

Second-Party Opinion

China Everbright Bank Green Bond

Evaluation Summary

Sustainalytics is of the opinion that the China Everbright Bank Green Bond Issuance Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds including, (i) renewable energy, (ii) clean transportation, (iii) solid waste management, (iv) wastewater treatment, (v) climate change adaptation, (vi) energy efficiency and (vii) green buildings, are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that the use of proceeds categories will contribute to positive environmental impacts and advance several UN Sustainable Development Goals.



PROJECT EVALUATION / SELECTION CEB's internal process of evaluating and selecting projects is aligned with market practice. CEB has a dedicated working group comprised of representatives from the departments of Strategic Customer and Investment Banking, Trade and International Banking, Asset and Liability Management, Risk Control, and Finance.



MANAGEMENT OF PROCEEDS CEB's processes for management of proceeds is aligned with market standards. CEB will earmark the use of proceeds through a record book. Unallocated proceeds are temporarily invested in domestic and international short-term investment vehicles with good credit rating and market liquidity.



REPORTING CEB intends to report on allocation of proceeds in a Green Bond Annual Report. In addition, CEB is committed to reporting on impact metrics such as energy saved, CO₂ avoided, and green building certification. In Sustainalytics' view, reporting on these metrics is in line with market practice.

Evaluation date	30 August 2018
Issuer Location	Peking, China

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Introduction

China Everbright Bank (CEB) is a full-service bank with operations mostly in mainland China, but also including Hong Kong and South Korea. A core part of its business model is the large-asset concept offered to corporate clients, a service that integrates traditional credit resources with investment banking, inter-banking, asset management, and the leasing business. Most of the bank's income is generated through net interest income, followed by fees and commissions. Most of its interest-earning assets are in loans and advances, and loans to the manufacturing, real estate, and wholesale and retail trade industries constitute the largest portions of the bank's loan portfolio.

CEB has developed the China Everbright Bank Green Bond Issuance Framework (the "framework") under which it is considering issuing multiple green bonds and will use the proceeds to finance and refinance, in whole or in part, existing and future projects that contribute to advancing its green credit activities. The framework defines eligibility criteria in seven areas:

1. Renewable energy
2. Clean transportation
3. Solid waste management
4. Wastewater treatment
5. Climate change adaptation
6. Energy efficiency
7. Green buildings

CEB engaged Sustainalytics to review the China Everbright Bank Green Bond Issuance Framework and provide a second-party opinion on the alignment of the green bond with the Green Bond Principles 2018 (the "GBP"), as administered by the International Capital Market Association (the "ICMA"),¹ and the framework's environmental credentials. This framework has been published in a separate document.²

As part of this engagement, Sustainalytics held conversations with the underwriters to understand the sustainability impact of CEB business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of CEB's green bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the China Everbright Bank Green Bond Issuance Framework and should be read in conjunction with that framework.

¹ ICMA's Green Bond Principles 2018 <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² CEB corporate website http://www.cebbank.com/site/gdywwz/CEB_Homepage/Bank%20profile/index.html

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the China Everbright Green Bond Issuance Framework

Summary

Sustainalytics is of the opinion that the China Everbright Green Bond Issuance Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018 (GBP). Sustainalytics highlights the following elements of CEB's green bond framework:

- Use of Proceeds:
 - The eligible categories for the use of proceeds including, (i) renewable energy, (ii) clean transportation, (iii) solid waste management, (iv) wastewater treatment, (v) climate change, (vi) energy efficiency and (vii) green buildings, are aligned with those recognized by the GBP.
 - With regards to energy efficiency, Sustainalytics encourages China Everbright to set a threshold for improvements in energy consumption to increase transparency with regards to the impact of the activities to be financed.
 - With regards to Climate Change adaptation, Sustainalytics also encourages China Everbright to conduct and disclose studies indicating the need for infrastructure in the regions were projects are to be financed or refinanced.
 - CEB uses recognized third party certification systems for green buildings, such as LEED. A detailed assessment of the standards used is provided in Appendix 1.
 - CEB refinances projects up to two years. CEB has committed to disclosing the percentage of refinancing and the projects refinanced in its annual reporting. This is in line with market best practice.
- Project Selection Process:
 - CEB's internal process for evaluating and selecting projects is aligned with market practice. CEB had a dedicated working group comprised of representatives from the departments of Strategic Customer and Investment Banking, Trade & International Banking, Asset and Liability Management, Risk Control, and Finance. In addition, CEB evaluates alignment of eligible projects with its confidential green credit policy, green credit management framework, green credit supervision and regular internal audit policies. A brief summary of these policies has been disclosed to Sustainalytics for review.
- Management of Proceeds:
 - CEB's processes for management of proceeds is aligned with market standards. CEB uses a record book to earmark the use of proceeds. Unallocated proceeds are temporarily invested in domestic and international short-term investment vehicles with good credit rating and market liquidity. Carbon intensive projects or assets are excluded from being financed through unallocated proceeds, which is aligned with market best practice.
- Reporting:
 - As per market practice, CEB intends to report on allocation of proceeds in a Green Bond Annual Report, including amount of allocated and unallocated proceeds, a list of green assets, loan amounts financed and proportions of funds for financing and refinancing.
 - In addition, CEB is committed to reporting on impact metrics such as energy saved, CO₂ avoided, green building certification and number and location of flood mitigation infrastructure built. In Sustainalytics' view, reporting on these metrics is in line with market practice.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the CEB's green bond aligns to the four core components of the Green Bond Principles 2018. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of China Everbright Bank

