



**国银租赁**

CHINA DEVELOPMENT BANK LEASING

CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.

Stock Code:1606

# 2017 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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# About the Report

## 1.1 Overview

This is the 2017 Environmental, Social and Governance (ESG) Report released by China Development Bank Financial Leasing Co., Ltd. The annual Report mainly discloses the Company's economic, social and environmental performances from January 1, 2017 to December 31, 2017.

## 1.2 Compilation Basis

This Report is compiled with reference to the revised Environmental, Social and Governance Report released by the Stock Exchange of Hong Kong Ltd. in December 2015.

This Report is prepared in conformity to a set of systematic procedures, including identification and arrangement of major stockholders and ESG topics, determination of the scope and boundary of the ESG Report, collection of relevant materials and receipts, data preparation based on materials and review of data in the Report, etc..

## 1.3 Scope and Boundary

The disclosure scope and boundary of the Report is consistent with those of the annual report of China Development Bank Financial Leasing Co., Ltd. in 2017.

## 1.4 Appellations

For the convenience of expression and reading, "China Development Bank Financial Leasing (CDB LEASING)", "the Group", "the Company" and "we/us/our" in this Report refer to "China Development Bank Financial Leasing Co., Ltd. and its affiliated company or company for special purpose".

## 1.5 Data Source and Reliability Assurance

Data and other information in this Report are mainly from relevant documents, reports and statistical results of China Development Bank Financial Leasing. In the name of the Board of Directors, China Development Bank Financial Leasing undertakes that there are no false records or misleading statements in this Report and accounts for the authenticity, accuracy and integrity of the contents.

## 1.6 Confirmation and Approval

This Report is confirmed by the management and approved by the Board of Directors on June 19, 2018.

## 1.7 Access to the Report

This Report is prepared in both Chinese and English. Access to the E-version of the Report via the official website of the Company.

Please contact us if there is any doubt or feedback about the Report or its contents:

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# Chairman's Statement

As one of the major time-honored domestic financial leasing companies, China Development Bank Financial Leasing Co., Ltd. is the only leasing platform under China Development Bank (referred to CDB hereinafter) and the first financial leasing enterprise listed on the main board of the Hong Kong Stock Exchange.

Guided by the mission of "leading China's leasing industry and serving the real economy", China Development Bank Financial Leasing (CDB LEASING) focuses on the lease and provides cash or facilities for our customers via financial leasing instruments so as to make full use of assets. Therefore, CDB LEASING makes it one of its development strategies to fulfill corporate social responsibilities and to achieve green and sustainable development. We share the benefits with stakeholders and are dedicated to promoting healthy, sustainable and harmonious development of the economy, society and environment.



**Run steady and robust businesses in line with regulations and optimize the management mechanism.** As a listed company and a non-banking financial institution supervised by China Banking Regulatory Commission, CDB LEASING makes it a fundamental tenet to run businesses faithfully and lawfully and to pursue sustainable development with broad visions. To this end, we enhance the comprehensive risk management and control and improve the corresponding system so as to deal with multiple risks in daily businesses. Moreover, CDB LEASING keeps the integrated internal policies and the supervision mechanism in place to strictly prevent illegal conducts such as corruption and money laundering and to adeptly manage case risks, sanction risks and intellectual property right risks. In 2017, we rigorously advanced to systems and mechanisms for market-oriented operations, stepped up efforts in business development, appraisal, loans issuing and after-leasing management, and bettered system procedures, information systems as well as management and accounting systems, etc.. In addition, we are committed to building the harmonious relationships among the stakeholders, attach adequate importance to employee growth and customer satisfaction, strive for better project management and service qualities, and establish a sound image and reputation with integrity and professionalism.

**Serve national strategies and support the real economy.** CDB LEASING proactively responds to the national macro-strategies and serves the real economy by fully utilizing its advantages in "fund raising" and "asset raising". The Group has established both a mature business model and a leasing business system that covers aircraft leasing, infrastructure leasing, ship, commercial and engineering machinery leasing as well as other leasing businesses. Benefited from CDB's strengths in the infrastructure sector, we collaboratively facilitate the development of the infrastructure leasing businesses and help drive forward China's urbanization program. Meanwhile, in response to the B&R Initiative, CDB LEASING has offered aircraft and ship leasing services to over 30 countries and regions by "going global". Furthermore, with the transformation and upgrading of China's manufacturing industry, we strongly support the equipment manufacturing industry, integrated circuit industry, strategic emerging industries, environmental protection and energy conservation industries and the manufacturing industries encouraged by national policies, thus stimulating the growth

of the real economy.

**Pursue green development and build a beautiful China.** We follow the philosophy that “Lucid waters and lush mountains are invaluable assets” in our business operations. A sound natural environment is the basis for the existence and development of human society, which motivates us to pursue the green and sustainable development path. To protect the ecological environment in which we live, CDB LEASING applies the goal of green development into daily businesses. For example, we have financing and leasing businesses related to the development and application of renewable energies such as wind, solar and nuclear energy, thus making our contribution to the growth of clean energy industries. Additionally, our energy-saving aircraft and ship leasing businesses help conserve energy and reduce emissions throughout the industrial chain.

**Support small-and-medium sized enterprises and develop inclusive finance.** While striving for business growth, CDB LEASING is also dedicated to facilitating the promotion of the inclusive financing and the development of small-and-medium sized enterprises (SMEs). With the prerequisite of ensuring the returns and preventing risks, we offer inclusive finance services to improve the welfare of society. With a unique commercial vehicle and engineering machinery leasing system, CDB LEASING helps the small-and-medium sized leasees with financing.

The year 2017 is the first complete fiscal year after CDB LEASING was listed in Hong Kong. We witness significant achievements in financial performance, business operation, risk management and system reforms. On February 10, 2017, the H share of CDB LEASING was officially rated as the constituent stock of the Hang Seng Composite Index for small-cap stocks, which further enhances the influence of CDB LEASING in the capital market and injects greater impetus for the development of the Company.

CDB LEASING will continue to deepen reforms for progresses, stick to the guidelines of “making steady progress, improving growth quality and efficiency, achieving innovation-driven development and preventing and controlling risks”, and shoulder our responsibilities for industries, people’s livelihood, investors and employees, thus making greater contribution to the harmonious and sustainable development of CDB LEASING, the economy, the society and the environment.

Chairman  
Mr.Wang Xuedong

# About Us

### 3.1 Introduction

China Development Bank Financial Leasing Co., Ltd. is a national non-banking financial institution under the supervision of China Banking Regulatory Commission, the only leasing and listed platform of China Development Bank and the first listed domestic financial leasing company. We offer comprehensive leasing services for quality clients from the aviation, infrastructure, ship, commercial vehicle and engineering machinery sectors. Founded in 1984 as the pioneer and leader of China’s leasing industry, CDB LEASING is one of the first leasing companies established in China and enjoys good international credit ratings, namely Moody A1, S&P A and Fitch A+.

Boasting a long history, CDB LEASING witnesses the development of China’s leasing industry as an industrial player. After going through several economic cycles and regulatory reforms in the financial leasing industry, we have accumulated rich experiences in business development, product innovation, risk management and control, and operational management. CDB LEASING has explored a wide range of business sectors, continuously stepped up product innovation and business improvement and improved corporate governance in a planned manner, thus clearly identifying our industrial and client focuses, i.e. medium-and-large sized clients from the aircraft and infrastructure leasing sectors, which enjoy mature business models, quality assets and promising futures.

The more and more market-oriented financial industry in China, the increasing market demands for customized leasing products and services, and favorable governmental policies have presented valuable opportunities for the leasing industry. CDB LEASING is confident that with the lasting history, influential market presence, mature business model and excellent brand image, we can seize the opportunities to maintain steady and robust development and continue to play a leading role in China’s fast-growing leasing industry.

