recycle and resource utilization, recycling and reprocessing of renewable resources, recycling of biomass resources, soil remediation and decontamination of hazardous sewage</li> </ul> </li> </ul>  |
| Clean Transportation             | <br> | <ul style="list-style-type: none"> <li>● Rolling stocks and public transport vehicles                             <ul style="list-style-type: none"> <li>- Purchase and maintenance of rolling stocks for express railway, metro, light railway and urban railway which use only electricity</li> <li>- Purchase of public transport vehicles such as bus and trams which use only electricity</li> </ul> </li> <li>● Public rail infrastructure</li> </ul>  |

<sup>1</sup> Distributed energy infrastructure refers to construction and operation of energy management system, for instance, regional energy station, distributed power generation like distributed photovoltaic power generation, distributed energy access and peak-valley load regulating system, distributed power trading platform.

|   |   |  |
|---|---|--|
|   |   | <ul style="list-style-type: none"> <li>- Construction and maintenance of tracks</li> <li>- Modernisation, maintenance, upgrades to electric line networks</li> <li>• Associated rail infrastructures               <ul style="list-style-type: none"> <li>- Modernisation, maintenance and upgrade of communication systems, signal systems, ventilation and drainage systems</li> <li>- Upgrades of lighting systems, such as installing LED lighting</li> </ul> </li> <li>• Public transport system’s operation site, BTR systems, construction and maintenance of public transport network</li> </ul> |
| Sustainable Water and Wastewater Management                       | <br>  | <ul style="list-style-type: none"> <li>• Water saving and the use of unconventional water , such as industrial water-saving technology transformation, agriculture and animal husbandry water-saving irrigation project, seawater desalination</li> <li>• Construction and maintenance of sustainable clean water and/or drinking water infrastructure, such as the construction and maintenance of urban water networks</li> <li>• Sewage treatment and recycling</li> </ul>  |
| Green Buildings   |    | <ul style="list-style-type: none"> <li>• New construction and major renovation of old or new buildings that have or will receive a certification of either               <ul style="list-style-type: none"> <li>- Chinese Green Building Evaluation Label - 2 Star or above</li> <li>- U.S. Leadership in Energy and Environmental Design (LEED) – Silver or above</li> <li>- Building Research Establishment Environmental Assessment Method (BREEAM) – Very Good or above</li> <li>- Other equivalent international standards</li> </ul> </li> </ul>   |
| Environmentally Sustainable Management of Living Natural Resource | <br><br> | <ul style="list-style-type: none"> <li>• Natural ecological protection, ecological restoration, ecological agriculture and animal husbandry, sustainable forestry development, disaster emergency prevention and control (Including flood storage area construction projects and major river management)</li> </ul>  |

All of the above Green Eligible Categories should be in line with ICMA’s *Green Bond Principles (2018)*<sup>1</sup>, and the projects located in Mainland China need to be in line with *Green Bond Supporting Projects Catalogue* which was issued by the People’s Bank of China (PBoC) and other industrial criteria issued by relevant authorities.

<sup>1</sup> <https://www.icmagroup.org/green-social-and-sustainability-bonds/>

## 2.1.2 Social Eligible Categories

| Social Bond Principles Categories   | Sustainable Development Goals Categories  | Eligibility Criteria  |
|---|---|---|
| <p>Employment Generation through the Potential Effect of SME Financing and Microfinance</p>         |   | <p>Providing social finance solution (refer to Appendix I) to:</p> <ul style="list-style-type: none"> <li>• Enterprises           <ul style="list-style-type: none"> <li>- SMEs are defined by China’s Ministry of Industry and Information Technology, National Bureau of Statistics, National Development and Reform Commission, and Ministry of Commerce (refer to Appendix II)</li> </ul> </li> <li>• Individual           <ul style="list-style-type: none"> <li>- Operation loans for business owned by individuals</li> <li>- Operation loans for SMEs</li> <li>- Operation loans for farmers</li> <li>- Entrepreneurship guarantee (for laid-off workers) loans</li> <li>- Consumption loans to registered poverty-stricken populations</li> <li>- Poverty alleviation loan</li> <li>- Loans to Agriculture, Rural Areas and Farmers</li> </ul> </li> </ul> |
| <p>Affordable Basic Infrastructure</p>  |  | <ul style="list-style-type: none"> <li>- Indemnificatory housing programme such as public rental housing (refer to Appendix III)</li> <li>- Basic rural living facilities, such as rural biogas, development of power grids in rural area, rural garbage collection and treatment</li> </ul>  |
| <p>Access to Essential Services (Including Health, Education, Career Training, and Health care)</p> |  | <ul style="list-style-type: none"> <li>- Education infrastructure construction</li> <li>- Medical infrastructure construction</li> <li>- Career training loan</li> </ul>  |

All of the above Social Eligible Categories should be in line with ICMA's *Social Bond Principles* (2018)<sup>1</sup> and other industrial criteria issued by relevant authorities.

