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DOCUMENTS**

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LOAN NUMBER 8592-CN

# Loan Agreement

(Innovative Financing for Air Pollution Control in Jing-Jin-Ji)

between

**PEOPLE'S REPUBLIC OF CHINA**

and

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

Dated *May 20*, 2016

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**LOAN AGREEMENT**

Agreement dated May 20, 2016, between PEOPLE'S REPUBLIC OF CHINA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of four hundred sixty million Euro (Euro 460,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan"), to assist in financing the program described in Schedule 1 to this Agreement ("Program").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Loan Account shall be deposited by the Bank into an account specified by the Borrower and acceptable to the Bank.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.
- 2.06. The Payment Dates are January 15 and July 15 in each year.

- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- 2.09. (a) If on any given day, the Total Exposure exceeds the Standard Exposure Limit (as said terms are defined in sub-paragraphs (b)(ii) and (b)(iii) of this Section), the Borrower shall pay to the Bank a surcharge at the rate of one half of one percent (0.5%) per annum of the Allocated Excess Exposure Amount (as defined in sub-paragraph (b)(i) of this Section) for each said day ("Exposure Surcharge"). The Exposure Surcharge (if any) shall be payable semi-annually in arrears on each Payment Date.
- (b) For purposes of this Section the following terms have the meanings set forth below:
- (i) "Allocated Excess Exposure Amount" means for each day during which the Total Exposure exceeds the Standard Exposure Limit, the product of: (A) the total amount of said excess; and (B) the ratio of all (or, if the Bank so determines, a portion) of the Loan to the aggregate amount of all (or the equivalent portions) of the loans made by the Bank to the Borrower and to other borrowers guaranteed by the Borrower that are also subject to an exposure surcharge, as said excess and ratio are reasonably determined from time to time by the Bank.
- (ii) "Standard Exposure Limit" means the standard limit on the Bank's financial exposure to the Borrower which, if exceeded, would subject the

Loan to the Exposure Surcharge, as determined from time to time by the Bank.

- (iii) "Total Exposure" means for any given day, the Bank's total financial exposure to the Borrower, as reasonably determined by the Bank.

#### **ARTICLE III — PROGRAM**

- 3.01. The Borrower declares its commitment to the objectives of the Program. To this end, the Borrower shall cause the Program to be carried out by the Program Implementing Entity in accordance with the provisions of Article V of the General Conditions and the Program Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Program is carried out in accordance with the provisions of Schedule 2 to this Agreement.

#### **ARTICLE IV — REMEDIES OF THE BANK**

- 4.01. The Additional Events of Suspension consist of the following:
- (a) the Borrower has adopted a successor program to Air Pollution Prevention and Control Action Plan (the "Successor Program"), which will materially and adversely affect the ability of the Borrower and the Program Implementing Entity to achieve the objectives of the Program and/or perform any of their obligations under this Agreement and the Program Agreement, respectively; and
  - (b) The Program Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Program Implementing Entity to perform any of its obligations under the Program Agreement.

#### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the Subsidiary Agreement has been executed on behalf of the Borrower and the Program Implementing Entity.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Borrower's Representative is its Minister of Finance.

6.02. The Borrower's Address is:

Ministry of Finance  
Sanlihe  
Xicheng District  
Beijing 100820  
People's Republic of China

Facsimile:

(86-10) 6855-2077

6.03. The Bank's Address is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Telex:

248423(MCI) or  
64145(MCI)

Facsimile:

1-202-477-6391

AGREED at Beijing, People's Republic of China, as of the day and year first above written.


PEOPLE'S REPUBLIC OF CHINA

By   
Authorized Representative

Name: Yang Yingming  
Deputy Director General

Title: International Economic and  
Financial Cooperation Department,  
Ministry of Finance

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By   
Authorized Representative

Name: Bert Hofman

Title: Country Director, China

## SCHEDULE 1

### Program Description

The objective of the Program is to reduce air pollutants and carbon emissions through increasing energy efficiency and clean energy, with a focus in the Jing-Jin-Ji and neighboring regions.

