



**“THE GREEN AND SUSTAINABILITY BOND FRAMEWORK OF
AGRICULTURAL DEVELOPMENT BANK OF CHINA”**

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1. ADBC's Green and Sustainability Strategy

Established in 1994, Agricultural Development Bank of China (“ADBC”, the “Bank”) is the only agricultural policy bank in China under the direct authority of the State Council. With national credit support and leveraging on the capital market, ADBC provides the financial backbone to supporting the agricultural development, especially in “Three Rurals”, and plays a supportive role in China’s national strategy. The operations of ADBC are closely linked to national strategies, and the Bank aims to become an agricultural policy bank with sustainable development capabilities.

As of the end of 2017, ADBC has a service network of 31 provincial-level branches, 339 second-tier branches and 1,816 county-level operating entities with more than 50,000 employees. The Bank’s total assets reached RMB 6.22 trillion.

With the Chinese government’s goal to eliminate overall poverty at the regional level by 2020 in mind, ADBC plays a leading role in poverty alleviation through policy-oriented financing. As of the end of 2017, the Bank has provided a cumulative sum of RMB 512 billion, with an outstanding amount of RMB 1.26 trillion and year-on-year growth of 40%. Meanwhile, a total RMB 71.48 billion of Living Environment Improvement Loans was disbursed to support projects in rural wastewater treatment, renovation of dilapidated rural houses, etc.

ADBC leveraged on the power of green finance to strengthen ecological and environmental protection and remediation in the rural areas, by leading the channelling of credit resources to the green and ecological industries such as river management, rural sewage and waste treatment, overall rural ecological environment treatment projects, etc. In 2017, the outstanding amount of emissions reduction and environmental protection related loans was RMB 239.5 billion. During the year, ADBC disbursed RMB 78.35 billion water conservancy related loans, RMB 26.09 billion forestry resources development and protection related loans; and RMB 2.01 billion in loans for the development and protection of marine resources. At the same year, ADBC issued the world’s first “Bond Connect” Green Bond with a sum of RMB 3 billion.

2. ADBC's Green and Sustainability Bond Framework (“Framework”)

ADBC intends to issue Green and/or Sustainability Bonds (“**Issuance(s)**”) under this Framework. Each Green Bond Issuance will comply with the below standards:

- The Green Bond Principles 2018 (“**GBP**”)¹
- China Green Bond Endorsed Project Catalogue of the PBoC, 2015²

Each Sustainability Bond Issuance will comply with the below standards:

- The Social Bond Principles 2018 (“**SBP**”)³
- The Sustainability Bond Guidelines 2018⁴

The Framework will present the four key principles including : (i) Use of Proceeds, (ii) Process for Project Evaluation and Selection, (iii) Management of Proceeds, and (iv) Reporting.

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

² http://www.gov.cn/xinwen/2015-12/22/content_5026636.htm

³ <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

⁴ <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

2.1 Use of Proceeds

The net proceeds from Issuances under this Framework (the “**Proceeds**”) will be used to finance and/ or refinance loans in assets or projects that fall under the following categories of eligible asset categories:

- Proceeds of ADBC’s Green bonds will be allocated assets that fall into the Eligible Green Asset Categories as defined in 2.1.1 (“**Eligible Green Assets**”)
- The net proceeds of ADBC’s Sustainability bonds will be allocated to Eligible Green and Social Categories as defined in 2.1.1 and 2.1.2 (“**Eligible Social Assets**”).

2.1.1 Eligible Green Asset Categories

Eligible Asset Category	Description	Key UN Sustainable Development Goals (“ UNSDGs ”) alignment ⁵
Sustainable water and wastewater management	<ul style="list-style-type: none"> ▪ The construction, operation and maintenance of water conservancy projects for flooding mitigation; ▪ Water pollution prevention and control, river and lake pollution treatment facilities, and sewage treatment facilities; ▪ The development of unconventional water resources development⁶. 	
Environmentally sustainable management of living natural resources and land-use	<ul style="list-style-type: none"> ▪ Sustainable agriculture (including the improvement and recovery of agricultural lands, such as the construction of a High Standard Farm⁷); ▪ Sustainable forestry projects such as afforestation or reforestation, conservation and; ▪ Urban greening projects. 	
Renewable Energy	<ul style="list-style-type: none"> ▪ The production and transmission of renewable energy including only solar and wind power. 	

⁵ Full mapping please refer to: <https://www.icmagroup.org/green-social-and-sustainability-bonds/mapping-to-the-sustainable-development-goals/>

⁶ Unconventional water refers to water resources that are different from conventional surface water and groundwater, including rainwater, reclaimed water (recycled sewage and wastewater), and seawater, etc.

⁷ Defined as farms that are in line with NDRC’s “Overall Planning of the Construction of High Standard Farmland”.

2.1.2 Eligible Social Asset Categories

Eligible Asset Category	Description	Key UN Sustainable Development Goals (“UNSDGs”) alignment
Affordable Housing	<ul style="list-style-type: none"> Projects that aim to provide affordable housing to impoverished populations⁸, including shanty town⁹ renovation projects. 	
Affordable Basic Infrastructure and services	<ul style="list-style-type: none"> Includes the construction of basic infrastructure such as water networks, sanitation facilities, basic medical facilities and renewable power facilities to improve the living environment in poverty-stricken areas; Provision of basic services, such as medical services and education and training opportunities, to impoverished population. 	

