



中国农业银行

AGRICULTURAL BANK OF CHINA

迪拜国际金融中心分行

DIFC BRANCH

Agricultural Bank of China DIFC Branch

Green Financing Framework

September 2024

Contents

1. About Agricultural Bank of China (“ABC”) and Agricultural Bank of China DIFC Branch (the “ABC DIFC”)
2. Overview of the Green Financing Framework
3. Use of Proceeds
4. Process for Project Evaluation and Selection
5. Management of Proceeds
6. Reporting
7. External Review

Level 29 Al Fattan Currency House Tower II, DIFC, Dubai, UAE P.O. BOX: 124803

Swift: ABOCAEAD Tel: +971 4567 6900 Fax: +971 4567 6910

Email: adminae@abchina.com Web: www.ae.abchina.com

Regulated by the DFSA

1. About Agricultural Bank of China (“ABC”) and Agricultural Bank of China DIFC Branch (the “ABC DIFC”)

Agricultural Bank of China is one of the major integrated financial service providers in China, aiming at high-quality development, highlighting the two positionings of a leading bank serving rural revitalization and a major bank serving the real economy, and fully implementing the three strategies in Sannong¹ and inclusive finance County Areas, green finance and digital operation. Capitalizing on its comprehensive business portfolio, extensive distribution network and advanced IT platform, the Bank provides a diverse portfolio of corporate and retail banking products and services for a broad range of customers and conducts treasury operations and asset management.

At the end of 2023, the Bank had total assets of RMB39.87 trillion, total loans and advances to customers of RMB22.61 trillion and deposits from customers of RMB28.90 trillion. ABC had 22,843 domestic branch outlets, 13 overseas branches 4 overseas representative offices and 16 major subsidiaries, including 11 domestic subsidiaries and 5 overseas subsidiaries.

The Financial Stability Board has included ABC into the list of Global Systemically Important Banks for ten consecutive years since 2014. In 2023, the Bank ranked No. 3 in The Banker’s “top 1000 World Banks” list in terms of tier 1 capital. Standard & Poor’s affirmed long-/short-term issuer credit ratings of ABC at A/A-1. Moody’s affirmed long-/short-term bank deposit ratings of the Bank at A1/P-1 and Fitch Ratings affirmed long-/short-term issuer default ratings of the Bank at A/F1+.

The Agricultural Bank of China DIFC Branch (ABC DIFC, the Branch) has been a great addition to the Bank’s overseas business since the opening in March 2013. Located in Dubai International Financial Centre, United Arab Emirates, the Branch is engaged in commercial lending, wholesale deposit taking, investment, treasury and other banking services. As ABC’s important operating platform in the Middle East and Northern Africa, the Branch has capitalised on ABC’s extensive financial resources, strong global network and solid infrastructure to provide premium financial services to its clients, including multinational corporations and financial institutions.

2. Overview of the Green Financing Framework

Relying on traditional strengths in areas such as inclusive finance and green finance, ABC have promoted the deep integration of the sustainable development concept with our business management, and have been committed to building an Environmental, Social and Corporate Governance (ESG) management system with a sound governance structure, sound management mechanism and adequate information disclosure. Agricultural Bank of China has integrated ESG into its Articles of Association, and continues to improve its governance structure. The board of directors

¹ Sannong is a short term for agriculture, farmer and rural area.

undertake the main responsibility for green finance management, tailor the Bank's sustainable development strategies and goals, and set the company's green finance development strategy.

In key areas such as green transportation, clean energy, ecological and environmental protection, ABC continued to increase the granting of green credit, accelerated the innovation of green bonds, green funds, carbon financing and other products, and continuously improved its green finance service capacities. The Bank issues Green Finance Report on an annual basis.

As one of the important overseas branches of ABC, ABC DIFC places a strong focus on developing an internationalized sustainable finance business. Our objective also falls under the ABC wider articulated sustainability objectives as mentioned above. The Green Financing Instruments issued by ABC DIFC under this Green Financing Framework is a further elaboration of its green strategy, which can help ABC DIFC to raise funds to support its clients' green development plan.