#### 3.1.1 Mission, Vision and Corporate Culture

For years, CDB LEASING has remained faithful to the mission of “leading China’s leasing industry and serving the real economy”, the vision of building a world-class financial leasing company, and the core values of “supporting steady and robust development with professionalism and integrity to yield win-win cooperation”. Guided by the strategic positions of getting “market-oriented, professional, diverse and international”, CDB LEASING optimizes resource allocations with market-oriented operations, enhances the connectivity of finance with other industries with diverse business models, supports technological progress and real economy growth with professional financial services, and leads China’s enterprises to go global with the international operation platform. With practical actions, we create value for our clients and shareholders and contribute practical experience to the leasing industry, thus playing a positive role to facilitate the social progress and economic transformation and upgrade.

#### 3.1.2 Major Business Models and Functions

Major Business Models and Functions	
Direct Leasing	Help clients to acquire high-tech, high value assets through optimized financial service solutions
Sale-Leaseback	Vitalize fixed assets held by clients by providing capital support for their development
Lease Transactions	Optimize the efficiency of assets to constantly generate value

3.2 2017 in Review

Steady and robust performance growth

The gross revenue in 2017 was RMB 11.8 billion, registering a year-on-year increase of 9.7%; the net profits were RMB 2.131 billion, rising by 36.5% over the previous year. As of the end of 2017, the total assets amounted to RMB 187.099 billion, 12.4% higher than that of 2016.

Optimized business arrangement

CDB LEASING became more professional with aviation, ship, engineering machinery, vehicle and new energy businesses, adjusted the leasing model of the infrastructure business, and saw steady business growth. The annual business investment in 2017 amounted to RMB 52.695 billion, an increase of 30% over the previous year.

Accelerated business innovation

Transactional capacities of aircraft assets witnessed significant growth by innovating leasing models, enriching leasing products and significantly driving up intermediary services.

Enhanced risk management and control capacities

CDB LEASING enhanced the comprehensive risk management system, stepped up risk management and control, and disposed of non-performing assets through multiple channels. The amount and rate of non-performing assets both dropped again, with the risks controlled at the lowest level over the past three years.

Leading credit ratings

In 2017, CDB LEASING’s credit ratings by S&P, Fitch and Moody were A, A+ and A1 respectively, among which the ratings by Moody and Fitch were comparable to that of China’s sovereign credit rating and the rating by S&P was one level lower than that of China’s.

Expanded financing channels

In 2017, CDB LEASING released three issuances of financial bonds (RMB 7 billion) in four categories and set two MTN programs (USD 3 billion) overseas. A high-grade bond (USD 1.8 billion) is planned to be issued. Diverse financing channels including bank loans, bond issuance, inter-bank borrowing, insurance financing and equity financing were in place, which enhanced CDB LEASING’s financing capacities.

Building a Philosophy and Culture of Responsibility

As an enterprise with a strong sense of responsibility, CDB LEASING is convinced that the commitment to shoulder social responsibility is not only conducive to sustainable economic, social and environmental development but also to the long-term growth of CDB LEASING. We gradually establish and perfect our governance system so as to guarantee the implementation of responsible planning.

4.1 Responsibility Philosophy

As the only listed leasing platform under China Development Bank, we act in accordance with the national macro-strategies and give full play to the strengths of “fund raising” and “asset raising” so as to serve the real economy. Meanwhile, as a company listed in the Stock Exchange of Hong Kong, CDB LEASING values our environmental, social and governance responsibilities and pursues shared values and harmonious development with governments, shareholders, clients, suppliers, employees, communities and the environment in our legal and lawful business operations, which constitutes our fundamental philosophy












Fig. 4.1-1 CDB LEASING's Social Responsibility Model

4.2 Communications with Stakeholders

Stakeholders	Expectations	Responses
Governments	Abide by laws and regulations for legal operations Create job opportunities and pay taxes Support regional economy and industrial development	Conduct corporate compliance management to ensure compliant corporate operations Pay full taxes timely to generate tax revenues and create job opportunities Conduct relevant businesses in response to the national major policies
Shareholders and investor	Corporate governance and value creation Information disclosure and risk control	Improve corporate governance to enhance corporate values Timely disclose information Set up the communication mechanism with shareholders and investors
Clients	Product and service quality Protection of clients' rights and interests	Ensure product and service qualities Improve the post-leasing management mechanism, client service workflow, client compliance handling system and client communication mechanism
Employees	Protection of basic rights and interests Reasonable salary and welfare Promotion and growth opportunities Protection of health and safety Employee care	Abide by employment laws and regulations and perfect the employment system Adopt a competitive salary system and transparent promotion mechanism Organize career training for staff growth Offer health examinations and other staff care benefits
Industrial organizations and partners	Promote healthy industrial development Mutually beneficial and win-win cooperation with partners	Deepen win-win cooperation with industrial partners Maintain sound relations and trustworthiness with major suppliers
Media	Sound interactions with the media Information disclosure	Improve media communications Disclose information via multiple channels
Communities	Support community development	Organize charitable donations, social activities for the public good and volunteering activities
Environment	Protect the environment and reduce energy consumption and emission	Green office Introduce environmentally-friendly energy-conserving facilities and equipment Develop businesses related to new energies

4.3 Awards and Honors

	In January 2017, Best IPO Award among China's Listed Companies with Financing in 2016 by China Finance in Hong Kong
	In April 2017, Annual Transaction Award on the Annual Meeting of Marine Money in Hong Kong for CDB LEASING's cooperation with FMG on Eight Large Ore Carriers
	In June 2017, Key Enterprise of Service Trade in Shenzhen 2016
	In June 2017, President's Award 2016/2017 by The Community Chest
	In July 2017, Junding Award
	In September 2017, Leaping Development Award
	In November 2017, Best Green Finance Award 2016 by Shenzhen Banking Association
	In December 2017, Best Leasing Company on the Gold Medal Tally of China's Financial Institutions 2017: Gold Dragon Award by Financial News
	In December 2017, Best Corporate Governance Award

Operated in Compliance with Laws and Regulations and Optimized Management Mechanism

CDB LEASING takes faithful and steady operations as the foundation for development and builds our corporate image with integrity and professionalism. To this purpose, we constantly improve financing management, risk management, capital management and internal control management, and strictly follow laws and regulations to ensure lawful and legal operations. At the same time, we focus on the needs of our clients and strive to create values for them. Therefore, we work with quality suppliers to deepen after-leasing management and improve business and service competence, thus offering best solutions for our clients.

5.1 Financing Management

5.1.1 Leading Credit Ratings

In 2017, CDB LEASING's credit ratings by Moody, S&P, Fitch and China Credit Trust were A1, A, A+ and AAA respectively. CDB LEASING's credit ratings by Moody and Fitch were comparable to that of China's sovereign credit rating and the rating by S&P was one level lower than that of China's credit, making CDB LEASING a leasing company with one of the best credit ratings worldwide.



5.1.2 Diverse Financing Channels

Excellent credit ratings help build CDB LEASING's financing capacities through multiple channels: CDB LEASING deepened cooperation with domestic and foreign banks as well as financial institutions to ensure the capital support for business growth. As of December 31, 2017, CDB LEASING had established business ties with 106 banks and won uncommitted bank credit of RMB 520.3 billion, of which the unused credit balance was RMB 393.6 billion.

CDB LEASING continued to issue RMB financial bonds and further enriched medium-and-long term RMB capital sourcing. On May 5, August 24 and October 24 of 2017, CDB LEASING fully issued three rounds of RMB financial bonds (RMB 7 billion of the approved financial bond quota of RMB 10 billion) in four categories. Moreover, by working through the issuing channel of Bond Connect, CDB LEASING successfully issued Bond Connect worth RMB 5 billion and raised RMB 1.1 billion from overseas investors, which further expanded the scope of overseas investors for domestic bonds.

By setting up overseas MTN programs, CDB LEASING diversified the medium-and-long term USD financing channels. On July 18 and October 10 of 2017, CDB LEASING set two MTN programs (USD 3 billion) overseas, which provided USD capital for our overseas aviation and non-aviation leasing businesses. On July 25, 2017, CDB LEASING issued a 3-year high-grade bond (USD 400 million) and a 5-year high-grade bond (USD 600 million) in the book entry form; on October 17, 2017, CDB LEASING continued to issue a 5.5-year high-grade bond (USD 400 million) and a 10-year high-grade bond (USD 400 million) in the book entry form.