The Program consists of the following activities, aimed at achieving the targets set forth in the Air Pollution Prevention and Control Action Plan:

1. ***Reduced Coal Consumption from Increased Energy Efficiency and Renewable Energy.*** Providing Sub-loans to Sub-borrowers for carrying out energy efficiency and renewable energy Sub-projects.
2. ***Reduced Air Pollution Emissions from Pollution Abatement Measures.*** Providing Sub-loans to Sub-borrowers for carrying out air pollution abatement Sub-projects.
3. ***Strengthened Institutional Capacity of Hua Xia Bank.*** Strengthening the capacity of the Program Implementing Entity in, *inter alia*, green financing activities, green lending procedures, training in energy efficiency and clean energy financing, marketing and business development, innovative financing models/products, lending to small and medium enterprises and energy saving companies, and monitoring and verification.

## SCHEDULE 2

### Program Execution

#### Section I. Implementation Arrangements

##### A. **Program Fiduciary, Environmental and Social Systems**

Without limitation on the provisions of Article V of the General Conditions, the Borrower shall carry out the Program, or cause the Program to be carried out, in accordance with financial management, procurement and environmental and social management systems acceptable to the Bank ("Program Fiduciary, Environmental and Social Systems") which are designed to ensure that:

1. the Loan proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and
2. the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

##### B. **Anti-Corruption**

Without limitation on the provisions of Part A of this Section, the Borrower shall carry out the Program, or cause the Program to be carried out, in accordance with the provisions of the Anti-Corruption Guidelines.

##### C. **Other Program Institutional and Implementation Arrangements**

###### 1. Subsidiary Agreement

(a) For the purposes of carrying out of the Program, the Borrower shall make available the proceeds of the Loan to the Program Implementing Entity, under terms and conditions satisfactory to the Bank, including the following principal terms:

- (i) The principal amount shall be made available in Euro or any other Currency as the Loan may be converted from time to time through a Currency Conversion (such principal amount determined on the date, or respective dates, of withdrawal from the Loan Account) of the value of the currency or currencies so withdrawn.
- (ii) The principal amount so made available (including an amount equal to the fee paid pursuant to Section 2.03 of this Agreement and Section 4.05(c) of the General Conditions) shall be recovered over a period of twenty (20) years, inclusive of a grace period of nineteen (19) years and six (6) months.



- (iii) Interest shall be charged on such principal amount withdrawn and outstanding from time to time at a rate equal to the rate of interest applicable from time to time to the Loan pursuant to the provisions of Section 2.05 of this Agreement.
  - (iv) A Commitment Charge shall be charged equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- (b) The Borrower shall cause the Program Implementing Entity to: (a) manage, operate, monitor, transfer and reconcile the proceeds of the Loan made available to it pursuant to paragraph 1 (a) above in accordance with arrangements and procedures satisfactory to the Bank; (b) take all required actions, including provision of timely consents and approvals as may be necessary, to facilitate the utilization of said Loan proceeds and the implementation of the Program and, to enable the Program Implementing Entity to comply with its undertakings under the Program Agreement; and (c) maintain all relevant records and documents related to the Loan and the Program and provide promptly such documents and records, including all other information, as may be requested by the Borrower or the Bank from time to time.

**Section II. Excluded Activities**

The Borrower shall ensure that the Program excludes any activities which:

- A. in the opinion of the Bank, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or
- B. involve the procurement of: (1) works, estimated to cost US\$ 115 million equivalent or more per contract; (2) goods, estimated to cost US\$ 75 million equivalent or more per contract; (3) non-consulting services, estimated to cost US\$ 60 million equivalent or more per contract; or (4) consultants' services, estimated to cost US\$ 30 million equivalent or more per contract.