Contribution of framework to CEB's sustainability strategy

CEB articulates its commitment to green finance into its sustainability strategy and its enhanced green credit policy. CEB's credit policies specify environmental and social risk management for financing industries and CEB states that favorable policies are in place for fields such as ecological protection and clean energy to channel credit resources to support the green economy. While the policies are not publicly disclosed and CEB does not identify targets related to environmental performance, the company reports on its own environmental footprint, such as GHG emissions and waste production, and the environmental impact of its loan activities. In 2017, 6.3% of CEB's total corporate loans (RMB 74.9 bn) were dedicated towards green and low-carbon companies engaged in clean energy, energy saving, recycling and ecological protection.³ These loans contributed to 193.51 million tons of water saved, 1.54 million tons of CO₂ avoided and 1.74 million tons of standard coal saved.⁴

Given CEB's inclusion of green finance into its sustainability strategy, as well as CEB's reporting on the environmental impact of its sustainable business activities, Sustainalytics is of the opinion that the green bonds will support CEB in implementing its sustainability strategy.

Addressing common environmental and social risks associated with the projects

While the use of proceeds categories are recognized as impactful, Sustainalytics recognizes that the categories also include environmental and social risks. The main risks are related to biodiversity and community relations related to large infrastructure projects, including energy transmission infrastructure, renewable energy generation facilities, transport infrastructure and climate change mitigation infrastructure.

- CEB excludes the financing of large hydro energy plants with a capacity above 25 MW, reducing the risk of negative effects on biodiversity and surrounding communities related to reservoirs from large hydro plants that could significantly alter ecosystems and displace people.
- CEB evaluates alignment of the eligible projects with its green credit policy, green credit management framework, green credit supervision and regular internal audit policies. CEB has provided its green credit policy to Sustainalytics for review. Sustainalytics has reviewed the document and acknowledges that it addresses relevant topics.
- Specifically, CEB commits to integrating environmental considerations into its credit allocation, emphasizing seven general principles: (i) prevention and control of pollution, (ii) control and reduction of greenhouse gas emissions, (iii) reasonable and effective utilization of resources, (iv) attention to social issues such as safety, health and migration, (v) ecological protection, (vi) historical and cultural protection and (vii) industrial adjustment and upgrading.
- The bank also commits to restricting credit to excessive energy consumers and highly contaminating industries and implementing credit controls around projects violating environmental protection laws or projects violating laws on safe production. CEB confirmed that these controls may exclude projects in violation of environmental assessment requirements, pollutant emissions or hazardous waste management rules, projects incurring significant environmental pollution incidents, projects with previous major safety incidents, false reporting, temporary withdrawal of business license, forced shutdown or failure to meet safety standards. Similarly, CEB's policy states that stricter criteria are imposed on investments in industries with intensive energy consumption or heavy pollution (electrolytic aluminium, ferroalloy, cement, steel etc.). Sustainalytics encourages CEB to disclose the additional criteria applied to these industries and to further clarify the thresholds it uses to establish serious or major incidents.
- Sustainalytics holds a positive view over CEB's commitment to establish stronger environmental and social risk management for sensitive projects and industries. However, Sustainalytics considers CEB's efforts to restrict its investments to companies in full compliance with environmental and social regulations and to avoid heavily polluting industries as a standard requirement; CEB is encouraged to raise the bar by aligning its credit policies to the Equator Principles, for example, in order to better support its sustainability commitments, more transparently manage social and environmental risks and surpass the established environmental and social regulations.
- Similarly, Sustainalytics encourages CEB to publicly disclose its green credit policy, green credit management framework, green credit supervision and regular internal audit policies for better transparency.