To diversify our financing activities, CDB LEASING continued to explore the domestic insurance capital financing sector and the non-bank capital financing sector. In light of the changes on the domestic capital market in 2017, CDB LEASING proactively adjusted financing strategies and vigorously pursued non-bank capital financing channels such as the insurance capital financing and the bank factoring financing. In 2017, CDB LEASING not only was granted with a credit line of RMB 36 billion in total from insurance and asset management companies but also financed RMB 10.4 billion of the insurance capital and RMB 6.3 billion of the bank factoring capital, which greatly reduced the dependence on inter-bank capital.

5.2 Risk Management

5.2.1 Risk Management System

Potential risks in daily businesses include credit risk, market risk, liquidity risk, operation risk, information and technology risk and reputation risk, etc.. CDB LEASING has established and continues to improve the “omni-bearing, whole-process and fully manned” risk management system, advocates and cultivates the risk philosophy and culture that “everyone is equally held accountable for risk management”, and forms the mature risk management architecture and system. Guided by the risk management framework document Basic Regulations on Comprehensive Risk Management (Trial) of China Development Bank Financial Leasing Co., Ltd., CDB LEASING has established a comprehensive risk management system at three levels, namely the Board of Directors level, the senior management level and the business department level, which clarifies risk obligations of the Board of Directors, the Board of Supervisors as well as the senior management and defines the risk management roles of departments, thus establishing a comprehensive risk management matrix composed of business departments, relevant risk management departments and the internal auditing department and making it possible to identify, evaluate and monitor risks in daily operations so as to strike a balance between risks and benefits.

In addition, CDB LEASING attaches great importance to the adoption of risk management standards and the introduction of risk management facilities. As a financial institution under the supervision of China Banking Regulatory Commission, CDB LEASING has, in conformity with standards applicable among commercial banks, set out risk guidelines and regulations, adopted strict risk management standards, and designed and employed diversified risk management facilities, thus properly managing the credit risk, market risk, liquidity risk and other risks.



In 2017, the Group further strengthened the comprehensive risk management and thoroughly analyzed the weaknesses of risk management, which covered all risk management types, such as the credit risk, market risk and operation risk, the whole risk management process throughout the pre-leasing, leasing and after-leasing stages, and the comprehensive risk management system which involves all parties. Firstly, with reference to regulatory requirements and leading international management ideas, CDB LEASING released the Basic Regulations on the Comprehensive Risk Management, bettered the risk preference, quota and alarm management system, and further perfected the comprehensive risk management system; secondly, CDB LEASING continued to optimize the credit rating model and pricing plans and enhanced the credit risk measurement so as to make the risk management more accurate; thirdly, CDB LEASING gradually stepped up the efforts in the after-leasing meticulous management and organizes risk screening activities, thus making the risk management more

omniscient; fourthly, CDB LEASING built a “1+9+1” close-locked accountability system involving all employees and business sectors (including leasing, capital, office, administration, purchasing, accounting, information, reputation risk and operation risk sectors), which enhanced the risk and responsibility awareness among employees, making risk management more efficient. Fifthly, CDB LEASING proactively responded to the challenges concerning risk measurement and asset depreciation proposed by the International Accounting Standards IFRS9 by innovatively optimizing the credit rating model and adjusting the depreciation measurement plan, thus guaranteeing the smooth application of IFRS9 and enhancing CDB LEASING’s capacities to withstand risks and conduct internal controls.

5.2.2 Risk Management Strategies

In 2017, CDB LEASING adopted robust and prudential risk management strategies.

**To deal with the credit risk**, CDB LEASING optimized the appraisal mechanism, standardized the loaning procedure, enhanced the after-leasing management, strengthened the auditing supervision and implemented the non-performing asset accountability system, thus realizing multi-level risk management that covers all risks. Faced with severe risk conditions, CDB LEASING identified, evaluated, monitored, alarmed and reported risks based on the characteristics of the leasing industry, deepened the understanding about risks of industries that CDB LEASING was engaged in, vigorously built the risk measurement system and strengthened the monitoring and handling of risks. CDB LEASING not only reduced the overall business risks with portfolio management on assets of different countries, regions and industries but optimized the asset qualities and pursued to optimize the risk returns by adjusting the industrial operation strategies, stepping up the client admittance standards and improving the risk pricing system.

**Faced with market risk**, CDB LEASING, simultaneously managed the interest risk by re-pricing the leasing assets and corresponding liabilities and dealt with the foreign exchange risks by matching the asset liabilities with currencies as well as using currency derivatives to cope with the foreign exchange risks.

**As for liquidity risk**, CDB LEASING established a three-level liquidity reserve system to lighten and resolve such risks, managed the asset liability duration portfolio, kept adequate liquidity reserves and obtained sufficient capital via multiple capital sources.

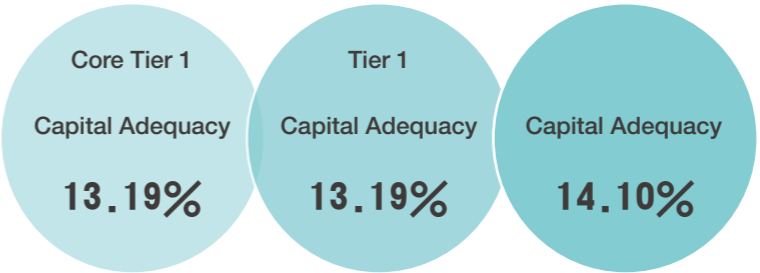
**In terms of compliance risk**, CDB LEASING established and improved the compliance system for internal control with the aid of the professional agents, made the compliance management more professional and standard, and built up the capacities to prevent and control the compliance risks. Under both domestic and foreign supervision after getting listed, CDB LEASING proactively strengthened the compliance management in all sectors to avoid relevant risks.

5.3 Capital Management

CDB LEASING’s major goals of asset management are to meet the capital requirement set by different local banking regulatory institutions, to ensure continued operation capacities so as to provide shareholders with returns, and to guarantee capital adequacy to support business development

5.3.1 Capital Adequacy Ratio Higher than Required

As required by China Banking Regulatory Commission, CDB LEASING closely monitored the capital operations. As of December 31, 2017, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio were 13.19%, 13.19% and 14.10% respectively, all being higher than those required by China Banking Regulatory Commission.



### 5.3.2 Advanced the Transformation towards the Intensive Capital Management Model

With increasingly enhanced capital management capacities, CDB LEASING improved the capital guide and constraint mechanism and actively advanced the transformation towards the intensive capital management model. By analyzing capital utilization conditions and risk-weighted assets, CDB LEASING continued to optimize the business structure, lowered the share of inefficient capital utilization, constantly raised the capital utilization ratio, and made capital better guided as to reduce the role of capital utilization in the development of business.

## 5.4 Internal Control Management

### 5.4.1 Enhanced the Internal Control System

A sound institutional system is the basis for “governing the Company with laws”. Therefore, guided by the principle of “internal control first”, CDB LEASING has formulated targeted internal control regulations for possible risks inherent to different operational activities and adopted a scientific and dynamic management approach based on standards, procedures and systems in line with the Management Regulations and Rules of China Development Bank Financial Leasing Co., Ltd..

In 2017, with the aim of perfecting the internal control system, CDB LEASING screened system loopholes and process deficiencies, and strictly dealt with management blind spots and risks, thus further improving the management system and optimizing the corresponding management procedures.

Worked to establish more efficient and practical systems. In 2017, CDB LEASING established 119 system items, of which 49 were newly established, 53 were modified and 22 were rescinded. As of the end of 2017, CDB LEASING had put in place the basic systems, targeted systems and operational specifications. A total of 256 system items covered 41 business lines of 14 business sectors in corporate governance, office administration, personnel and practical business activities.