**Section III. Program Monitoring, Reporting and Evaluation; Audits**

**A. Program Reports**

The Borrower shall monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of Section 5.08 of the General Conditions. Each Program Report shall cover the period of one calendar year, and shall be furnished to the Bank not later than three (3) months after the end of the period covered by such report.

**B. Program Financial Audits**

Without limitation on the generality of Section I.A of this Schedule 2 and Section 5.09 of the General Conditions, the Borrower shall have the Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank may specify from time to time by notice to the Borrower to: (a) pay the Front-end Fee; and (b) finance the Program Expenditures, on the basis of the results ("Disbursement Linked Results" or "DLRs") achieved by the Program Implementing Entity, as measured against specific indicators ("Disbursement Linked Indicators" or "DLIs"); as set forth in the table of Schedule 4 to this Agreement, and in table in paragraph 2 of this Part A, respectively.
2. The following table specifies each category of withdrawal of the proceeds of the Loan (including the Disbursement Linked Indicators as applicable) ("Category"), and the allocation of the amounts of the Loan to each Category:

Category (including Disbursement Linked Indicator as applicable)	Amount of the Loan Allocated (expressed in Euro)
(1) DLI #1: Sub-loans disbursed to Sub-borrowers	276,000,000
(2) DLI #2: Coal reduction from energy efficiency and renewable energy Sub-projects	115,000,000
(3) DLI #3a: Reduction of SO2 emissions from desulfurization Sub-projects DLI #3b: Reduction of NOx emissions from denitrification Sub-projects	23,000,000
(4) DLI #4: Establishment of a Green Finance Center, and adoption of internal procedures for the identification, risk assessment, appraisal and approval of green lending	9,890,000
(5) DLI #5: Number of different eligible Innovative Financial Products for green financing deployed	16,560,000
(6) DLI #6: Number of different ESCOs receiving Sub-loans	18,400,000
(7) Front-end Fee to be paid pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions	1,150,000
<b>TOTAL AMOUNT</b>	<b>460,000,000</b>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) for purposes of Section 2.05 of the General Conditions, for payments for Program Expenditures made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed Euro 46,110,000 under Category (1) and Euro 9,890,000 under Category (4) may be made for such payments made prior to this date but on or after January 21, 2016; and
  - (b) for any DLR until and unless the Borrower has furnished evidence satisfactory to the Bank that said DLR has been achieved.
  
2. Notwithstanding the provisions of Part B.1(b) of this Section, the Borrower may withdraw: an amount not to exceed Euro 115,000,000 as an advance under any of Categories (1) through (6); provided, however, that if the DLRs corresponding to said Categories in the opinion of the Bank, are not achieved (or only partially achieved) by the Closing Date, the Borrower shall refund such advance to the Bank promptly upon notice thereof by the Bank. Except as otherwise agreed with the Borrower, the Bank shall cancel the amount so refunded. Any further withdrawals requested as an advance under

any Category shall be permitted only on such terms and conditions as the Bank shall specify by notice to the Borrower.

3. Notwithstanding the provisions of Part B.1(b) of this Section, the amount of the Loan to be withdrawn upon the verified achievement of any DLR shall be calculated, in accordance with the Formula.
4. Notwithstanding the provisions of Part B.1(b) of this Section, if the Bank is not satisfied that:
  - (a) any of the DLRs corresponding to the DLI Category (1), (2), (3), (5) or (6) has been achieved by the date by which the said DLRs is set to be achieved, the Bank may, at any time, by notice to the Borrower, decide, in its sole discretion, to: (i) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Loan then allocated to said Category which, in the opinion of the Bank, corresponds to the extent of achievement of said DLR, said lesser amount to be calculated in accordance with the Formula; (ii) reallocate all or a portion of the proceeds of the Loan then allocated to said DLI Category to any other DLI Category; and/or (iii) cancel all or a portion of the proceeds of the Annual DLR Allocation; or
  - (b) the DLRs corresponding to the DLI Category (4) has been achieved by the date by which the said DLR is set to be achieved, the Bank may, at any time, by notice to the Borrower, decide, in its sole discretion, to: (i) reallocate all or a portion of the proceeds of the Loan then allocated to said DLR to any other DLR; and/or (ii) cancel all or a portion of the proceeds of Annual DLR Allocation.
5. The Closing Date is June 30, 2022.
6. Notwithstanding the foregoing provisions of this Section IV, if at any time after the Closing Date the Borrower has failed to provide evidence satisfactory to the Bank that the Withdrawn Loan Balance does not exceed the total amount of Program Expenditures paid by the Borrower, exclusive of any such expenditures financed by any other financier or by the Bank or the Association under any other loan, credit or grant, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such excess amount of the Withdrawn Loan Balance. The Bank shall cancel the refunded amount of the Withdrawn Loan Balance.

