



China Merchants Bank
Green, Social and Sustainability
Bond Framework

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Translated version

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1. Introduction of China Merchant Bank

China Merchants Bank Co., Ltd. ("CMB", or the "Bank") was founded on April 8, 1987, as the first joint-stock commercial bank in China established and wholly-owned by business entities. It is also the first pilot bank to promote the financial reforms in the Chinese banking sector promoted by the Chinese government. CMB was listed on the Shanghai Stock Exchange (stock code: 600036) and the Hong Kong Stock Exchange (stock code: 03968) in April 2002 and September 2006 respectively.

Since its establishment, CMB has always adhered to the business and service principle of "We are here just for you", and its brand awareness has continued to grow over the years. In 2019, CMB ranked No. 9 on the "Top 500 Banking Brand" list published by the British financial magazine "The Banker", and was listed in the Fortune Global 500 list for eight consecutive years, ranking No. 188 in 2019.

As of the end of 2019, CMB had more than 1,800 branches worldwide, including service outlets in more than 130 cities in mainland China, and 6 overseas branches and 2 overseas representative offices. CMB has developed into a comprehensive banking group with financial licenses for commercial banking, financial leasing, fund management, life insurance and overseas investment banking.

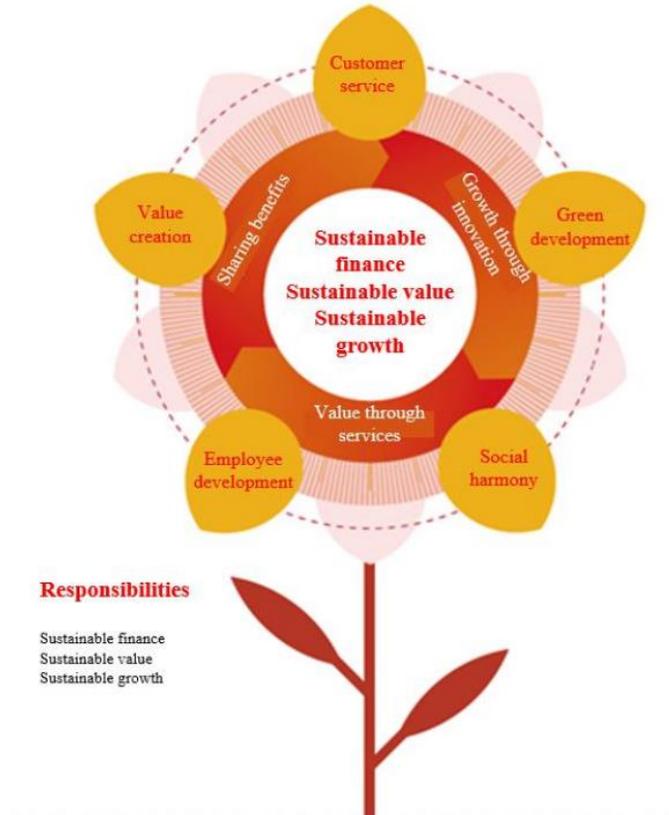
In recent years, CMB focused on its strategic goal to transforming into a "Light-operation Bank", in order to achieve the dynamic and balanced development of "quality, efficiency and scale"; to optimize its operational structure; digitalizing the Bank's businesses; further promoting the internationalization and integration of the Bank, and making stride towards the vision of being "China's best innovation-driven and retail-leading commercial bank with distinctive characteristics".

1.1 Sustainable Development Strategy

As a financial service provider, CMB continuously pays close attention to the long-term value of the Bank and its customers. At the same time, CMB has sustained the CSR concept of "taking root in and giving back to society", and has further deepened its social responsibility practices to strike a balance between economic, social and environmental values.

CMB's Sunflower Responsibility Concept Model:

CMB has combined its sustainable development strategy with its concept of social responsibility, and created a sunflower responsibility concept model which reflects the Bank's culture. The model covers the following five aspects: customer service, green development, social harmony, employee development and value creation.