Further optimized management procedures. CDB LEASING further enhanced the examination of systems from risks, laws and compliance, fundamentally guaranteeing that business activities were in compliance with systems and operation procedures, and provided strong system support for corporate businesses.

### 5.4.2 Strengthened the Internal Auditing

CDB LEASING strengthened the internal auditing to guarantee the implementation of rules and regulations. To this end, CDB LEASING formulated the Basic Internal Auditing Regulations of China Development Bank Financial Leasing Co., Ltd., the Management Regulations on Internal Auditing of China Development Bank Financial Leasing Co., Ltd., the Internal Auditing Staff Code of China Development Bank Financial Leasing Co., Ltd. and the Internal Auditing Work Plan of China Development Bank Financial Leasing Co., Ltd., etc., which give full play to the role of internal auditing on corporate governance, risk prevention and compliant internal control.

In 2017, following requirements for listed companies, CDB LEASING continued to improve the functional design of internal auditing, to build up the auditing capacities and to train auditing talents, thus guaranteeing fruitful results. Throughout the year of 2017, CDB LEASING completed 24 examination and supervision tasks on internal auditing, including the auditing of the leasing business risk projects, the examination of regulation compliance, the appraisal of internal control, the auditing of outsourcing risks, the classified auditing of asset qualities, the auditing of market risks, the auditing of affiliated transactions, the evaluation of fraud risks, the auditing of country risks, etc.. Challenges and deficiencies in corporate management, business management, risk management and internal control compliance were listed, with targeted feedback and suggestions being offered, which well helped with risk control and internal control compliance.

## 5.5 Abided by Laws and Regulations

### 5.5.1 Anti-corruption

CDB LEASING takes anti-corruption as an important part of compliance management and therefore lists “not only events that are against the national laws and regulations or supervision requirements of related departments and have constituted or shall constitute severe external supervision risks, but major violations of laws and regulations such as

slush funds, fraud and fund embezzlement” as “major risks” in Management Regulation on Major Risks and Reporting of China Development Bank Financial Leasing Co., Ltd. for severe supervision and handling.

To establish an effective fraud prevention and examination mechanism and to standardize business operations, CDB LEASING formulated the Management Regulations against Fraud of China Development Bank Financial Leasing Co., Ltd. (Trial) that stipulates the definition of fraudulent behavior, the obligations of anti-fraud, the prevention and control of fraud, the processing of fraud cases, the guidance and supervision of anti-fraud tasks as well as the remedies and punishment of cheating, thus preventing behavior that endangers the benefits of CDB LEASING and shareholders.

In addition, CDB LEASING has enacted the Rules on Implementing Eight Regulations of Austerity Proposed by the CPC Central Committee, the Rules on Conducting Supervision over Honest Government Positions and the Work Focus and Labor Division on Constructing the Party Conduct and an Honest and Clean Government and on Anti-corruption, which apply the prevention and control of corruption and related risks as well as the construction of a clean government into daily operations. CDB LEASING also formed an internal discipline inspection and supervision department for daily inspection and supervision.

- Enhanced the anti-fraud awareness and skills of employees with the employee handbook, the corporate rules and regulations, promotion activities or local network.
- Set up the Tip-off Hotline to help employees properly deal with conflicts of interests and illegal profit temptations at work.
- Set up the fraud case handling process and support the real-name or anonymous reporting of unethical or dishonest behaviors.
- The senior management shall take such measures as approval, authorization, examination, verification, rights and liabilities division, work performance re-examination and corporate asset protection to prevent and reduce false financial statements or abuse of corporate assets.
- CDB LEASING not only holds internal anti-fraud evaluations every year but also has the underlying fraud risk evaluated when engaging external auditors to conduct statutory audits of corporate financial statements.
- CDB LEASING organized quarterly staff behavior screening to timely spot underlying risks and deal with them.
- By dynamically and closely observing honest governance protocols, CDB LEASING paid particular attention to clean governance during holidays and established mature management regulations and systems to prevent corruption and integrity risks.

Meanwhile, CDB LEASING legally protects whistleblowers and employees investigated and forbids unlawful discrimination or retaliation of any form against the reporting staff. CDB LEASING took proper measures against the regulatory violators and reported the dismissal results internally or to any necessary third-party. CDB LEASING punished the employees involved in fraudulent events in accordance with applicable regulations or transferred the offending parties to judicial bodies for punishment.

### 5.5.2 Anti-money Laundering

To better fight against money laundering activities, CDB LEASING modified and released the Management Regulations on Anti-money Laundering of China Development Bank Financial Leasing Co., Ltd., which establishes the anti-money laundering management mechanism. CDB LEASING stipulates that the anti-money laundering activities shall follow the principles of identifying the clients: logging transaction records and client identity information, strengthening internal control, abiding by laws and being confidential.

- Strengthened organization and institution building. CDB LEASING formed an anti-money laundering group responsible for planning, arranging, supervision, managing and reporting the anti-money laundering efforts. The compliance management department is responsible for the daily anti-money laundering activities and the implementation of anti-money laundering measures. CDB LEASING employed anti-money laundering specialists to deal with the reporting of block trading and suspicious transactions.
- Improved the archives management procedure. Following the principles of security, accuracy, completeness

and confidentiality, CDB LEASING properly kept account of the identity information of clients and transaction records so as to keep track of client identification, transaction monitoring, as well as suspicious transaction and money laundering case investigation.

- Established the money laundering risk classification mechanism. CDB LEASING evaluated the risk of money laundering and terror financing, preliminarily examined and regularly re-examined the money laundering risk level, conducted intensive due diligence and adopted other measures towards high risk clients, thus keeping money laundering risk under strict control.

- Organized staff training. Employees are required to attend anti-money laundering training in the form of lectures, brochures, videos, and other materials within the internal corporate network at least once per year.

#### **5.5.3 Prevented Case Risks**

To perfect the case prevention and management system, implementation of the accountability system, prevention and resolution of case risks as promptly as possible, CDB LEASING formulated the Management Regulations on Case Prevention of China Development Bank Financial Leasing Co., Ltd. (Trial) to maintain secure and steady operations.

- Engaged case prevention specialists. CDB LEASING elected and trained case prevention specialists to personally ensure their expertise, experience and ability to perform their task.

- Organized case prevention trainings for all staff. CDB LEASING established a comprehensive compliance and case prevention training system for employees, mapped out the compliance and case prevention training program and key business training programs, and created a corresponding training examination.

- Enhanced the professional norm constraints of employees. CDB LEASING stepped up employee supervision and management standards. For instance, the human resources department included a pre-employment background investigation and considered professional ethics in case prevention management; the discipline inspection and supervision office accounted for employee behavior screening in case prevention management to spot abnormal behaviors such as abuse of power for personal gains, illegal reception of gifts or cash in official businesses, the disclosure of corporate secrets, as well as the involvement in economic disputes or illegal cases, gangs, pornography, gambling, drugs, money laundering, pyramid schemes and illegal private financing.

- Periodically organized special case prevention activities, such as the case prevention evaluation, case risk screening and case prevention statistics.

Throughout the whole year of 2017, no major lawsuit was brought up against CDB LEASING or CDB LEASING employees.

#### **5.5.4 Avoided Sanction Risks**

As an international leasing company dealing businesses worldwide, CDB LEASING is subject to trade or economic sanctions and other limitations imposed by the United States, European Union, Singapore, China and other governments or organizations. To this end, CDB LEASING has formulated and implemented relevant policies and procedures to make sure that our businesses met the requirements of international sanctions and other applicable laws and regulations. In 2017, CDB LEASING did not severely violate applicable laws and regulations or receive any complaint about such violations.

#### **5.5.5 Protected Intellectual Property Rights**

To protect corporate intellectual property rights, standardize intellectual property rights management, encourage employees to innovate, promote the application of intellectual property rights, and enhance corporate competitiveness, CDB LEASING formulated the Management Regulations on Intellectual Property Right Protections of China Development Bank Financial Leasing Co., Ltd. in line with the principles of “proper labor division, scientific management, encouraging innovation and holding infringement accountable”. CDB LEASING set strict regulations on the ownership and protection of intellectual property rights and on the settlement of related disputes.

