



China Merchants Bank

Green, Social and Sustainability Bond Framework

June 2023

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 2022, CMB ranked No. 10 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 11 consecutive years, ranking No. 174 in 2022.

As of the end of 2022, CMB had 143 branches and 1,756 sub-branches in China, covering more than 130 cities, 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.

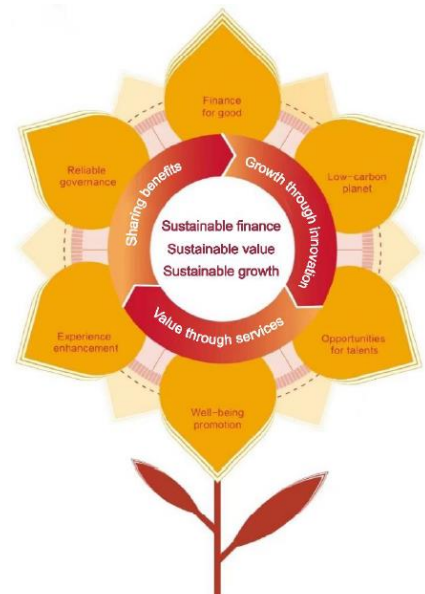
CMB has continued to deepen its strategic transformation and come up with the strategic vision of "building the best value creation bank with innovation-driven development, leading model and distinguished features" based on the internal and external situation and its own development. In light of the advantages of retail banking which is less cyclically relevant, and the advantages of endogenous growth of capital benefiting from the "Light-model Bank", CMB upholds the philosophy of win-win business and business for common good to grow into a value creation bank. CMB manages to maximise the comprehensive value of customers, employees, shareholders, partners and the society, as well as creating a new pattern of high-quality growth, aiming to become a world-class commercial bank.

1.1 Sustainable Development Strategy

Focusing on key areas such as green finance, inclusive finance, and protection of consumer rights and interests, CMB has formulated development plan and goals related to sustainability. The Bank targets to invest more than RMB500bn in the balance of green loans and green bonds by the end of 2025, and to increase the annual growth rate of inclusive SMEs loans higher than the growth rate of various loans.

CMB's SUNFLOWER Sustainability Model:

CMB adheres to the social responsibility concept of "gaining from and contributing to society", optimizes and perfects the SUNFLOWER sustainability model, continues to deepen the practice of sustainable development, and works with stakeholders in striving to achieve higher quality, more efficient, equitable, sustainable and safer development. The model covers the following six aspects: Finance for good, Low-carbon



emissions policy, Opportunities for talents, Well-being promotion, Experience enhancement, and Reliable governance.

1.2 Sustainable Development Goals (SDGs)

We have formed a key practice area of sustainable development with SUNFLOWER as the core, which is closely aligned with the following seventeen Sustainable Development Goals adopted by United Nations' member states.

Ways to fulfil responsibilities	Alignment with the SDGs
<ul style="list-style-type: none"> • Finance for good: We fully integrate the ESG concept into the product and service system of the Bank; make finance an important positive force to promote social progress, social equity, and continue to satisfy people's desire for a better life through financial means 	
<ul style="list-style-type: none"> • Low-carbon emissions policy: We actively participate in climate governance, lead green financial innovation, improve green investment and financing policies, increase financial support for green industries, carry out green operations and green public welfare activities while comprehensively supporting the green transformation of the economy and society 	
<ul style="list-style-type: none"> • Opportunities for talents: We persist in attracting high quality talents, make the career development channel unimpeded, attach importance to the improvement of talent capabilities, enrich the talent training system, create an inclusive, friendly and open workplace environment, and promote the common growth of employees and the Bank 	
<ul style="list-style-type: none"> • Well-being promotion: We implement the national rural revitalization strategy, actively carry out social public welfare activities, strive to become an excellent corporate citizen and help achieve common prosperity 	
<ul style="list-style-type: none"> • Experience enhancement: With fintech, we continuously improve the ability, efficiency and accessibility of customer service, fully protect the rights and interests of consumers, promote 	

financial knowledge and services to every household, and optimize customer experiences in all aspects

- **Reliable governance:** We improve the corporate governance infrastructure, continue to improve the scientificity, stability and effectiveness of corporate governance, adhere to prudent operation guidelines, strengthen risk prevention and control, and provide a strong mechanism to guarantee high quality and sustainable development of the Bank



1.3 Sustainability Reports

Since 2007, CMB has been publishing its Sustainability Reports (previously Social Responsibility Reports) on its official website, focusing on how the Bank consistently support the coordinated development among economic, social and environmental aspects on the basis of expanding financial services. The Sustainability Reports are prepared in accordance with 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 Sustainability Reports.

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 abroad issuance(s) of Green, Social, or Sustainability Bonds ("GSS Bonds") which will be used for the financing or refinancing of Eligible Projects with environmental or social benefits, so as to extend CMB's social responsibility value of "gaining from and contributing to society", and to contribute to the sustainable development of the economy, society and environment.

Each Green, Social or Sustainability Bond issued abroad under this Framework shall be aligned with the latest *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, the selection of Eligible Green Projects located in China will be aligned to "Green Bond Endorsed Projects Catalogue (2021 Edition)"⁴ formulated by the People's Bank of China, the National Development and Reform Commission (NDRC) and the China Securities Regulatory Commission (CSRC).