1.2 Sustainable Development Goals (SDGs)

CMB is committed to the building of a social welfare platform and working with various stakeholders to create shared value. Its corporate social responsibility strategy is closely aligned with the following eleven Sustainable Development Goals, which are adopted by United Nations' member states.

Ways to fulfil responsibilities	Alignment with the SDGs
<ul style="list-style-type: none"> Driving growth through innovation: We pursue growth through innovation, and constantly adapt to changes in stakeholders' needs. This improves our capability for growing sustainably and achieving the sustainable development goals. 	

- **Creating value through services:** We insist on delivering only the best financial services, use our services to support economic growth, promote social harmony and stability, and protect the environment to create the greatest value for stakeholders.



- **Sharing and balancing values:** We always pay close attention to the demands and expectations of stakeholders and share values with stakeholders to drive sustainable development in enterprise, economy and society.



1.3 CSR Reports

Since 2007, CMB has been publishing its corporate social responsibility report (“CSR Report”) on its official website. The CSR Report fully discloses how the Bank consistently support the coordinated development among economic, social and environmental aspects on the basis of expanding financial services. In addition, the CSR Report is written and published by taking reference from the Global Reporting Initiative issued by the Global Sustainability Standards Board. Meanwhile, as a listed company on the Hong Kong Stock Exchange (“HKEx”), CMB also referenced to the Environmental, Social and Governance Reporting Guideline under Appendix 27 to the Main Board Listing Rules of the HKEx when preparing its CSR Reporting.

2. The CMB Green, Social and Sustainability Bond Framework

The CMB Green, Social and Sustainability Bond Framework (the "Framework") serves as a guiding document for CMB's future issuance(s) of green, social, or sustainability bonds which will be used for the financing or refinancing of eligible assets / projects with environmental or social benefits, so as to extend CMB's CSR practices and its social responsibility value of “Taking root in the society and giving back to the society”, and to contribute to the sustainable development of the economy, society and environment.

Each green, social or sustainability bond issued under this Framework shall be aligned with the *Green Bond Principles*¹, *Social Bond Principles*², and/or the *Sustainability Bond Guidelines*³ published by the International Capital Market Association (“ICMA”), and collectively referred hereafter as the “ICMA Principles”. In addition, green projects in China will also comply with the “Green Bond Endorsed Projects Catalogue” formulated by the Green Finance Committee of the People’s Bank of China, and the relevant industry standards issued by other ministries.

For each green, social or sustainability bond issued under this Framework, CMB is committed to align with the following elements:

- I. Use of proceeds
- II. Process of project evaluation and selection
- III. Management of proceeds
- IV. Reporting

2.1 Use of Proceeds

For each bond issued under this Framework, the net proceeds will be used exclusively for the financing and/or refinancing of assets or projects that meet the eligibility criteria as specified below, accordingly:

- Green bond proceeds should be used exclusively for eligible green projects (“Eligible Green Projects”) as defined in 2.1.1
- Social bond proceeds should be used exclusively for eligible social projects (“Eligible Social Projects”) as defined in 2.1.2
- Sustainability bond proceeds should be used exclusively for a combination of Eligible Green Projects and Eligible Social Projects.

2.1.1 Eligible Green Project categories

Eligible Green Project Categories	Key contribution to SDGs ⁴	Eligibility Criteria and Examples
Renewable Energy		<ul style="list-style-type: none"> • The construction, operation and maintenance of renewable energy plants, e.g. wind power, solar power, photovoltaic power, hydropower, biomass energy; and other projects which promote the use of renewable energy

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

² <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

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

⁴ Please refer to this link for full mapping by ICMA: <https://www.icmagroup.org/green-social-and-sustainability-bonds/mapping-to-the-sustainable-development-goals/>