**SCHEDULE 3**

**Amortization Schedule**

The Borrower shall repay the principal amount of the Loan in full on January 15, 2036.

Schedule 4

Disbursement-Linked Results

DLI #	DLRs to be Achieved in CY 2016	DLRs to be Achieved in CY 2017	DLRs to be Achieved in CY 2018	DLRs to be Achieved in CY 2019	DLRs to be Achieved in CY 2020	DLRs to be Achieved in CY 2021	Unit Price
1. Sub-loans disbursed to Sub-borrowers for Sub-projects	The Program Implementing Entity has disbursed an amount equivalent to €46,000,000 in Sub-loans to Sub-borrowers for Sub-projects	The Program Implementing Entity has disbursed an amount equivalent to €92,000,000 in Sub-loans to Sub-borrowers for Sub-projects	The Program Implementing Entity has disbursed an amount equivalent to €138,000,000 in Sub-loans to Sub-borrowers for Sub-projects	The Program Implementing Entity has disbursed an amount equivalent to €230,000,000 in Sub-loans to Sub-borrowers for Sub-projects	The Program Implementing Entity has disbursed an amount equivalent to €230,000,000 in Sub-loans to Sub-borrowers for Sub-projects	The Program Implementing Entity has disbursed an amount equivalent to €184,000,000 in Sub-loans to Sub-borrowers for Sub-projects	€0.276 per € in Sub-loans disbursed to Sub-borrowers for Sub-projects
2 Coal reduction from energy efficiency and renewable energy Sub-projects		5,000 tons of coal equivalent reduction from energy efficiency and renewable energy Sub-projects	50,000 tons of coal equivalent reduction from energy efficiency and renewable energy Sub-projects	100,000 tons of coal equivalent reduction from energy efficiency and renewable energy Sub-projects	155,000 tons of coal equivalent reduction from energy efficiency and renewable energy Sub-projects	240,000 tons of coal equivalent reduction from energy efficiency and renewable energy Sub-projects	€210 per ton of coal equivalent reduction from energy efficiency and renewable energy Sub-projects
3a. Number of tons of SO2 emissions reduction from desulfurization Sub-projects		500 tons of SO2 emissions reduction from desulfurization Sub-projects	1,100 tons of SO2 emissions reduction from desulfurization Sub-projects	1,600 tons of SO2 emissions reduction from desulfurization Sub-projects	2,700 tons of SO2 emissions reduction from desulfurization Sub-projects	2,700 tons of SO2 emissions reduction from desulfurization Sub-projects	€1,064 per ton of SO2 emissions reduction from desulfurization Sub-projects