The Green Financing Framework has been developed for ABC DIFC as the guiding document to enter into any financing instruments, including but not restricted to loans, public bonds and private placements, or other debt instruments (e.g., certificate of deposit and commercial paper) (collectively referred to as "Green Financing Instruments") to exclusively finance and/or refinance new or existing Eligible Green Projects as defined below and with strict adherence to:

- ICMA Green Bond Principles (GBP) 2021
- LMA Green Loan Principles (GLP) 2023

The Framework is presented through the following key pillars:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting






The Framework also follows the recommendations of the ICMA and LMA Principles regarding External Review. This Framework will be made available to investors, lenders or other relevant parties of the Green Financing Instruments transaction by being embedded in the relevant transaction document, or being published in other channels that are available to the relevant parties.





3. Use of Proceeds

ABC DIFC will allocate an amount at least equivalent to the net proceeds of the Green Financing Instruments issued under this Framework towards financing and/or

refinancing, in whole or in part, new and/or existing eligible projects or assets as described below.

Eligible Green Assets are defined as assets (loans or investments) that meet, respectively, the Green Eligibility Criteria defined below, which has been prepared in accordance with the ICMA Green Bond and LMA Green Loan documentation.

Green Categories (GLP and GBP)	Contribution to UN SDGs	Description of Eligibility Criteria
Renewable Energy		<p>Renewable energy generation sources</p> <ul style="list-style-type: none"> • Solar: Photovoltaic solar power (PV), concentrated solar power (CSP) and solar thermal • Wind: Onshore and offshore • Green hydrogen • Bioenergy: Projects that produce electricity exclusively from, second generation biomass • Geothermal: Projects with an emissions intensity of less than 100 gCO₂e/kWh • Hydroelectric: Run of river plants with a capacity of less than 1GW and either generating no more than 5W/m² or having emissions intensity of less than 100 gCO₂e/kWh
		<p>Infrastructure to support generation and transmission of renewable energy.</p>
Clean transportation		<ul style="list-style-type: none"> • Zero tailpipe emission vehicles and transportation systems (including hydrogen, fuel cell and electric vehicles and charging/filling stations for electric, fuel cell and hydrogen vehicles) • Mass transit projects (light rail, subway, trams, electric buses, bus-rapid transport)
		<p>Infrastructure to support the production, establishment, acquisition, expansion, upgrades, maintenance and operation of zero tailpipe emission vehicles and transportation systems.</p>
Pollution prevention and control		<p>Facilities, systems and equipment for preventing and reduction of air pollution, waste production and mitigation of greenhouse gas emissions, including:</p> <ul style="list-style-type: none"> • Development, operation and upgrade of recycling plants and recycling activities such as for metals, plastic and paper • Development, construction, installation and/or

		<p>maintenance of waste sorting and processing (and related infrastructure) linked to recycling projects</p> <ul style="list-style-type: none"> • Collection, transport and transfer of non-hazardous waste, including municipal solid waste and commercial and industrial waste linked to recycling projects • Carbon sequestration: Natural-based Carbon capture storage (CCS)/ Utilization of the captured CO² (CCU) including afforestation, reforestation, habitat restoration, conservation of coastal and marine habitats.
<p>Environmentally sustainable management of living natural resources and land use</p>		<ul style="list-style-type: none"> • The preservation, restoration of natural landscapes including the designing and building of green landscapes, ecological parks and ecological function areas, etc. • Development and (or) application of environmentally sustainable agriculture technology including smart farm, biological crop protection, fishery or livestock protection, drip-irrigation or closed-loop agriculture project.
<p>Energy Efficiency</p>		<ul style="list-style-type: none"> • Projects involving the upgrading of facilities/equipment (e.g. lift systems, lighting systems, fresh air supply systems) with more efficient systems within existing developments. • Smart energy grids, energy meters, management systems that promote energy efficiency by carrying information to users for remotely acting on consumption, as well as energy efficiency promotion through battery storage facilities that are connected to renewable energy sources.
<p>Sustainable Water and Waste Water Management</p>		<ul style="list-style-type: none"> • Wastewater treatment and recycling, comprehensive restoration of river basin, construction of water conservation facility, such as construction of wastewater management facilities. • Water desalination projects running on reverse osmosis technology with a carbon intensity of less than 100gCO² e/kWh over the residual asset life.