- Works created under the leadership and of CDB LEASING, representing the will of CDB LEASING and with

CDB LEASING bearing related responsibilities belong to CDB LEASING, the copyright is correspondingly in the ownership of CDB LEASING. However, works created by individuals in the process of job tasks are considered works made for hire and the copyright is in possession of the author unless otherwise stipulated by laws, administrative regulations and contracts. CDB LEASING enjoys preferential rights within the business scope. Within two years upon the completion of the work, the author cannot allow any third-party to use the work for the same purpose as that of CDB LEASING unless otherwise allowed by CDB LEASING.

- Departments were held accountable for the protection of works created or used by them, followed the applications of such works to make sure they were not illegally used, and reported any and all infringements to the legal affairs department in such a case that the intellectual work or property was unlawfully used.

- Upon reception or discovery of infringement, the legal affairs department adopts proper measures in accordance with legal procedures, with other departments offering assistance and support.

# Served National Strategies and Supported the Real Economy

As the only listed leasing platform under China Development Bank (CDB), CDB LEASING acts in accordance with national macro-strategies by collaborating with CDB and taking full advantage of CDB’s backing and strength. CDB LEASING explores businesses in the aircraft, infrastructure, equipment manufacturing sectors and helps to advance globalized business in line with CDB’s “going out” strategy, thus providing the financial support for the real economy and facilitating technological advancement, social progress and economic transformation.

## 6.1 Supported the Development of Airlines and Aircraft Manufacturing Industry

According to the “Opinion on accelerating the development of aircraft leasing business” (《关于加快飛機租賃業務發展的意見》) issued by the General Office of the State Council in 2013, aircraft leasing should take on an important role to “promote the strategy for large aircraft production in order to transform and upgrade the manufacturing industry, enhance aviation service capabilities, and optimize resource allocation”. In this context, CDB LEASING has proactively engaged in a large-scale aircraft procurement program to serve China’s aviation industry development strategy, and to fulfill its social responsibility to guide and develop the aviation leasing Industry of China.

With the support of macro policy, 2017 represented a transformational year for CDB LEASING’s aircraft leasing business. A new leadership team was finalized and a highly experienced, professional team across all functions required to operate a full-service international aircraft lessor was established. Our global footprint was significantly expanded to better serve a customer base of airlines worldwide. And orders were finalized with Boeing and Airbus for 105 new aircraft, which will support CDB LEASING’s continued growth.

In addition, we have 65 aircraft under non-binding entitlements with other aircraft manufacturers, including 20 ARJ21 and 15 C919 aircraft from The Commercial Aircraft Corporation of China, Ltd., and 30 MA700 aircraft from AVIC Aircraft Co., Ltd.



Fig. 6.1-1 CDB LEASING signed the MOU on 45 Airbus A320Neo at Paris Air Show on June 20, 2017

## CASE

### CDB LEASING ordered 105 airplane from Boeing and Airbus

In November 2017, CDB Leasing together with its wholly-owned subsidiary CDB Aviation Lease Finance DAC, finalized purchase agreements for 60 aircraft from Boeing and 45 aircraft from Airbus, at a combined aggregate list price of approximately US\$12.6 billion.

The 737MAX and A320Neo are amongst the most “green” aircraft types in the world, with emissions that are approximately 50% below the International Civil Aviation Organization’s (ICAO) Committee on Aviation Environmental Protection (CAEP)/6 limits for nitrogen oxides (NOx). Both aircraft types incorporate the latest engine technology, which reduces carbon dioxide (CO2) emissions by up to 15% and operational noise footprint by up to 40%, as compared to similar prior models.

These new aircraft represent the most advanced, fuel-efficient airplane models in the world today, and generate reduced greenhouse-gas emissions and noise pollution.

These agreements with Boeing and Airbus represent continued cooperation between our companies, and reflects the friendly cooperation in aviation between China and the United States, and China and Europe, respectively. This is important for promoting the healthy and sustained development of China’s aircraft financing and leasing industry.



Fig. 6.1-2 CDB LEASING witnessed the successful maiden flight of COMAC C919 airbus

## CASE

### CDB LEASING witnessed the maiden flight of COMAC C919 airbus

On May 5, 2017, CDB LEASING representatives attended the maiden flight ceremony of COMAC C919 airbus and witnessed the maiden flight of China's first independently developed airbus C919.

In November 2010, at the launching ceremony of the first batch orders of COMAC C919 big jetliner, CDB Leasing signed a letter of intent with COMAC to purchase 15 C919, becoming an initial lessor customer of C919 aircraft and fulfilling the commitment to promoting the independent research and development of domestic - manufactured aircraft and the development of China's civil aircraft manufacturing industry.

## 6.2 Supported Infrastructure Construction

As one of CDB LEASING's core business modules, the infrastructure leasing businesses segment has expanded nationwide which includes transportation infrastructure, urban infrastructure and energy infrastructure.

With rich experience in infrastructure projects, CDB LEASING focuses on key areas and increases investment to promote business development. In 2017, CDB LEASING allocated 47.9% of total investment in infrastructure projects. With mature business models and veteran business experience, CDB LEASING saw steady growth of its infrastructure business size and profitability. As of the end of 2017, the total assets of the infrastructure leasing business division was RMB 77.423 billion, registering a year-on-year increase of RMB 8.747 billion (12.7%).

By getting involved in the infrastructure sector in the form of leasing, CDB LEASING finances government funds and enterprises by revitalizing stock assets, which effectively accelerates infrastructure construction and is of vital importance to improving the environment of human settlements, enhancing the carrying capacity of urban cities, bettering the efficiency of urban operation and steadily advancing the new drive for urbanization.



Fig. 6.2-1 Yalu Expressway supported by CDB LEASING

## CASE

### CDB LEASING and Sichuan Yaxi Expressway Co., Ltd. cooperated on the Yalu Expressway project

Yalu Expressway is an important section of the Beijing-Kunming line in the national expressway network, a major component of the West Corridor that connects Lanzhou, Gansu and Mohan, Yunnan, and an essential joint that bridges western China with the China-East Asia Economic Zone. In October 2017, CDB LEASING started a joint project with Yaxi Expressway, in line with overall national development strategies and meets the requirements of comprehensive financial services that "combines leading with loaning". This project supports the infrastructure development of Sichuan and creates tangible social benefits.



Fig. 6.2-3 CDB LEASING supported the northern section of the Beijing-Hong Kong-Macau Expressway in Hubei Province with the infrastructure improvement

## CASE

**CDB LEASING started the leaseback program of pavement assets and affiliated facilities on the north part of Beijing-Hong Kong-Macau Expressway in Hubei Province**

Beijing-Hong Kong-Macau Expressway is one of the seven expressways radiating from Beijing in the 7918 Expressway Network and connects Beijing, Guangzhou, Zhuhai, Hong Kong and Macau, etc. as a south-north traffic artery. The length of the Beijing-Hong Kong-Macau Expressway in Hubei Province is 339.34km. The Beijing-Hong Kong-Macau Expressway converges with the Hulong Expressway, the Hulong Railway, the Beijing-Guangzhou Railway, Beijing-Kowloon Railway and the Golden Waterway of Yangtze River in Wuhan and has been one of the busiest expressways utilized upon actuation.

In 2017, by financing the pavement assets and affiliated facilities on the north part of Beijing-Hong Kong-Macau Expressway in Hubei Province, CDB LEASING provided Hubei Provincial Communications Investment Group Co., Ltd. with funds for daily operation, maintenance, and the upcoming reconstruction and extension, which helps improve the traffic capacity of Beijing Hong Kong-Macau Expressway and the logistical efficiency of expressways not only in southern China but for whole country.