³ China Everbright Bank Green Bond Issuance Framework

⁴ 2017 Corporate Social Responsibility Report of China Everbright Bank Company Limited

Section 3: Impact of Use of Proceeds

All seven use of proceeds categories are recognized as impactful by GBP. Sustainalytics has focused on five below where the impact is specifically relevant in the local context.

Contribution of Renewable Energy, Energy Efficiency, Green Buildings and Low Carbon Transportation to China's climate-related targets

While China is currently the world's largest GHG emitter,⁵ the country committed to a 60-65% carbon intensity reduction by 2030, compared to 2005 levels in accordance with the Paris Agreement.⁶ The energy sector is the largest contributor to the country's GHG profile (40%).⁷ Thus, to achieve this target, China aims to reduce its energy reliance on coal, from 64% to 55% of its total energy by 2020⁸ and increase the share of non-fossil fuel energy consumption to 15% of the total energy mix by 2020, and to 20% by 2030.⁹ Hydropower plays an important role in the country's renewable energy strategy, contributing 20% of China's energy mix¹⁰ and 70% of the total renewable energy output.¹¹

In addition, while energy efficiency in general contributes to the reduction of energy use and therefore the reduction of GHG emissions, the building sector is estimated to contribute between 17.7% and 20.3% of energy consumption in China.¹² China's 13th Five-Year Plan (2016-2020) aims to increase China's green building sector from 5% to 28% by 2030,¹³ including targeting 50% of all new buildings constructed by 2020 to be certified to green building standards.¹⁴ CEB uses recognized third-party certification schemes to identify eligible buildings, such as LEED. A detailed description of the certification schemes used is provided in Appendix 1.

Transportation accounted for 15.6% of total energy output in 2010 but the sector grew rapidly in the last years.¹⁵ In order to create a low carbon infrastructure, the country plans to construct 3,000 km of urban rail lines and to expand China's high-speed rail network by 20%, which would cover 80% of all major metropolitan areas.¹⁶

Given the importance of the energy, building and transportation sector in China's GHG profile, Sustainalytics is of the opinion that CEB's use of proceeds for renewable energy, energy efficiency and green buildings contribute to reducing China's GHG emission targets.

Importance climate change mitigation in China

The impact of climate change on China's environment includes increased temperatures, changing precipitation regimes, and shifts in the distribution of extreme weather events.^{17,18} In addition, credible studies suggest that the risk of flooding related to climate change in China, can increase related costs for the country by 80% in the next 20 years.¹⁹ Flood risks are predicted to be especially high in several areas, including, amongst others, eastern China, the middle and lower reaches of the Yangtze River, major cities in Northeast China, and in some coastal areas in southeastern China.²⁰

⁵ Analysis: What global emissions in 2016 mean for climate change goals, Carbon Brief; <https://www.carbonbrief.org/what-global-co2-emissions-2016-mean-climate-change>

⁶ China, Climate Action Tracker; <https://climateactiontracker.org/countries/china/>

⁷ <https://pdfs.semanticscholar.org/deff/bc6c911e3ddfb94a2697ddc9d703fb606174.pdf>

⁸ China energy efficiency improved in 2016; <http://www.climatechangenews.com/2017/01/30/china-energy-efficiency-improved-in-2016-reports-xinhua/>

⁹ China's renewable energy reports record high installed capacity in 2017; http://www.xinhuanet.com/english/2018-02/28/c_137006456.htm

¹⁰ China; <https://www.hydropower.org/country-profiles/china>

¹¹ Hydropower remains China's prime renewable energy in 2017; <http://www.sxcoal.com/news/4568393/info/en>

¹² <https://www.sciencedirect.com/science/article/pii/S0959652618306152>

¹³ Lessons from China's ambitious green building movement; <https://www.greenbiz.com/article/lessons-chinas-ambitious-green-building-movement>

¹⁴ Lessons from China's ambitious green building movement; <https://www.greenbiz.com/article/lessons-chinas-ambitious-green-building-movement>

¹⁵ <https://pdfs.semanticscholar.org/94f0/311ef59242fecc8d18b8efbf3ec62b30ff09.pdf>

¹⁶ China's 13th Five Year Plan: Infrastructure; <http://www.kwm.com/en/us/knowledge/insights/china-13th-5-year-plan-infrastructure-projects-rail-airports-roads-20160414>

¹⁷ <https://openknowledge.worldbank.org/handle/10986/17558>

¹⁸ <https://www.sciencedirect.com/science/article/pii/S1674927813500335>

¹⁹ <https://www.nature.com/articles/s41558-018-0173-2>

²⁰ <https://www.sciencedirect.com/science/article/pii/S1674927814500111>

Given the expected effects of climate change on China, Sustainalytics is of the opinion that the projects financed by CEB on climate mitigation contribute to helping the country to cope with the related effects.