3b. Number of tons of NOx emissions reduction from de-nitrification Sub-projects		400 tons of NOx emissions reduction from desulfurization Sub-projects	700 tons of NOx emissions reduction from desulfurization Sub-projects	1,100 tons of NOx emissions reduction from desulfurization Sub-projects	1,900 tons of NOx emissions reduction from desulfurization Sub-projects	1,800 tons of NOx emissions reduction from desulfurization Sub-projects	€2,320 per ton of NOx emissions reduction from desulfurization Sub-projects
4. Establishment of a Green Finance Center, and adoption of internal procedures for the identification, risk assessment, appraisal and approval of green lending projects	The Program Implementing Entity has established the Green Finance Center, and adopted internal procedures for the identification, risk assessment, appraisal and approval of green lending projects						€9,890,000
5. Number of different eligible Innovative Financial Products for green financing deployed		The Program Implementing Entity has deployed 1 Innovative Financial Product for green financing	The Program Implementing Entity has deployed 1 Innovative Financial Product for green financing (different from those deployed in	The Program Implementing Entity has deployed 1 Innovative Financial Product for green financing (different from those deployed			€5,520,000 per Innovative Financial Product for green financing deployed

			the previous CY)	in the previous two CYs)			
6. Number of different ESCOs receiving Sub-loans		The Program Implementing Entity has disbursed Sub-loans to two ESCOs for Sub-projects	The Program Implementing Entity has disbursed Sub-loans to two ESCOs (different from the ones receiving Sub-loans in the previous CYs) for Sub-projects	The Program Implementing Entity has disbursed Sub-loans to two ESCOs (different from the ones receiving Sub-loans in the previous CYs) for Sub-projects	The Program Implementing Entity has disbursed Sub-loans to two ESCOs (different from the ones receiving Sub-loans in the previous CYs) for Sub-projects	The Program Implementing Entity has disbursed Sub-loans to two ESCOs (different from the ones receiving Sub-loans in the previous CYs) for Sub-projects	€1.84 million per ESCO receiving a Sub-loan



## APPENDIX

### Section I. Definitions

1. "Air Pollution Prevention and Control Action Plan" means the Borrower's plan on air pollution prevention and control, dated September 10, 2013, and adopted by the Borrower's State Council, setting forth, *inter alia*, a mandatory target to reduce PM<sub>2.5</sub> concentration in Jing-Jin-Ji.
2. "Annual DLR Allocation" means in respect to any DLR the amount of the Loan calculated as the product of the Unit Price per the target expected to be achieved under the corresponding DLI in a given year (as said target is set forth in the table in Schedule 4 to this Agreement).
3. "Anti-Corruption Guidelines" means the Bank's "Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing," dated February 1, 2012, and revised July 10, 2015.
4. "Category" means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
5. "CY" means calendar year.
6. "CY 2016" means the calendar year of 2016, starting on January 1, 2016 and ending on December 31, 2016.
7. "CY 2017" means the calendar year of 2017, starting on January 1, 2017 and ending on December 31, 2017.
8. "CY 2018" means the calendar year of 2018, starting on January 1, 2018 and ending on December 31, 2018.
9. "CY 2019" means the calendar year of 2019, starting on January 1, 2019 and ending on December 31, 2019.
10. "CY 2020" means the calendar year of 2020, starting on January 1, 2020 and ending on December 31, 2020.
11. "CY 2021" means the calendar year of 2021, starting on January 1, 2021 and ending on December 31, 2021.
12. "Disbursement Linked Indicator" or "DLI" means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
13. "Disbursement Linked Result" or "DLR" means the results/targets set forth in the table in Schedule 4 to this Agreement, in the columns entitled "DLRs to be achieved in CY2016", "DLRs to be achieved in CY2017", "DLRs to be achieved in CY2018", "DLRs to be

achieved in CY2019”, “DLRs to be achieved in CY2020”, and “DLRs to be achieved in CY2021”, on the basis of the achievement of which, the amount of the Loan allocated to the Category of the corresponding DLI of said result may be withdrawn in accordance with the provisions of Section IV of Schedule 2 to this Agreement.