### 2.1.3 Exclusions

The following sectors will be excluded from Green and Social Eligible Categories:

- Sectors which are prohibited by laws and regulation in China, such as child labour, gambling industry, adult entertainment and corporations which are in association with illegal activities
- Luxury sectors such as precious metals, precious artworks & antiques, golf course services
- Distillation, rectification and mixed alcoholic beverages
- Production of tobacco and tobacco products
- Hydro power with installed capacity >20MW
- Biomass which is suitable for food source
- Mining, quarrying and fossil fuel-related assets
- Nuclear fuels
- Weapon and ammunition
- Army vehicles leasing and operation
- Activities which are in relation to hazardous chemicals and radioactive substance

## 2.2 Project Evaluation and Selection

### Green Credit and Inclusive Finance of CCB

In terms of green credit, CCB established a Green Credit Committee in 2016, which is responsible for setting green credit development plans, formulating rules and policies, and the research, discussion and coordination of related business development.

In terms of Inclusive Finance, CCB established an Inclusive Financial Development Committee in 2017, which is responsible for setting inclusive finance development plans, formulating rules and policies, and the research, discussion and coordination of related business development. In 2018, an Inclusive Financial Strategy Promotion Leading Group was further established for the top-level design, overall layout, coordination, planning, promotion and supervision of the Bank's Inclusive Finance strategy.

### Evaluation and Selection of Green and Social Projects

1. Green and Social Projects are proposed by business lines, branches and subsidiaries within CCB.

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<sup>1</sup> <https://www.icmagroup.org/green-social-and-sustainability-bonds/>

2. Establishing a “Green, Social and Sustainability Bond Working Group” (“GSSWG”) composed of relevant departments of the head office, which include:
  - Asset and Liability Management Department
  - Credit Management Department
  - Corporate Banking Department
  - Inclusive Finance Department
  - Investment Banking Department
  - Public Relations Department
  - Other relevant departments

3. Projects proposed in the first stage are reviewed by the GSSWG in accordance with the GSSBF. The specific procedures are:

GSSWG reviews the preliminary list of Green and Social Projects proposed by business lines, branches and subsidiaries within CCB. The GSSWG will select the Green Eligible Projects and Social Eligible Projects that meet Eligibility Criteria in Section 2.1, and those which best reflect the characteristics of CCB. GSSWG will consider the following factors:

- Whether the technology used in Green Projects is more advanced than other available technologies
- The pre and post certification for the Green Projects
- Can the Social Projects provide clear social benefits
- Can the Green Projects and Social Projects comply with the development policy and strategy of CCB
- Are the characteristics of CCB reflected by the Green Projects and Social Projects

If a project is identified as Eligible Project under the GSSBF by the GSSWG, the project will be “marked” as Eligible Green Projects and Eligible Social Projects.

4. Establishing a list of Eligible Green and Social Projects to facilitate reporting. The GSSWG is responsible for providing bookkeeping and tracking for Eligible Green and Social Projects and to ensure information and data are accurate.
5. The GSSWG will meet once a year to review the allocation of funds raised by GSS bonds to ensure appropriate allocation to Eligible Projects, and to assist with reporting.

### **2.3 Management of Proceeds**

The proceeds of each GSS bond will be deposited in the general funding accounts.

CCB will maintain a register to keep track of the use of proceeds for each GSS bond. The register will contain the following information including:

### **2.3.1 Type of Funding Transaction:**

Key information includes issuer/borrower entity, transaction date, number of transactions, principal amount of proceeds, repayment or amortisation profile, maturity date, interest or coupon, and the ISIN number in case of bond transaction.

### **2.3.2 Allocation of Use of Proceeds:**

- Name and description of Eligible Projects to which the proceeds of GSS bonds have been allocated in accordance with GSSBF
- Allocation of the proceeds of GSS bonds to Eligible Projects
- The balance of unallocated proceeds
- Information of temporary investment for unallocated proceeds

Any balance of issuance proceeds which are not yet allocated to Eligible Green and Social Projects will be held in accordance with CCB's normal liquidity management policy. CCB commits not to invest unallocated GSS bond proceeds in sectors covered in *2.1.3 Exclusions*.

## **2.4 Reporting**

CCB will publish a Green, Social and Sustainability Bond Report ("GSSBR") on an annual basis. GSSBR will contain information on allocation and impacts:

### **2.4.1 Allocation Reporting**

CCB will provide the following information for the net proceeds of all GSS bonds during the period:

- The aggregate amount allocated to various Eligible Projects
- The remaining balance of funds which have not yet been allocated and type of temporary investment
- Examples of Eligible Projects (subject to confidentiality disclosures)

### **2.4.2 Impact Reporting**

Where possible, CCB will report on the environmental and social impacts of the Eligible Projects.