## 6.3 Facilitated the Transformation and Upgrading of China's Manufacturing Industry

To transform from a Big Manufacturer to a Powerful Manufacturer, the State Council published the Made in China 2025 plan in 2015, proposing the Three-step Strategy to transform China into a manufacturing powerhouse in three decades. Made in China 2025, known as the white paper of China's Industry 4.0, is the first 10-year plan of action since China's adoption of the manufacturing power strategy. As for the policies related to the financial support, Made in China 2025 supports major manufacturers in key sectors to carry out the integration pilot of industry and finance and aims to boost the transformation and upgrade of the manufacturing industry with financial leasing.

Among the financial supports that advance the upgrade of China's manufacturing industry, financial leasing is an efficient financial facility based on asset credit that integrates finance, trade and service, connects capital with industries and bridges industries with finance, which is a useful supplement to traditional financing channels such as bank lending. Made in China 2025 and the development of the financial leasing industry are mutually beneficial and constitute the symbiotic integration of industry and finance.

In response to the Made in China 2025 strategy, CDB LEASING vigorously studies related industries and businesses, decides to get involved with the equipment manufacturing industry, the strategically emerging industry, the environmental protection industry and other manufacturing industries supported by national policies in a planned manner, and advocates product innovation fostering new business growth venues for CDB LEASING.



Fig. 6.3-1 CDB LEASING supported the i5 Intelligent Machine Tool manufactured by Shenyang Machine Tool

## CASE

**CDB LEASING offered the leasing services for i5 Intelligent Machine Tools produced by Shenyang Machine Tool Co., Ltd., constituting an essential project that supports the domestic high-end equipment industry.**

Machines are fundamental industrial tools, and determine the overall competence of a nation's equipment manufacturing industry, and are therefore of high strategic importance. Shenyang Machine Tool is China's largest machinery tool manufacturer but suffers bottlenecks due to historical factors. Leaders from both CPC Central Committee and the State Council attach great importance to the development of Shenyang Machine Tools and have made several trips to Shenyang for important directives. The project supported by CDB LEASING is an essential component in the comprehensive reform of Shenyang Machine Tool and reflects CDB LEASING's efforts to support the real economy.



Fig. 6.3-2 CDB LEASING supported the AMOLED display screen produced by Kunshan Govisionox Optoelectronics Co., Ltd.

## CASE

**CDB LEASING started the leaseback project of the AMOLED production equipment manufactured by Kunshan Govisionox Optoelectronics Co., Ltd. (GVO) and promoted the growth of China's panel display industry with financial leasing.**

Panel display is the “eye” of the electronic information industry and an important part of the new generation of information technology. The panel display industry enjoys strong national support. China's electronic information industry has long been plagued by the issue of “lacking chips and screens”. This project encourages the lessee to put AMOLED into industrial production and is therefore of vital importance for the development of China's panel display industry.

## 6.4 Fulfilled the go-global strategy and responded to the B&R Initiative

As an industry closely integrated with the real economy, the financial leasing industry seizes the opportunities of national capital output, technology output and capacity output to provide financial leasing services in the areas of research and development, production, sales, and overseas markets expansion of domestic manufactured commercial aircraft, high-speed rail equipment, nuclear power units and electric power equipment, and has become an important driver for applying and promoting the “going out” strategy of globalized high-end equipment manufacturing.

In order to implement the “Going Out” strategy and respond to the “One Belt, One Road” initiative, CDB Leasing, as the leasing business platform of China Development Bank, actively follows the national policy orientation to capture opportunities for rapid development of international business and overseas customers. At the end of 2017, our aircraft leasing business consisted of 215 owned and managed aircraft on lease to 52 leasees in 27 jurisdictions, of which, 47 aircraft are leased to 10 countries that are within the “One Belt, One Road” scope, namely Russia, India, Philippines, UAE, Singapore, Hungary, Turkey, Indonesia, Nepal and Malaysia. [CDB LEASING also conducted ship leasing business with 30 ship lessees in three overseas countries.]

CDB Leasing launched its dedicated Ireland-based aircraft leasing subsidiary, CDB Aviation Lease Finance DAC (“CDB Aviation”), in 2016. In 2017, CDB Aviation continued to build out its platform as supported by five pillars - personnel and teamwork; governance and structure; risk management; systems and infrastructure; and policies and procedures - to better serve clients all over the world.



Fig. 6.4-1 CDB LEASING fulfilled the B&R strategy by supporting the construction of Chengdu International Railway Port

## CASE

**CDB LEASING worked together with Chengdu Industry Investment Co., Ltd. on the leasing businesses of Chengdu International Railway Port**

Since October 2017, CDB LEASING has worked together with Chengdu Industry Investment Co., Ltd. on the leasing businesses of Chengdu International Railway Port, which is expected to be put into application in the first half of 2018. The Railway Port is based on the Western China Railway Logistics Center and has been put into operation since April 2012, processing over 70% of the import and export volume within Chengdu. In April 2013, the Railway Port officially launched the Rong-Ou Railway Express, the first domestic freight train to Europe. As the only international railway freight hub, the Port is considered to be the Land Bridge that connects Asia and Europe and also a major project reflecting CDB LEASING's efforts to support the B&R strategy.

# Promoted Green Development and a “Beautiful China”

CDB LEASING values the idea that lucid waters and lush mountains are invaluable assets. A sound natural environment is the basis for the existence and development of human society, which motivates us to pursue a green and sustainable development path. CDB LEASING pays particular attention to the development and application of new energies as well as energy-saving aircrafts and ships in hope of making a contribution to the sustainable development of the ecological environment.

## 7.1 Clean Energy Leasing

With respect to our equipment leasing experience to China’s traditional power enterprises, CDB LEASING, by following the national move of optimizing energy infrastructure, offers leasing services for promising clean energy enterprises.

In 2017, CDB LEASING stepped up efforts in analysis and industrial research to explore businesses in the clean energy and power equipment sectors. By intensifying the efforts to establish partnership with the industry leading enterprises, CDB LEASING has signed the cooperation framework agreements with several key clients with the purpose of reserving and investing in the clean energy and power equipment leasing projects with promising prospects. Meanwhile, CDB LEASING explores diverse leasing models, advocates subleasing within the same industry, and offers direct leasing services to clean energy power plants, thus increasing market competitiveness and quality.

As of December 31, 2017, CDB LEASING has offered energy and power equipment leasing services for over 15 provinces, autonomous regions and municipalities. Over 20 projects belong to the new energy infrastructure leasing segment in sectors such as wind power, hydropower, photovoltaic power, nuclear power and solar power.

These clean energy projects not only help fully utilize the renewable energies and conserve the non-renewable fossil resources but also reduce environmental pollution, save fresh water resources and improve the air quality.



Fig. 7.1-1 BOE distributed photovoltaic power generation project supported by CDB LEASING

## CASE

In 2017, CDB LEASING established in-depth cooperation with BOE Technology Group to work on distributed photovoltaic power generation projects and completed 12 financial leasing projects on distributed photovoltaics in Anhui, Zhejiang, Hubei and Jiangsu

Distributed photovoltaic power generation is a key area of the national power industry strongly supported by the 13th Five-Year Plan. According to the 13th Five-Year Plan on Power Development, the distributed photovoltaic power industry will witness a compounded growth rate of 55% in the following 5 years, incrementally increasing by 50 GW with a growth rate of 10x. This project further makes use of CDB LEASING’s competitive advantage of integrated finance.and reflects CDB LEASING’s efforts to support the real economy.



Fig. 7.1-2 Direct leasing project of BYD's Cloud Rail supported by CDB LEASING

## CASE

**CDB LEASING initiated the direct leasing program of Cloud Rail with BYD and became the first financial institution supporting BYD with the Cloud Rail construction.**

In 2017, CDB LEASING worked with BYD on the direct leasing program of Cloud Rail in which 5 cities were involved. BYD's Cloud Rail with a small-to-medium sized carrying capacity is an important supplement (not competitor) to the existing rail traffic such as subway and light rail. The Cloud Rail requires only 1/5 of the construction cost of a comparable subway and 1/3 of the construction duration of such subway. With high incline traversing ability and a short turning radius, the Cloud Rail is adaptive to different terrains. It produces minimal noise and runs through city buildings. With a wide visual field, independent right of way and minimal noise pollution, the Cloud Rail integrates well with the urban ecological environment. With flexible organization, the Cloud Rail carries 10000 to 30000 passengers per hour (one-way). The maximum operational speed is 80km/h, powered entirely by electricity. The Cloud Rail not only stores but regenerates electricity. It consumes less energy and makes unmanned operation possible. The Cloud Rail can be designed as an arterial route for small-to-medium sized cities and a supplementary route in business districts and touring districts in medium-to-large sized cities, resolving the challenge of the "Last Mile" in public transportation.