14. “ESCOs” means those Sub-borrowers that are energy service companies.
15. “Formula” means the measure for calculating disbursements against DLRs in a given year, given by the product of the Unit Price per the actual target achieved, as determined by the Bank, under a given DLR in the respective year.
16. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
17. “Green Finance Center” means a center to be established within the Program Implementing Entity, to be responsible for implementing the Program, the overall green finance business line, marketing, guidance to other branches, quality control, management of Sub-loans, and coordination with the Borrower and the Bank, and referred to in Section I.C.1 of the Schedule to the Program Agreement.
18. “Hua Xia Bank Co., Limited” and the acronym “Hua Xia Bank” mean the commercial bank established in 1992 pursuant to the People’s Bank of China Document No. 321 of 1992; and converted as a joint stock company according to the Borrower’s Company Law in 1998 and operating pursuant to its Articles of Association dated May 12, 2015, and to the Business License No. 10000010029676 dated with initial registration on March 18, 1998, and updated registration on May 23, 2014, issued by the State Administration for Industry and Commerce, and any successor thereto.
19. “Jing-Jin-Ji” means the Borrower’s provinces/municipalities of Beijing, Tianjin, Hebei, Shandong, Shanxi, Inner Mongolia, Henan, and any other provinces/municipalities that may be added to the Air Pollution Prevention and Control Action Plan or the Successor Program.
20. “Innovative Financial Products” means the financial products to be developed by the Program Implementing Entity, including: (i) project-based lending in which a loan is collateralized by the cash flows resulting from energy cost savings and/or revenues from renewable energy power generation; (ii) securitization of project assets; (iii) aggregation (bundling) of small-scale projects to increase the loan size and reduce transaction costs; (iv) green bond; and (v) other financial products proposed by the Program Implementing Entity and approved by the Bank.
21. “NOx” means nitrogen oxide.
22. “Program Action Plan” and the acronym “PAP” mean the Program Implementing Entity’s action plan, which plan is part of the POM and is designed to strengthen the Program Fiduciary, Environmental and Social Systems.

23. "Program Fiduciary and Environmental and Social Systems" means the Program Implementing Entity's systems for the Program referred to in Section I.A of Schedule 2 to this Agreement and Section I.A. of the Schedule to the Program Agreement.
24. "Program Implementing Entity" means Hua Xia Bank.
25. "Program Implementing Entity's Legislation" means Hua Xia Bank's Articles of Association.
26. "Program Operational Manual" and the acronym "POM" mean the Program Implementing Entity's manual, dated December 16, 2015, satisfactory to the Bank, describing: (i) institutional and implementation arrangements; (ii) eligibility criteria and procedures for the selection of Sub-borrowers and Sub-projects; (iii) procurement procedures, and procedures for reporting allegations of fraud and corruption; (iv) a financial management manual, including guidelines on financial management, internal controls, accounting procedures, fund and asset management and withdrawal application procedures; (v) the procedures for managing the actual and potential adverse environmental and social impacts of the Program (vi) monitoring, evaluation and reporting procedures, including a verification protocol for the achievement of DLRs; and (vii) the Program Action Plan; as the same may be amended from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules thereto.
27. "SO<sub>2</sub>" means sulfur dioxide.
28. "Sub-loan" means a loan made by the Program Implementing Entity to a Sub-borrower under the Program for the financing and carrying out of a Sub-project pursuant to the provisions of the Program Agreement and the POM; and the term "Sub-loans" means, collectively, all such Sub-loans.
29. "Sub-loan Agreement" means the agreement to be entered into between the Program Implementing Entity and a Sub-borrower for purposes of providing a Sub-loan pursuant to Section I.C.5 of the Schedule to the Program Agreement, as the same may be amended from time to time with the prior agreement of the Bank; and "Sub-loan Agreements" means, collectively, all of said Sub-loan Agreements.
30. "Sub-borrower" means the companies, entities or bodies eligible to receive a Sub-loan pursuant to the POM; and the term "Sub-borrowers" means, collectively, all such Sub-borrowers.
31. "Sub-project" means an investment project under the Program to be carried out by a Sub-borrower, using financing from the proceeds of a Sub-loan in accordance with the provisions of the POM and the relevant provisions in the Program Agreement; and the term "Sub-projects" means, collectively, all such Sub-projects.