Subject to the nature of Eligible Projects and availability of information, CCB aims to include, but not limited to, the following Impact Indicators:

| <b>Eligible Categories</b>                        | <b>Impact Indicators</b>  |
|---|---|
| Renewable Energy                                  | <ul style="list-style-type: none"> <li>• KWh of power generated from renewable energy</li> <li>• Tonnes of CO2 (or other GHG) avoided</li> </ul>  |
| Energy Efficiency                                 | <ul style="list-style-type: none"> <li>• KWh of energy saved per year</li> </ul>  |
| Pollution Prevention and Control                  | <ul style="list-style-type: none"> <li>• Amount of waste water treated</li> <li>• Amount of waste gas treated</li> <li>• Amount of hazard waste treated</li> <li>• Amount of sludge waste treated</li> <li>• Amount of black and odorous water treated, area of soil and biodiversity remediated Area covered (in square meters)</li> </ul> |
| Clean Transportation                              | <ul style="list-style-type: none"> <li>• Number of passengers carried/amount of goods carried</li> <li>• Tonnes of CO2 (or other GHG) avoided</li> </ul>  |
| Sustainable Water and Wastewater Management       | <ul style="list-style-type: none"> <li>• Amount of water saved</li> <li>• Amount of city water network built</li> </ul>   |
| Green Buildings                                   | <ul style="list-style-type: none"> <li>• Type of green building certifications obtained</li> <li>• Number of Green building certification obtained</li> <li>• Amount of energy saved (MW)</li> </ul>  |
| Sustainable Management of Living Natural Resource | <ul style="list-style-type: none"> <li>• Size of afforestation area</li> <li>• Number of flood prevention facilities built</li> <li>• Number of species protected</li> <li>• Amount of each species protected</li> <li>• Size of natural protection area</li> <li>• Number and species of wildlife protected</li> </ul>                     |
| SME Financing                                     | <ul style="list-style-type: none"> <li>• Number of companies benefitted</li> <li>• Number of jobs created/preserved</li> <li>• Number and type of disadvantaged community benefitted</li> <li>• Amount of credit distributed</li> </ul>   |
| Affordable Housing                                | <ul style="list-style-type: none"> <li>• Amount of credit distributed</li> <li>• Number of household benefitted</li> </ul>  |
| Affordable Basic Infrastructure                   | <ul style="list-style-type: none"> <li>• Amount of methane collected in rural area</li> <li>• Amount of electricity provided in rural area</li> <li>• Amount of waste collected and treated in rural area</li> </ul>  |
| Access to Essential Services                      | <ul style="list-style-type: none"> <li>• Number of students benefitted from the student loans</li> <li>• Number of beneficiaries of career training</li> <li>• Amount of credit extended</li> </ul>   |

|  |   |
|--|---|
|  | <ul style="list-style-type: none"><li>• Amount of loans for healthcare infrastructure</li></ul> |
|--|---|

The GSSBR will be publicly available via annual updates on CCB's website ([www.ccb.com](http://www.ccb.com)).

CCB will also make disclosure through other channels where feasible, such as annual reports and CCB Corporate Social Responsibility Reports, which will also be published on CCB's website.

### **External Review**

CCB will obtain an external review of all GSS bonds from a third party which has environmental and social benefit review expertise and audit qualification. External review will cover pre-issuance assurance, post-issuance assurance and assurance report of independent accountants on use of proceeds annually. External review results will be available at ([www.ccb.com](http://www.ccb.com)).

## Appendix I

《中国人民银行关于对普惠金融实施定向降准的通知》（银发〔2017〕222号）  
(Notice on Targeted Reserve Ratio Requirement Reduction for Inclusive Finance by People's Bank of China)

<http://www.gov.cn/xinwen/201710/5229404/files/effb6a0517ef4891a92aebfe41b95b8d.pdf>

## Appendix II

**SME definition** by China's Ministry of Industry and Information Technology, National Bureau of Statistics, National Development and Reform Commission, and Ministry of Commerce

[http://www.gov.cn/zwjk/2011-07/04/content\\_1898747.htm](http://www.gov.cn/zwjk/2011-07/04/content_1898747.htm)

## Appendix III

《公共租赁住房建设与评价标准》 (Construction and Evaluation Criteria for Public Rental Housing)

<https://baike.baidu.com/item/%E5%85%AC%E5%85%B1%E7%A7%9F%E8%B5%81%E4%BD%8F%E6%88%BF%E5%BB%BA%E8%AE%BE%E4%B8%8E%E8%AF%84%E4%BB%B7%E6%A0%87%E5%87%86/20422209>

## Appendix IV

### United Nation Sustainable Development Goal

In 2015, world leaders gathered at the UN to adopt 17 Sustainable Development Goals (SDGs) to achieve several extraordinary things by 2030: end poverty, promote prosperity and well-being for all, and protect the planet. The SDGs set a course to achieve these objectives – for people everywhere. The SDGs cover a broad range of social and economic development issues. These include poverty, hunger, health, education, climate change, gender equality, water, sanitation, energy, urbanization, environment and social justice.