## 7.2 New Energy Vehicle Leasing

To reduce the environmental pollution and protect the ecological environment, China has released several policies to promote the development of the new energy vehicles over the past few years. By taking the market demands and the national policies into consideration, CDB LEASING actively promotes new energy bus businesses and has established in-depth cooperation ties with several major domestic bus companies.

Under the guidance of the leasing businesses, CDB LEASING constantly follows up on China's national R&D and implementation plans for new energy vehicles, lists key enterprises throughout the automobile industrial chains as key clients and considers businesses for public transportation and people's livelihoods as key projects. Moreover, CDB LEASING, under the guidance of the Opinion on the Urban Bus Leasing Business Evaluation, takes the promotion and application of the new energy buses as a key goal to achieve and analyzes the internal labor division and business models of projects in this sector.



Fig. 7.2-1 KAIWO H85-NJL6859EV9 New Energy Bus delivered by CDB LEASING

## CASE

**Emission reduction effect of the electricity-powered bus KAIWO H85-NJL6859EV9**

By the end of 2017, CDB LEASING had signed 6 contracts on new energy vehicle projects, involving 3956 new energy buses. CDB LEASING strongly supports the Shenzhen bus franchised companies to complete the transformation of the power system of buses into a 100% electricity powered system. In addition, CDB LEASING worked with new energy vehicle manufacturers to explore the leasing model with the manufacturers and to provide steady financial leasing services for the transformation of new energy buses nationwide.

The emission reduction effect of solely electricity-powered buses is remarkable. Take KAIWO H85-NJL6859EV9 as an example; compared with fuel-powered buses, it saves 21 tons of fuel and reduces 82 tons of CO<sub>2</sub> emission (equivalent to the emission reduction effect of 4480 trees) throughout a year after running about 60000km. The emission of pollutants such as oxynitride, non-methane hydrocarbon and particulate matters reduces by 26kg. The carbon emission reduction effect of the 3956 solely electricity-powered buses offered by CDB LEASING is equivalent to over 17.7 million trees planted in Shenzhen.

7.3 Energy-conserving Ship Leasing

Ship leasing is an important business segment of CDB LEASING as well. CDB LEASING constantly optimizes the fleet asset structure, encourages the adoption of energy-conserving and environment-friendly advanced ships built with advanced technologies, and strives to escalate the scale of the fleet, thus making the self-owned fleet more competitive and efficient in the market.



Fig. 7.3-1 Contract signing ceremony between CDB LEASING and Yangzijiang Ship Building Group

CASE

CDB LEASING ordered 10 Newcastle bulk ships with a carrying capacity of 200,000 tons from Yangzijiang Ship Building Group Ltd.

These energy-conserving and environmentally-protecting ships were designed in line with the new conventions by Marine Design & Research Institute of China and manufactured by Yangzijiang Ship Building Group. The ship meets the latest requirements (Tier III) on oxynitride emission reduction established by the International Maritime Organization. The CO2 emission reduction meets the Phase 2 requirements on ships to be built after 2020 by the International Maritime Organization.



Fig. 2 Design sketch of the 208,000-ton Newcastle bulk ship ordered by CDB LEASING

Support SMEs and Develop Inclusive Finance

As a group who never hesitates to take social responsibilities, it is one of our primary missions to support SMEs (small and medium-sized enterprises) and develop inclusive finance. We strive to establish a financially inclusive system, in which the financial stability of a country can be maintained, and the development of the real economy can be energized, through providing financial leasing services to medium-sized, small, and micro enterprises to address their financing difficulties. In the meantime, we take the lead to support capitally-constrained underdeveloped areas to contribute to the improvement of peoples' livelihoods there by conducting developmental financial projects.

Following the policies of the inclusive finance, our group has gradually developed our unique leasing system for commercial vehicles and engineering machinery vendors through market-oriented operation. By conducting relevant businesses, we have increased the payback rate of the manufacturers and retailers and the efficiency of the financing of small and micro enterprises, as well as natural persons. In addition, we have effectively relieved the pressure of financing difficulties faced by medium-sized, small, and micro end leasees. As a result, we have contributed to the development of a financially inclusive system where the financial stability of the country can be maintained, and the development of the real economy can be energized.

Before we launched the leasing products for commercial vehicles and engineering machinery, financial instruments for commercial vehicles and engineering machinery companies were mostly financed through credit, while there was no real "inclusive" financial product for commercial vehicles and engineering machinery domestically. As it is tough for individual clients in underdeveloped areas to prove their economic credibility, they could hardly pass a rating check. Therefore, the previous mode of financial service could not meet the market needs, nor could it promote the development of relevant small and micro enterprises and individual clients.

The financing and leasing business model we launched domestically has adequately addressed the financing difficulties faced by small and micro-enterprises. Our business expands nationwide and covers all provinces, cities and autonomous regions except Taiwan, HK, and Macao. We are proud to provide financial services for more than 30 thousand small and micro clients and addressed their financing problems. The increased operating efficiency of their businesses has improved the livelihood of most individual lessees.



Commercial vehicles leasing: our group was the first to launch the product “Easy Leasing” for commercial vehicles and has established business relationships with the top 10 passenger vehicle manufacturers in China. We have integrated commercial vehicle manufacturers, retailers, and end-users to build a cooperation chain and formed the financial leasing services model with leased products as the carrier. Besides, we have successfully promoted asset packaging for commercial vehicles to better meet main manufacturers’ needs for different products. Since its launch, the number of leased vehicles has reached 36,844 including various types of vehicles such as medium and heavy-duty trucks, passenger vehicles, special purpose vehicles, and so on. Our business expands nationwide and covers in all provinces, cities and autonomous regions except Taiwan, HK, and Macao.



Figure 8-1 a commercial vehicle for leasing provided by CDB Leasing

Engineering machinery leasing: Working with industry leaders SANY Heavy Industry Co., Ltd. and XCMG Group, we have developed the asset packaging trading platform based on the previous leasing model which originally cooperated with only one manufacturing company. Through this multi-dimensional cooperation system, we managed to strengthen the business ties with industries leaders and upgrade our capabilities of providing comprehensive financial services to end clients. Also, we have been working with leading manufacturers in sub-industries to improve our continuous development model with their support and realize win-win situations with all business partners. By the end of 2017, we have invested in 44,702 devices for leasing, and the number of leasees has reached 32,090.