Green Buildings



- Development and construction of new and existing green buildings that have or will receive regional, national or international certifications.
- Refurbished buildings that achieve a minimum 20% improvement in energy use or carbon emissions.

Projects in support of the following activities shall be explicitly excluded from the Eligible Green Projects: fossil fuel-based power generation projects, including clean coal; nuclear related projects; biomass power projects that compete with food sources; and hydropower projects with installed capacity of over 20 megawatts. ABC DIFC will not knowingly allocate the proceeds to projects that do not comply with the relevant national and / or international environmental, social standards, local laws and regulations.

Where a company is expected to derive $\geq 90\%$ of its annual turnover from activities in the Eligible Green Projects (i.e essentially pure play companies), it will be considered as eligible for financing under the ABC DIFC Branch Green Financing Framework.

4. Process for Project Evaluation and Selection

The Project Evaluation and Selection Process will ensure that the proceeds of any ABC DIFC Green Financing Instrument are allocated to finance or refinance Eligible Projects that meet the criteria and objectives set out above in section 3, Use of Proceeds.

ABC DIFC will follow the procedures below to evaluate and select the Eligible Green Projects:

- **Preliminary Screening:** The Corporate Banking Department of ABC DIFC will propose potential green projects and conduct a preliminary screening of such potential green projects, in accordance with the use of proceeds criteria discussed above to form a preliminary list of projects that will, along with the supporting materials, be submitted to the Risk Management Department of the Branch for further review.
- **Review and Approve:** The Risk Management Department of the Branch will review and validate the project materials submitted to it and confirm the Eligible Green Projects list.
- **Update and Maintenance:** The Corporate Banking Department of the Branch shall review the Eligible Green Projects list on periodic basis and determine if any changes are necessary (e.g., in case an Eligible Green Project has amortised, been prepaid, sold or otherwise become ineligible). The Corporate Banking Department will also make updates to the Eligible Green Projects list, including

replacement, deletion, or addition of projects, in accordance with the use of proceeds criteria.

ABC DIFC also follows ABC's internal ESG risk management related policies and procedures such as implementing the requirements for environmental and social risk management, taking a differentiated approach based on the level of customers' potential environmental and social risks, and strengthening the screening process to identify, assess and minimize the relevant ESG risks.

The potential environmental and social risks associated with the Eligible Green Projects will be analyzed during the project evaluation and selection process. If there is any significant environmental and social risk identified for the Eligible Green Projects, ABC DIFC will take measures to ensure the risk is properly managed.

In addition, if there is any material environmental and/or social controversy or adverse impact from the Eligible Green Projects identified after the proceeds' allocation, ABC DIFC will undertake relevant analysis and monitoring on the Eligible Green Projects to assess the potential environmental and/or social risk. If ABC DIFC confirms that the project will do significant harm to the environment and/or society, such project will become ineligible for allocation of the Green Financing Instruments proceeds.

5. Management of Proceeds

ABC DIFC shall establish a separate register to record the source and allocation of proceeds to ensure that an amount equal to the net proceeds of the Green Financing Instruments is allocated to the Eligible Green Projects. The register will contain information on the Green Financing Instruments issuance (including issuance amount, pricing date, and maturity date) and the allocation to the Eligible Green Projects (including the borrower's name, the Eligible Green Project category, project description, the committed instrument amount, the outstanding amount, instrument maturity, the allocated proceeds and other necessary information). The Risk Management Department of ABC DIFC will be responsible for maintaining the separate register.

ABC DIFC will review and update the register on ad-hoc basis. Any proceeds allocated to the Eligible Green Projects that have amortised, been prepaid, sold or otherwise become ineligible shall be reallocated to other Eligible Green Projects. ABC DIFC will match the net proceeds raised from the Green Financing Instruments periodically to the Eligible Green Projects during the time of the relevant outstanding Green Financing Instruments. Subject to the development of ABC DIFC's credit assets portfolio and deal pipeline, ABC DIFC intends to fully allocate the net proceeds of each Green Financing Instruments within 24 months after issuance where feasible.