2.1.3 Exclusionary Criteria

Eligible Green and Social Assets will exclude the assets that are involved in the following sectors and activities:

- Fossil fuel related assets (including clean coal);
- Infrastructures being carbon intensive such as new roads, airports, etc;
- Nuclear fuel or other nuclear related assets;
- Sectors which are prohibited by laws and regulation in China, such as weapon, child labour, adult entertainment and corporations which are in association with illegal activities;
- Luxury sector such as precious metals, artwork, antiques and golf clubs;
- Distilling, rectifying and blending of spirits;
- Manufacture of tobacco products;
- Mining and quarrying;
- Manufacture of weapons and ammunition;
- Manufacture of military fighting vehicles;
- Gambling and betting activities;
- Production, distribution or storage of hazardous chemicals and radioactive materials.

2.2 Process for Project Evaluation and Selection

Eligible Green and Social Assets will first be identified and pre-selected by frontline credit departments of various branches, using this Framework as the primary selection guideline. The initial

⁸ Impoverished population is defined as: Populations residing in poverty-stricken counties identified by the State Council Leading Group Office of Poverty Alleviation and Development, official poverty-stricken villages, or from poverty-stricken households.

⁹ Shanty town renovation is a Chinese government-led measure that aims to transform urban dilapidated housings and improve the living conditions for households in needs.

eligible asset list will be proposed to the ADBC head office, which will select the final list of eligible assets with the following criteria:

- If the projects fit in the Eligible Green and/or Social Asset Categories in this Framework;
- If the projects can produce clear and/or quantitative environmental and/or social impacts;
- For social projects, if the projects will benefit clear target populations.

Meanwhile, ADBC will hire a qualified third-party consultant to participate in the process of project evaluation and selection.

The relevant departments will regularly include Eligible Green and/or Social Assets submitted by branches into a reserve for any future issuances of green, social and/or sustainability bonds of ADBC.

To ensure the use of Proceeds adheres to this Framework, ADBC has a dynamic mechanism to monitor the environmental and social performance of the projects financed, and to remove and replace projects that are no longer eligible with Eligible Projects from the reserve.

2.3 Management of Proceeds

ADBC will establish an independent register (the “**Register**”) to record the allocation of the Proceeds from each Issuance. The Proceeds will be deposited in general funding accounts and tracked through a formal internal process to ensure the link of the Proceeds to the Eligible Green and/or Social Assets.

The Register will contain information including but not excluded to:

- Details of the Green and Sustainability Bonds: type of bond, ISIN, pricing date, maturity date, etc.
- The list of Eligible Green Assets and the list of Eligible Social Assets, including information such as the project’s Eligible Asset Category (defined in this Framework), project name and description, borrower’s descriptions, outstanding loan amount, disbursement date, repayment date, interest rate, etc.

Any temporarily unallocated balance of Proceeds will be invested in green bonds and/or money market instruments with good credit ratings and market liquidity.

ADBC shall fully allocate the Proceeds to Eligible Green or Social Assets within 24 months after each Issuance.

2.4 Reporting

ADBC commits to publicly publish an annual report related to its Green and Sustainability Bond issuances (the “**Report**”). Such Report will provide information on the allocation and the environmental and/or social impacts of the Proceeds, as presented below.

2.4.1 Allocation Reporting

ADBC will disclose the new loan amount disbursed, outstanding loan amounts, and geographical distribution of Proceeds allocated to each Green and/or Social Asset Category. Subject to confidentiality, the Report will provide some project examples.

2.4.2 Impact Reporting

ADBC commits to provide impact reporting to show the expected environmental and social benefits of the selected Eligible Green and/or Social Assets. The impact indicators, evaluation methods and key assumptions will be described in the Report. ADBC strives to identify and improve the choices of impact indicators depending on the individual project. Some potential impact indicators are as follows:

Green Project Categories	Potential Environmental Impact Indicators
Sustainable water and wastewater management	<ul style="list-style-type: none"> - Amount of water saved/treated - Amount of wastewater treated /avoided
Environmentally sustainable management of living natural resources and land-use	<ul style="list-style-type: none"> - Additional forestation areas converted - Area of natural landscape preserved - Number of species protected
Renewable Energy	<ul style="list-style-type: none"> - KWh of power generated from renewable energy - Tonnes of CO₂ (or other GHG) avoided

Social Project Categories	Potential Social Impact Indicators
Affordable Housing	<ul style="list-style-type: none"> - Number of beneficiaries - Number of residences constructed or renovated
Affordable Basic Infrastructure and services	<ul style="list-style-type: none"> - Number of beneficiaries with gained access to electricity - Number of beneficiaries with gained access to education and/or vocational training opportunities - Number of beneficiaries with gained access to medical services - Additional new schools built - Additional healthcare infrastructure built

3. External Review

3.1 Pre-issuance

ADBC has engaged CICERO and the International Institute for Sustainable Development (IISD) to provide a Second Party Opinion on this Framework; and CECEP to provide a pre-issuance certification for the issuance.

In addition, ADBC may obtain the Climate Bonds Initiative (“CBI”) certification for selected green bonds issued under this Framework if the CBI certification is available for the selected Eligible Asset Categories.

3.2 Post-issuance

ADBC will engage an independent third party verifier to conduct post-issuance audit on the allocation of Proceeds, on an annual basis and publish a verification report.

The relevant pre-issuance and post-issuance external review reports will be made publicly available via annual updates.

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The information and opinions contained in this Green and Sustainability Bond Framework are provided as at the date of this document and are subject to change without notice. ADBC 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.

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