Energy Efficiency		<ul style="list-style-type: none"> • Infrastructure construction related to renewable energy, such as land development, construction of transport networks and base stations • Infrastructure construction with energy saving and emission reduction • Application of energy conservation and emission reduction technologies; construction of green manufacturing systems; technological transformation and upgrading in traditional manufacturing sectors which can achieve an energy efficiency improvement of at least 15 percent
Pollution Prevention and control		<ul style="list-style-type: none"> • Recycling and reuse of industrial solid, gas and liquid wastes; waste segregation, reprocessing of reusable resources for recycling purposes • Soil pollution management and remediation
Sustainable water and wastewater management		<ul style="list-style-type: none"> • Sewage treatment and recycling; comprehensive restoration of river basin, water pollution remediation and disposal and decontamination of hazardous wastewater • Water saving, such as water-saving technology, irrigation projects for water saving purposes • Sustainable water management, including smart water supply system and seawater desalination projects • Flood prevention, and the prevention and control of disaster emergency situations, including the construction of flood basins, river embankment, and river management projects
Clean Transportation		<ul style="list-style-type: none"> • Projects related to the building of urban electric vehicle network, including electrical vehicles charging stations • Urban public electric transportation projects, including railways, light rails, subways, and the associated rail infrastructures • Electric bus rapid transit (“BRT”)
Green Buildings		<ul style="list-style-type: none"> • New construction and renovation work of existing buildings which obtained or are



expected to obtain one or more of the following green building certifications and respective level:

- Chinese Green Building Evaluation Label – 2 Star or above
- U.S. Leadership in Energy and Environmental Design (LEED) – Gold or above
- Building Research Establishment Environmental Assessment Method (BREEAM) – Excellent or above
- Other equivalent international standards

Environmentally Sustainable Management of Living Natural Resource



- Ecological protection and restoration of the natural ecology and vegetation; certified sustainable agriculture and animal husbandry, sustainable forestry development, etc.
- Development of blue economy, i.e. certified sustainable fisheries management plans, i.e. Aquaculture Stewardship Counsel label and Marine Stewardship Counsel label, projects for stock rebuilding and improving value chain of the ecosystem

2.1.2 Eligible Social Project categories

Eligible Social Project Categories	Key contribution to SDGs ⁵	Eligibility Criteria and Examples
<p>Employment generation including through the potential effect of SME financing and microfinance</p>		<ul style="list-style-type: none"> • Loans to promote inclusive finance: SMEs SMEs are defined by local governments or regulatory agencies, for example, definitions of SMEs in China will be according to the standards issued by China’s Ministry of Industry and Information Technology, National Bureau of Statistics, National Development and Reform Commission, and Ministry of Commerce

⁵ Please refer to this link for full mapping by ICMA: <https://www.icmagroup.org/green-social-and-sustainability-bonds/mapping-to-the-sustainable-development-goals/>

- Operational loans for SMEs
- Supply chain financing
- Loan with interest subsidies to small and micro enterprises
- High-tech small business loans

Individuals

- Loans for individual-owned businesses
- Consumption loans for registered poverty-stricken populations
- Poverty alleviation loan

Access to essential services (Education)



- Construction of public education infrastructure
- Projects to provide targeted support and scholarship programs to local poverty-stricken students
- Career training loans to targeted populations, such as people living below the poverty line and the unemployed, etc.

Access to essential services (Healthcare services)



- Construction of public medical infrastructure
- Procurement of public medical equipment and pharmaceutical supplies
- Production of public medical supplies and equipment
- Loans or other financial support to small and micro enterprises facing financial stress as a result of preventive measures (social distancing) and/or the general economic downturn caused by pandemics

Affordable Basic Infrastructure



- Clean drinking water facilities
- Basic rural living facilities, such as rural biogas, development of renewable energy power grids in rural area, rural garbage collection, sorting and treatment etc.