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, an amount equal to the net proceeds will be used exclusively for the financing and/or refinancing of Eligible 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

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/>




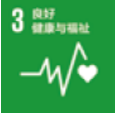

⁴ <http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4342400/2021091617180089879.pdf>

Eligible Green Project Categories	Key contribution to SDGs ⁵	Eligibility Criteria and Examples
Renewable Energy		<ul style="list-style-type: none"> The construction, operation, maintenance and upgrade of renewable energy plants, e.g. wind power, solar power, photovoltaic power, hydropower (run-of-river hydropower and no artificial reservoir; power density above 10 W/m² or life cycle emissions below 50g CO₂e/kWh), biomass energy (GHG emissions not exceed 16.0g CO₂e/MJ for biomass /biofuel for heating/cooling and co-generation, and 18.8g CO₂e/MJ for biofuel for transport), geothermal (life cycle GHG emissions below 100g CO₂e/kWh); and other projects which promote the use of renewable energy, such as the production of parts and equipment that facilitates the adoption of renewable energy Infrastructure construction, operation, maintenance and upgrade related to renewable energy, such as land development, dedicated electricity generating facilities, construction of transport networks and base stations
Energy Efficiency		<ul style="list-style-type: none"> 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 30 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


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/>

		<ul style="list-style-type: none"> • 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
<p>Clean Transportation</p>		<ul style="list-style-type: none"> • Acquisition, manufacturing, construction, maintenance and update of facilities, equipment or infrastructure dedicated to zero direct emission vehicles including: <ul style="list-style-type: none"> ○ Electrified, hydrogen public transportation (e.g., railways, light rails, subways, and electric bus rapid transit ("BRT")) ○ Electric vehicles (EVs) and hydrogen vehicles (e.g., cars, trucks) ○ Infrastructure dedicated to EVs or hydrogen vehicles including charging and hydrogen refueling stations
<p>Green Buildings</p>		<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: <ul style="list-style-type: none"> ○ 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 ○ Hong Kong Green Building Council BEAM Plus Standards - Gold or above ○ Other equivalent international standards
<p>Environmentally Sustainable Management of Living Natural Resource</p>	  	<ul style="list-style-type: none"> • 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 ⁶	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: <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> Operational loans for SMEs Supply chain financing Loan with interest subsidies to small and micro enterprises High-tech small business loans Individuals <ul style="list-style-type: none"> Loans for individual-owned businesses Consumption loans for registered poverty-stricken populations Poverty alleviation loan
<p>Access to essential services (Education)</p>		<ul style="list-style-type: none"> 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.
<p>Access to essential services (Healthcare services)</p>		<ul style="list-style-type: none"> 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
<p>Affordable Basic Infrastructure</p>		<ul style="list-style-type: none"> Clean drinking water facilities to underserved populations based in areas with no access or substantially inadequate access to safely drinking water Basic rural living facilities, such as rural biogas, development of renewable energy power grids in

⁶ 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/>

		rural area, rural garbage collection, sorting and treatment etc.
Affordable Housing		<ul style="list-style-type: none"> • 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 and activities 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
- 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, assist with providing 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 together with the Corporate Finance Department.
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 proceeds 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, in accordance with the Harmonized Framework for Impact Reporting issued by ICMA. 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 prevented/minimized/reused/recycled before and after the project (tonnes per year) • GHG emissions from waste management before and after the project (tonnes of CO₂ equivalent) • Energy generation from non-recyclable waste to energy facilities (MWh for electricity and GJ for other energy) • Annual absolute amount of waste that is separated/collected/treated/disposed (tonnes per year, % of total waste)

Sustainable water and wastewater management	<ul style="list-style-type: none"> • Annual absolute water use before and after the project (m³/a) • Annual absolute amount of wastewater treated/reused/avoided before and after the project (m³/a) • Annual absolute amount of raw/untreated sewage sludge treated/disposed/reused (tonnes, in % of total waste)
Clean Transportation	<ul style="list-style-type: none"> • Passenger-kilometres (i.e. the transport of one passenger over one kilometre) and/or passengers; or tonne-kilometres (i.e. the transport of one tonne over one kilometre) and/or tonnes • Annual GHG emissions reduced/avoided (tonnes of CO₂ equivalent) • Reduction of air pollutants: particulate matter (PM), sulphur oxides (SO_x), nitrogen oxides (NO_x), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs) • Number of electric vehicles supported
Green Buildings	<ul style="list-style-type: none"> • kWh/m² of GBA p.a.; and % of energy use reduced/avoided vs local baseline/building code; and, if relevant % of renewable energy (RE) generated on site • kgCO₂/m² of GBA p.a; and annual GHG emissions reduced/avoided in tonnes of CO₂ equiv. vs local baseline/baseline certification level; and/or % of carbon emissions reduced/avoided vs local baseline/baseline certification level • Type of scheme, certification level and m² GBA
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 Annual Report on China Merchants Bank's Sustainability Series Bonds, and disclose the above information through channels including the CMB official website www.cmbchina.com, in addition to annual reports and Sustainability 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.