

Issuance Guidance for Green Bonds

To fulfill the decisions made on the 18th National Congress of the Communist Party of China, the 2nd, 3rd, 4th and 5th Plenum of the 18th Communist Party of China, this Guidance is specially compiled for the purpose of making use of corporation bonds financing's role in promoting green development, energy saving and emission reduction, handling serious environmental problems, reacting to climate changes and developing environmental protection industries, etc., so as to guide and encourage social investment, assist to adjust and optimize the economic structure and fasten the transformation of economic development modes in accordance with *Advice of the State Council on Fastening Steps to Promote the Construction of Ecological Civilization*, *Notice of the State Council on Issuing the Overall Reform Plan of Ecological Civilization Mechanism*.

I. Applicable scope and supporting emphasis

The green bonds refer to the corporate bonds issued for the purpose of raising funds to support technical reformation of energy saving and emission reduction, green urbanization, efficient use of clean energy, development of new energy, development of circulating economy, water saving and development and utilization of unconventional water source, pollution prevention and treatment, eco- agroforestry, energy-saving and eco-friendly industry, low-carbon industry, demonstration test of ecological civilization, pilot and demonstration of low-carbon industry and other green cycle and low-carbon development projects. Current supporting emphasis are as follows:

(I) Technical reformation project of energy saving and emission reduction. Ultralow emission and energy saving reformation of coal-fired power plant, use of afterheat & excess pressure to supply heat to residents, improvement and transformation of energy-saving and eco-friendly technologies of coal-fired boilers, improvement of motor efficiency, comprehensive improvement of enterprise efficiency, green lighting, etc. are included.

(II) Green urbanization project. Development of green buildings, building industrialization, energy-saving transformation of existing buildings, construction of the sponge city, smart city, intelligent power grid, and charging facilities for new energy vehicles, etc. are included.

(III) Clean and efficient use project of energy. Efficient and clean use of energies like coal, petroleum, etc. are included.

(IV) Development and utilization project of new energy. Developments and

utilizations of hydroenergy, wind energy, nuclear energy, solar energy, biomass energy, geotherm, shallow geothermal resource, ocean energy, air energy, etc. are included.

(V) Development project of circular economy. Circular transformation of industrial parks, resource utilization of wastes, agricultural circular economy, remanufacturing industry, etc. are included.

(VI) Development and utilization project of water saving and unconventional water source Water saving transformation, sea water (bitter water) desalination, reclaimed water utilization, etc. are included.

(VII) Pollution prevention and treatment project . Construction of environmental infrastructures related to sewage and garbage, etc., treatment of serious environmental problems like atmospheric pollution, water or soil pollution, etc. and treatment of hazardous wastes, medical wastes, industrial tailings, etc. are included.

(VIII) Eco- agroforestry project. Development of forest industries such as organic agriculture, eco- agriculture, characteristic economic forest, under-forest economy, forest tourism, etc. are included.

(IX) Energy-saving and eco-friendly industry project. Industrialization of energy-saving and eco-friendly major equipment and technologies, contract energy management, construction of energy-saving and eco-friendly industrial bases (parks), etc. are included.

(X) Low-carbon industry project. Industrialization of low-carbon technologies and and relevant equipment promoted greatly by the state, low-carbon production project, construction project of low-carbon services, etc. are included.

(XI) Demonstration test project of ecological civilization. Resource saving, circular economy development, environmental protection, ecological construction, etc. in the demonstration zone of ecological civilization are included.

(XII) Pilot and demonstration project of low-carbon industry. Low-carbon infrastructure construction and carbon management platform construction projects of low-carbon energy, industry, traffic, buildings, etc. in the pilots of low-carbon provinces, cities (towns), communities and industrial parks are included.

We'll timely adjust the supporting scope of green projects and green bonds which adopts the marketing financing and sequentially create and promote new bonds for green development fields.