Affordable Housing



- Social housing programs such as public rental housing
- Social housing programs are defined by local governments or regulatory agencies

2.1.3 Exclusions

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

- Sectors which are prohibited by laws and regulations in China, such as child labor, gambling industry, adult entertainment and corporations which are in association with illegal activities
- Luxury sectors such as precious metals, artworks & antiques and golf course services
- Distillation, rectification and mixed alcoholic beverages
- Production and trade of tobacco and tobacco products
- Hydro power with installed capacity >20MW
- Biomass which is suitable for food sources
- Mining and quarrying
- All fossil fuel-related assets and activities, such as clean coal projects and rail projects carrying fossil fuels
- Energy saving and emission reduction projects in heavy industries
- Nuclear energy and nuclear related assets
- Weapon and ammunition
- Army vehicles leasing and operation
- Businesses or activities which are related to the production, distribution and storage of hazardous chemicals and radioactive substances
- Carbon-intensive infrastructures including newly constructed roads, bridges and airports
- Commercial lumbering in primary tropical rainforest
- Unsustainable forest wood production and trade

2.2 Process of project evaluation and selection

1. CMB's Asset and Liability Management ("ALM") Department will solicit opinions from various business departments of the Bank, and conduct preliminary selection of projects according to the Eligibility Criteria of the Framework, by considering different factors including but not limited to sector, geography, asset type, and outstanding loan amount, etc. Such list of preliminary assets will each be tagged as "Eligible Projects" according to principles including prioritizing project loans and new projects, forming an "Eligible Project List". Relevant departments responsible for risk management will, from industry perspective, review metrics such as customer names, business types, and loan outstanding amounts of the projects on the Eligible Project List.
2. The ALM Department will prepare the relevant lists of document for the Eligible Project List, and initiate document review and site visits.
3. The ALM Department will annually review the Eligible Green Projects and/or Eligible Social Projects financed, and on a timely basis, make replacement and addition as

necessary, to ensure the full amount of proceeds are allocated to Eligible Green Projects and/or Eligible Social Projects.

2.3 Management of Proceeds

- During the outstanding period of each Green, Social and Sustainability Bond, the ALM Department of the CMB's head office, and the Treasury Department of the bond-issuing branch will dynamically manage the proceeds.
- The ALM Department will set up project management ledgers for eligible projects, and is responsible for regularly and on a timely basis, summarizing the update of project information in the ledgers. If a material event occurred to an Eligible Project during the bond tenor, the relevant line department will decide on a remediation plan with the ALM Department; if there are no material changes, the relevant line department will provide updated information on Eligible Projects to the ALM Department on an annual basis. The ledger will include the following information:

2.3.1 Transactions Information

The ledger(s) will include but not limited to the following information: transaction date, amount of (net) proceeds, maturity date, coupon, bond type, pricing date and ISIN code etc.

2.3.2 Proceeds Allocation Information

The ledger(s) will include the following information on the allocation of proceeds of all Green, Social and Sustainability Bonds:

- Project briefing of various Eligible Green Projects and/or Eligible Social Projects allocated
- Amounts allocated to the various Eligible Green Projects and/or Eligible Social Projects
- Amount of unallocated proceeds
- Use of unallocated proceeds

Any proceeds which are temporarily unallocated to Eligible Green Projects and/or Eligible Social Projects will be held in cash by the ALM Department or invested in money market instruments with good market liquidity, and will be managed in accordance with CMB's liquidity management policy. CMB is committed that no temporarily unallocated proceeds will be invested in the industries and activities involved in 2.1.3 Exclusions.