Importance of sustainable water management and integrated water resource management for nature conservation and water efficiency

China is facing increasing water resource and quality challenges. 70% of surface water sites were suitable for drinking in 2017, while 13% were so polluted that they “lost all functionality” being unfit even for industrial use (Grade V).^{21,22} Furthermore 70% of groundwater samples were classified to be fit for human use in the first half of 2018, whereas the amount of water with Grade V was 6.9%,²³ underlining the need for water quality improvement. In its 13th five-year plan, China targets decreasing surface water sources with Grade V down to 5% by 2020.²⁴

In addition, China’s increasing water resource problems are beginning to constrain the nation’s economic and social development,²⁵ highlighting the need for improving the country’s water use efficiency and quality. In this context, the Global Water Partnership views strengthening water resources management as one of the most effective ways of achieving the right balance between water demand and water supply. The concept of integrated water resource management is defined as the “co-ordinated development and management of water, land and related resources, in order to maximize the result and economic and social welfare in an equitable manner without compromising the sustainability of vital ecosystems”.²⁶

While water resource management is a broad concept covering a broad spectrum of activities, Sustainalytics welcomes CEB’s focused use of proceeds for water efficiency improvements and nature conservation only. Given the local context, Sustainalytics is of the opinion that financing improvements in water quality and water-use efficiency are impactful and contribute to China’s water quality related targets.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Sustainable water management	3. Good Health and Well-being	3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination
Sustainable waste management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Renewable Energy Energy Efficiency	7. Affordable and Clean Energy 12. Responsible Consumption and Production	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix 12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment
Green Buildings	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by

²¹ <http://www.globalwaterforum.org/2017/10/09/tackling-chinas-water-pollution/>

²² Ministry of Ecology and environment, the People’s Republic of China, China reports uneven progress in reducing water pollution, August 2017: http://english.mep.gov.cn/News_service/media_news/201708/t20170815_419694.shtml

²³ <https://www.reuters.com/article/us-china-pollution-water/chinas-water-quality-improves-in-first-half-of-2018-ministry-idUSKBN1KF13V>

²⁴ China Water Risk: <http://chinawaterrisk.org/notices/chinas-13th-five-year-plan-2016-2020/>

²⁵ https://www.gwp.org/globalassets/global/toolbox/publications/technical-focus-papers/tfchina_2015.pdf

²⁶ <http://www.un.org/waterforlifedecade/iwrm.shtml>

		paying special attention to air quality and municipal and other waste management
Clean Transportation	11. Sustainable cities and communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Climate Change	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

Conclusion

China Everbright Bank has created the China Everbright Bank Green Bond Issuance Framework under which it intends to issue green bonds. Proceeds of the bond will be used to finance projects related to (i) renewable energy, (ii) clean transportation, (iii) solid waste management, (iv) wastewater treatment, (v) climate change adaptation, (vi) energy efficiency and (vii) green buildings. Sustainalytics views these categories as credible and impactful. Sustainalytics acknowledges that funding these projects will contribute towards china's climate related environmental targets and contribute to the country's environmental quality. While Sustainalytics acknowledges that China Everbright Bank is taking steps to address environmental and social risks associated with the activities it will fund with green bond proceeds, it encourages China Everbright to further clarify how and when it applies stricter credit criteria.

Furthermore, by demonstrating a structured approach to project selection and management of proceeds processes, and reporting on relevant Key Performance Indicators to measure the impact of the allocated proceeds, Sustainalytics considers the framework to be fully aligned with the Sustainability Bond Guidelines 2018. Sustainalytics considers that China Everbright Bank Framework to be aligned with the four pillars of the Green Bonds Principles 2018.