II. Review requirements

(I) On the basis of preparing all relevant procedures and debt servicing guarantee measures, the review efficiency of green bonds should be improved by referring to the bonds reviewing procedures of “fasten and simplify review”.

(II) In the event that enterprises apply for issuing green bonds, the current review policies of corporation bonds and selected entry conditions specified in Recommendations on Comprehensively Enhancing Risk Prevention of Corporation Bonds could be adjusted appropriately as follows:

1. Release the proportion of funds raised with bonds in the total investments of the project to 80% (unless additional requirements for the minimum capital are regulated).

2. Corporations issuing green bonds will not be restrained by bonds issuance indexes.

3. In the case that the asset-liability ratio is less than 75%, other credit products scales of the corporations will not be checked while verifying the bonds issuance scale.

4. Encourage listed corporations and their subsidiary corporations to issue green bonds.

(III) Support green bonds issuers to optimize the debit structure by making use bond funds. With the improved debt servicing guarantee measures, the corporation is allowed to use less than 50% funds raised with bonds to repay the bank loans and supplement operation funds. Issuers with AA+ credit assessment and good business operation could replace high debts arising from green projects with funds raised with bonds.

(IV) Issuing corporations could design the issuance plans of green bonds scientifically according to specific conditions of project funds recycling, and reasonably and flexibly set up bond terms, options and methods to repay capital with interest

(V) Regarding third-party treatment corporations who develops projects of watershed management, regional or similar pollution treatment and energy & water saving corporations that conduct energy & water saving transformation projects through the contract management mode of providing relevant services to achieve energy & water saving revenues of targeted clients, they are encouraged to issue green bonds collectively.

(VI) It's allowed to non- overtly issue green bonds to institutional investors. There shall be less than 200 subscribed institutional investors with no less than five million yuan for each single subscription when issuing green bonds non- overtly. But no advertisement, public inducement and disguised public method could be adopted.

III. Relevant policies

(I) Local government shall guide the social capital to participate in green project construction actively, encourage local government to support the issuance of green bonds and implementation of green projects and steadily expand the proportion of direct financing through investment subsidy, guarantee subsidy, bond discount, funds investment, etc.

(II) Expand channel for guarantee and credit enhancement. Allow issuers whose project profit fails to cover the total investment during the extension of green bonds to provide guarantee only in regard to the difference between project profits and principal and interest scale of green bonds. Encourage municipal (included) local government or above to set up local guarantee funds for green bonds, especially for providing

guarantee for the issuance of green bonds. Encourage to adopt usufructs like carbon emission permit, dumping right, energy utilization right, water utilization right, etc., as well as credit enhancement guarantee methods like intellectual property, prospective green profit pledge, etc.

(III) Promote the development of green projects by using credit enhancement method of “combination of debt and loan”, and encourage commercial banks to generally manage bonds and loans. “Combination of debt and loan” is a management mode planned according to “unified financing planning, unified credit extension, dynamic and long-term monitoring and the whole risk control”. The bank is in charge of developing systematic financing plans, covering corporation bonds and loans in the bank’s comprehensive credit extension management system according to financing demands of projects and managing the corporation debt financing across the whole course.

(IV) Create bonds categories actively. Regarding green projects with stable fund source for debt servicing, revenue bonds could be issued according to a sealing operation mode: financing- investment for construction –capital recycling; in the event of the longer term of project investment recycling, renewable bonds or super-long-term bonds are encouraged .

(V) Qualified equity investment corporations and green investment funds are encouraged to specially invest in green project construction; shareholders of qualified green investment funds or limited partners are encouraged to issue green bonds for the purpose of expanding the capital scale of green investment funds.

(VI) It is encouraged to use the combined financing of special construction funds and green bonds in green projects for the purpose of making full amount of capitals for green project construction in place. Regarding green projects whose green bonds are approved to be issued and comply with central on-budget investment as well as supporting conditions of special construction funds, they will be supported in priority.