32. "Subsidiary Agreement" means the agreement referred to in Section I.C.1 of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to the Program Implementing Entity.
33. "Successor Program" means a program on air pollution to be adopted by the Borrower after the termination of the Air Pollution Prevention and Control Action Plan.
34. "Unit Price" means in respect of any DLR the amount set forth in the eighth column of the table in Schedule 4 to this Agreement.

## Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Wherever used throughout the General Conditions, the term "the Project" is modified to read "the Program", the term "the Project Agreement" is modified to read "the Program Agreement", the term "Project Implementing Entity" is modified to read "the Program Implementing Entity", the term "Project Report" is modified to read "Program Report"; and the term "Eligible Expenditures" is modified to read "Program Expenditures".
2. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the amendments set forth below.
3. Section 2.02, *Special Commitment by the Bank*, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
4. In Section 2.02 (originally numbered as Section 2.03), the heading "*Applications for Withdrawal or for Special Commitment*" is replaced with "*Applications for Withdrawal*", and the phrase "or to request the Bank to enter into a Special Commitment" is deleted.
5. The section originally numbered as Section 2.04, *Designated Accounts* is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
6. Paragraph (a) of Section 2.03 (originally numbered as Section 2.05), *Eligible Expenditures* (renamed "Program Expenditures" in accordance with paragraph 1 of this Section II), is modified to read: "(a) the payment is for the financing of the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Loan in accordance with the provisions of the Legal Agreements;".
7. The last sentence of Section 2.04 (originally numbered as Section 2.06), *Financing Taxes*, is modified to read: "To that end, if the Bank at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Bank may, by notice to the Borrower, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Loan, as required to ensure consistency with such policy of the Bank."

8. Section 2.06 (originally numbered as Section 2.08), *Reallocation*, is modified to read:

“Notwithstanding any allocation of an amount of the Loan to a withdrawal category under the Loan Agreement, the Bank may, by notice to the Borrower, reallocate any other amount of the Loan to such category if the Bank reasonably determines at any time that such reallocation is appropriate for the purposes of the Program.
9. Section 3.01. (*Front-end Fee*) is modified to read as follows:

“Section 3.01. *Front-end Fee; Commitment Charge*

  - (a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).
  - (b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”
10. Section 7.01, *Cancellation by the Borrower*, is modified to read: “The Borrower may, by notice to the Bank, cancel any amount of the Unwithdrawn Loan Balance.”
11. Paragraph (d) of Section 7.03, *Cancellation by the Bank*, entitled “*Misprocurement*”, is deleted, and subsequent paragraphs are relettered accordingly.
12. Section 7.04, *Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Bank*, is deleted in its entirety, and subsequent Sections in Article VII and references to such Sections are renumbered accordingly.
13. In the Appendix, **Definitions**, all references to Section numbers and paragraphs are modified, as necessary, to reflect the modifications set forth above.
14. A new paragraph 19 is inserted with the following definition of “Commitment Charge”, and the remaining paragraphs are renumbered accordingly:

“19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”
15. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01 (a).
16. Renumbered paragraph 21 (originally paragraph 20) of the Appendix (“Conversion Date”) is modified to read as follows:

“21. “Conversion Date” means, for a Conversion, the Execution Date or such other date as the Bank shall determine on which the Conversion enters into effect, as further specified in the Conversion Guidelines; provided that if the Loan Agreement provides for automatic Conversions into the Approved Currency upon withdrawal of amounts of the Loan, the Conversion Date shall be the date of withdrawal from the Loan Account of the amount in respect of which the Conversion has been requested.”

17. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term “Loan Payment” is modified to read as follows:

“68. “Loan Payment” means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”

18. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”.

19. Renumbered paragraph 88 (originally paragraph 87) of the Appendix, setting forth the definition of “Special Commitment” is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.