Appendices

Appendix 1: Green Building Certification Schemes

	LEED	HK BEAM Plus	CHINA THREE STAR
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BEAM Society Limited (BSL), owner of the Building Environmental Assessment Method (BEAM), is a public body established in 2010. It owns BEAM Plus - a green building assessment tool tailor-made for the high-rise, high density built environment of sub-tropical climate in Hong Kong.	The Chinese 3-Star Green Building Standard is a Certification System used in China for residential and public buildings (including commercial, hotel and government-owned) that was introduced in 2006 by MOHURD (Ministry of Housing and Urban-Rural Development).
Certification levels	Certified Silver Gold Platinum	Bronze Silver Gold Platinum	1-Star 2-Star 3-Star
Areas of Assessment: Environmental Performance of the Building	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority 	<ul style="list-style-type: none"> • Site Aspects (location and design of building, emissions from the site, site management) • Materials Aspects (selection of materials, efficient use of materials, waste disposal and recycling) • Energy Use (annual CO2 emissions or energy use, energy efficient systems and equipment, energy management) • Water Use (water quality, water conservation, effluent discharges) • Indoor Environmental Quality (IEQ) 	<ul style="list-style-type: none"> • Land savings and outdoor environment; • Energy savings and utilisation; • Water savings and utilisation; • Material savings and utilisation; • Indoor environment; • Operations and management.
Requirements	<p>Prerequisites (independent of level of certification) + Credits with associated points</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within</p>	<p>Prerequisites for each performance area + Credits with associated points</p> <p>Detailed compliance with legal requirements is a prerequisite for the award of credits.</p> <p>For every performance area BEAM prescribes</p>	<p>Prerequisites</p> <p>The system functions on a checklist basis, with 1-Star buildings meeting 26 criteria, 2-Star an additional 43 items, and 3-Star on a further 14 items. Criteria and weighting differ for public and residential buildings. In public buildings, more</p>

	<p>LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>different prerequisites. Every applicable prerequisite in every BEAM category must be achieved for the project to be assessed.</p> <p>Credits are allocated for each performance area, and every area is weighted as per international consensus.²⁷ The Overall Assessment Grade is determined by the percentage (%) of the applicable credits gained under each performance category and its weighting factor.</p> <p>Verification of compliance with BEAM criteria is done by an independent BEAM Assessor.</p>	<p>weight is given to energy and material savings, while the standard for residential buildings places greater importance on urban land saving and outdoor environments.</p>
<p>Performance display</p>			

²⁷ <https://www.beamsociety.org.hk/files/download/download-20130724174420.pdf>

Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	China Everbright Bank
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	China Everbright Bank Green Bond Issuance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	30 August 2018
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Executive Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds including, (i) renewable energy, (ii) clean transportation, (iii) solid waste management, (iv) wastewater treatment, (v) climate change, (vi) energy efficiency and (vii) green buildings, are aligned with those recognized by the GBP.
CEB uses recognized third party certification systems for green buildings, such as LEED. A detailed assessment of the standards used is provided in Appendix 1.
CEB refinances projects up to two years. CEB has committed to disclosing the percentage of refinancing and the projects refinanced in its annual reporting.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

CEB's internal process for evaluating and selecting projects is aligned with market practice. CEB has a dedicated working group comprised of representatives from the departments of Strategic Customer and Investment Banking, Trade Finance, Asset and Liability Management, Risk Control, and Finance. In addition, CEB evaluates alignment of the eligible projects with its green credit policy, green credit management framework, and green credit supervision and regular internal audit policies.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
|---|---|

- | | |
|--|--|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

CEB's processes for management of proceeds is aligned with market standards. CEB uses a record book to earmark the use of proceeds. Unallocated proceeds are temporarily invested in domestic and international short-term investment vehicles with good credit rating and market liquidity. Carbon intensive projects or assets are excluded from being financed through unallocated proceeds, which is aligned with market best practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (*if applicable*):

Aligned with market practice CEB intends to report on allocation of proceeds in a Green Bond Annual Report, including amount of allocated and unallocated proceeds, a list of green assets, loan amounts financed and proportions of funds for financing and refinancing.

In addition, CEB is committed to reporting on impact metrics such as energy saved, CO2 avoided, and green building certification. In Sustainalytics' view reporting on these metrics is in line with market practice.

Use of proceeds reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (*please specify*):

Information reported:

- Allocated amounts Green Bond financed share of total investment
- Other (*please specify*):

Frequency:

- Annual Semi-annual
- Other (*please specify*):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (*please specify*): eligible category level

Frequency:

- Annual Semi-annual
- Other (*please specify*):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Other ESG indicators (*please specify*): Number of passengers transported (or tonnage supplied), the length of the tracks for public transport and/ or trams/ trains financed, amount of sewage sludge treated, amount of sludge recycled, Green building certifications obtained

China Everbright Bank Green Bond

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input checked="" type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (please specify): |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

CEB corporate website: http://www.cebbank.com/site/gdywwz/CEB_Homepage/Bank%20profile/index.html

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

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- i. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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