Pending full allocation of the entire amount of the net proceeds of the Green Financing Instruments to the Eligible Green Projects, the unallocated portion will be managed according to ABC DIFC’s regular liquidity management practices, including investments in money market instruments with strong investment grade credit ratings and market liquidity, or temporarily invested in Green, Social and Sustainability (GSS) bonds. The unallocated portion of proceeds will not be invested in GHG intensive activities and controversial activities.

For refinancing, ABC DIFC will prioritize the most recent projects if possible. For refinancing of operating expenditure (e.g., maintenance, research and development), 3 year look-back period will be applied.

6. Reporting

Until full allocation of the proceeds to Eligible Green Projects, the Branch will provide a Green Financing Report (the “Report”) annually or on a timely basis upon material changes in proceeds allocation, which shall include below defined reporting on allocation and impact information. The Reports will be available on the website of ABC DIFC.

Allocation Reporting

Within its allocation report, ABC DIFC intends to provide the following information:

- The list of Eligible green Assets (re)financed by category;
- The aggregated amount of allocation of the net proceeds to the Eligible green Assets;
- The proportion of net proceeds used for financing versus refinancing; and,
- The balance of any unallocated proceeds invested in cash and/or cash equivalents.

Impact Reporting

ABC DIFC may report on the actual and expected environmental and/or social benefits of the Eligible Green Projects, where feasible, for each of the green finance instruments. A list of potential output and impact reporting indicators is presented below.

Eligible Green Project Categories	Potential Impact indicators
Renewable energy	<ul style="list-style-type: none"> ✧ Capacity installed (MW) ✧ Annual renewable energy generation (MWh/year) ✧ Estimated annual reduced and / or avoided GHG emissions (tCO²e/year)
Clean transportation	<ul style="list-style-type: none"> ✧ Number of passengers transported annually

	<ul style="list-style-type: none"> ✧ Number of Electrical Vehicles ✧ Estimated annual reduced and / or avoided GHG emissions (tCO₂e/year)
Pollution prevention and control	<ul style="list-style-type: none"> ✧ Type and annual amount of recycled waste (tonnes) ✧ Reduction of GHG emission comparing to a base year
Energy Efficiency	<ul style="list-style-type: none"> ✧ Annual energy savings (MW/year) ✧ Estimated annual reduced and / or avoided GHG emissions (tCO₂e/year)
Sustainable Water and Waste Water Management	<ul style="list-style-type: none"> ✧ Annual absolute (gross) water savings ✧ Annual absolute (gross) amount of waste water treated, reused or avoided (in m³ or in %)
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> ✧ Number of people and/or enterprises (e.g. farmers and/or farms) benefitting from measures to improve traceability, drip irrigation, prevent floods and droughts ✧ Area covered by sustainable agricultural land management practices and crop yields in tonnes per hectare
Green Buildings	<ul style="list-style-type: none"> ✧ Portfolio of building assets by type and green building certification level ✧ Annual energy savings (MW/year) ✧ Annual avoided GHG emissions (tCO₂e/year)

The Report will include information on the aggregated allocated amounts to each Eligible Green Project category, as well as any balance of unallocated proceeds. Subject to confidentiality, the Report may include examples of Eligible Green Projects that the proceeds have been allocated to. In addition, subject to data availability, the Report will include the following potential impact indicators aggregated for each Eligible Green Project category and/or the potential impact indicators recommended under the Harmonised Framework for Impact Reporting. To the extent possible and applicable, ABC DIFC will disclose the underlying calculation methodologies for each of the Eligible Project categories.

ABC DIFC will report on the temporary placements of unallocated proceeds from Green Financing Instruments and percentage of proceeds used for financing vs. refinancing in each Green Financing Instrument in the Report.

The Corporate Banking Department of ABC DIFC will be responsible for collecting the relevant information, where available, for each Eligible Green Project.

7. External Review

Pre-issuance External Review

ABC DIFC will engage qualified professional agency, such as S&P Global Rating, to provide a second party opinion to confirm the Framework's alignment with ICMA Green Bond Principles 2021 and LMA Green Loan Principles 2023. The second party opinion and this Framework will be made available on the website of ABC DIFC.

Post-issuance External Review

ABC DIFC may request, on an annual basis, external report from a qualified independent external reviewer on the use of proceeds of the Green Financing Instrument and to confirm alignment of the Framework's criteria. This annual external review report will be published on the website of ABC DIFC.