2.4 Reporting

CMB will publish annual reporting regarding the proceed allocation of its Green, Social and/or Sustainability Bond(s), until full allocation of proceeds into Eligible Green Projects and/or Eligible Social Projects. The reporting will provide the following information:

2.4.1 Disclosure on allocation of proceeds

CMB will provide the following information regarding the use of proceeds of its Green, Social and/or Sustainability Bond(s):

- Allocation amount by Eligible Green Project category and/or Eligible Social Project category, and clearly indicating the SDG(s) of which such allocation supports
- Amount of proceeds to be allocated, and its temporary treatment
- Allocation amount by geographical distribution
- Project examples, subject to confidentiality

2.4.2 Disclosure on the relevant environmental and social benefits

CMB commits to disclose the environmental and/or social benefits of the Eligible Green Projects and/or the Eligible Social Projects financed. CMB will disclose such information based on the following example impact indicators:

Eligible Green Project Categories	Examples of Environmental Impact Indicators
Renewable Energy	<ul style="list-style-type: none"> • Annual renewable energy generation (MWh for electricity) (GJ for other energy) • Annual GHG emissions reduced/avoided (tonnes of CO₂ equivalent) • Capacity of renewable energy plant(s) constructed or rehabilitated (MW)
Energy Efficiency	<ul style="list-style-type: none"> • Annual energy savings in (MWh for electricity) (GJ for other energy) • Annual GHG emissions reduced/avoided (tonnes of CO₂ equivalent)
Pollution Prevention and control	<ul style="list-style-type: none"> • Waste reduced/avoided (tonnes) • Annual GHG emissions reduced/avoided (tonnes of CO₂ equivalent) • Area of land remediated / bought back in to use (hectares)
Sustainable water and wastewater management	<ul style="list-style-type: none"> • Water saved/reduced (cubic meters) • Recycled water used (cubic meters) • Waste recycled/reduced/avoided (tonnes) • Length of river (km) / area (km²) of water quality improved /sediment remediated

Clean Transportation	<ul style="list-style-type: none"> • Number of flood prevention facilities built • Number of passengers carried/amount of goods carried • Number of electronic vehicles supported • Annual GHG emissions reduced/avoided (tonnes of CO₂ equivalent)
Green Buildings	<ul style="list-style-type: none"> • Type/Number of green building certifications obtained • Annual energy savings (MWh for electricity) (GJ for other energy)
Environmentally Sustainable Management of Living Natural Resource	<ul style="list-style-type: none"> • Land afforested/revegetated (hectares) • Number of species protected • Size of natural protection area (hectares) • Type/Number of sustainable fisheries certifications obtained

Eligible Social Project Categories	Examples of Social Impact Indicators
Employment generation including through the potential effect of SME financing and microfinance	<ul style="list-style-type: none"> • Number of companies benefitted • Amount of credit provided • Number of jobs created/preserved • Number, type and gender of disadvantaged community benefitted
Access to essential services (Education)	<ul style="list-style-type: none"> • Number of hours in education/training • Number of people who received education/training • Number of students benefitted from the student loans • Percentage of students placed in jobs after training • Amount of outstanding student loans
Access to essential services (Healthcare services)	<ul style="list-style-type: none"> • Number of medical centers constructed • Number of individuals/healthcare centers that received medical equipment /pharmaceuticals • Amount of outstanding loans for healthcare infrastructure
Affordable Basic Infrastructure	<ul style="list-style-type: none"> • Amount of methane collected in rural area • Amount of electricity provided in rural area • Amount of waste collected and treated in rural area
Affordable Housing	<ul style="list-style-type: none"> • Amount of outstanding loans for indemnificatory housing programs • Number of housing units constructed/preserved • Number of individuals benefitted

CMB will publish the “CMB Green, Social and Sustainability Bond Report”, and disclose the above information through channels including the CMB official website www.cmbchina.com, in addition to annual reports and CSR Reports.

3. External Review

Pre-issuance, CMB will engage an independent third party with qualification to verify the environmental and social aspects of each CMB Green, Social and Sustainability Bond, and to conduct pre-issuance verification accordingly.

Post-issuance, CMB will engage an independent third party to conduct post-issuance verification. The relevant reports will be published on the CMB official website www.cmbchina.com.