Figure 8-2 the engineering machinery for leasing provided by CDB Leasing



Figure 8-3 CDB Leasing supports XCMG Group with device leasing

CASE

CDB Leasing shakes hands with XCMG Group for cooperation worth 10 billion to support China’s engineering machinery manufacturing industry for reaching world-leading level

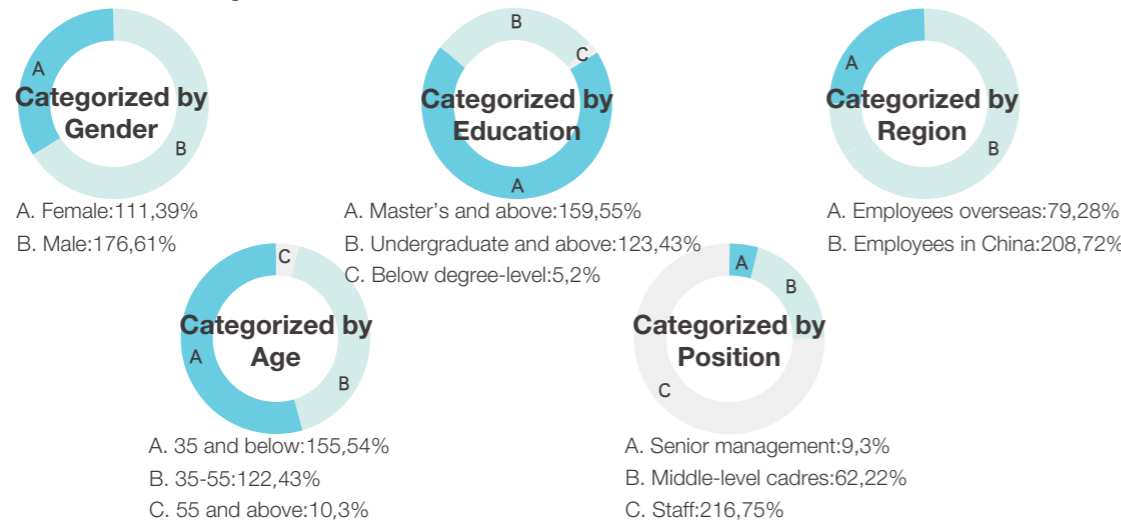
Since 2011, CDB Leasing has started collaboration with XCMG Group in the area of vendor leasing for engineering machineries and launched the product of “Easy Leasing” to, on one hand, provide ancillary financing for XCMG Group’s engineering machinery sales, while on the other hand, providing leasing services for small and micro enterprises and natural persons. By the end of 2017, the credit extension for XCMG Group has reached 10 billion, and 8,735 small and micro enterprises and natural persons have received the funds, and 19,342 engineering machinery have been involved. This project is a typical case where CDB Leasing supports the sales of engineering machinery manufacturers by providing ancillary financing to accelerate the companies’ capital turnover. Such financing is pivotal to supporting domestic engineering machinery and the national industry.

# Protect the Employees' Lawful Rights and Interests and Encourage Their Growth

Our group regards talent among our valuable resources, and we strive to deliver world-class performance through the efforts of world-class talents. With this goal, we always bear in mind our employment philosophy “people-oriented” to protect our employees’ general rights and interests and develop diverse employee care solutions continuously. We care about the employees’ health, mentally and physically and try our best to build an equal, innovative, vibrant and friendly working environment where our employees can grow and develop themselves. In 2017, we took a further step to reform the marketization of the human resource system so that the potential of the employees can be maximized for them to create a better future.

## 9.1 Employment Information

We have 287 employees at the end of 2017. We always strive to build a talented team with high educational qualification and quality. By the end of 2017, about 98% of our employees hold undergraduate degrees or above, and about 55% of which hold master's degrees or above.



## 9.2 Employee Safety & Health

Our group strives to provide a safe and healthy working environment for our employees through methods such as regular checks and maintenance of office facilities, regular cleaning of carpets and air-conditioning systems, and so on. Through which, the working environment is kept comfortable and healthy at all times. Besides, we also organize a series of health-related activities for our employees such as regular medical check-ups, health knowledge universal education, fire protection knowledge training and fire drills, safety reminders during holidays and festivals, and so on.

By the end of 2017, we had not received any report of severe occupational injury or death case.

To strengthen the staffs' environmental protection awareness and create an environmentally friendly and healthy working environment, we have made and implemented the internal policies such as CDB Financial Leasing Co. Ltd.'s Management Rules on Company Items Warehousing (Trial), CDB Financial Leasing Co. Ltd.'s Management Rules on Printing & Copying, CDB Financial Leasing Co. Ltd.'s Rules on Drivers Management, and so on, all of which are guided by “allocate by needs, practice economy, replace only the old, reduce cost and increase efficiency” to advocate the style of “working green”. The primary measures include:

- Office Items Management:** Designate an office item keeper responsible for centralized allocation and management of office items, advocating employees to practice economic usage, and supervising all departments to recycle and reuse office items.

- Printing Paper Management:** All printing paper is allocated and managed by the company office. We advocate saving paper, and double-sided printing is suggested. All waste paper and documents are recycled, stored, and destroyed by the company office.
- Automobile Fuel Consumption Management:** We try our best to reduce drivers' environmental footprint through measures like informational memos and education to advocate “saving fuel, conserving energy and reducing emission”.
- Kitchen Waste Management:** The property management company will gather all the waste generated in the company kitchen and dispose non-hazardous waste.

In 2017, our company operation and business activities did not cause significant influence to the environment or the natural resources.

## CASE

### Environmental-protecting & Energy-saving Green Tower

To answer the government's call for saving energy, protecting the environment, and creating a green working environment nationwide, CDB Leasing has positioned the “CDB Financial Center Tower” located at the eastern area of North CBD, Futian District, Shenzhen as a “Green Office Building” at the initial stage of designing, and it has been awarded the Shenzhen Green Building Certification – Silver Level. The basic idea of the design of the green building is to create an environmentally friendly, healthy and comfortable, low energy and resource consuming structure. It has referred to the Shenzhen green building evaluation standard to save at least 50% of construction energies and take the saving of energy, land, water, and materials into full consideration during the life cycle of the building. Moreover, the environmental protection and the functionality of the building have been well balanced. Through the adoption of optimized design, appropriate green building applied technologies, construction control, and operation management, the commercial revenues, design, and environment benefited altogether. The primary measures include:



Figure 9.2-1 CDB Financial Center Tower awarded the Shenzhen Green Building Certification – Silver Level

tion control, and operation management, the commercial revenues, design, and environment benefited altogether. The primary measures include:

- Afforestation:** Adopt multi-layer afforestation measures where the rooftop green area occupies 28% space.
- Energy Saving:** All lightings in public regions use energy-saving and environmentally friendly materials and facilities to ensure the energy-saving rate maintains at 50.64% and above.
- Water Saving:** Adopt the split-flow drainage system and collect rainwater for plant watering and road cleaning.
- Material Saving:** The weight of the recyclable materials constitutes 12.64% all construction materials used in this project.
- Noise Reduction:** The external windows use the 6+12A+6Low-E insulating glass and aluminum alloy laminated glass to ensure its sound reduction index is above 30dB.

9.3 Employee Development

Proper employee development helps to strengthen the company’s competency and push the company to grow continuously. We pay attention to the constant upgrade of the talent team’s professional level, so we try our best to perfect the training system to provide training for all kinds of businesses and management so that our employees from all departments and levels are effectively covered. In 2017, we organized training focusing on “servicing the company’s strategies, adapting to the business needs, improving the understanding of theories, and upgrading business skills”. The 24 sessions of business training and seminars we independently organized includes the training for new staffs, the training in business skills, management skills, strategic executive ability, and risk management.

At the same time, based on the CDB Financial Leasing Co. Ltd.’s Rules on Employee Training Management (Trail), we have made the CDB Financial Leasing Co. Ltd.’s Detailed Rules on Employee Training (Trail) to reinforce and standardize the education and training for employees.



Figure 9.3-1 the 16th CDB Seminar—the Training for Policy Situation of Infrastructure Leasing and the Responses, discussing policy development of local government’s debt management, the recent changes to the situation, the judgment of the development trend, the opportunities and challenges the company is facing, and so on.



Figure 9.3-2 the 20th CDB Seminar — the Training for Key Points of Industrial Project Evaluation and Evaluation Report Writing, discussing the importance of the evaluation, the key points of industrial project evaluation, and how to write a good evaluation report.

9.4 Employee Care

Our group offers special condolences regularly to employees who have financial difficulties and veterans on their birthdays, traditional festivals and holidays, and often pays special visits to employees who just gave birth or are ill. We have visited 50 employees in 2017. During Women’s Day, we organized cooking and floriculture training, as well as parent-child activities for female employees. Additionally, we have organized aerobics and yoga courses for female employees to improve their physical and mental health conditions. All female employees who have just given birth or are sick have been visited in time and their financial difficulties have been regularly reported to ensure help is offered.

The company’s labor union has set up 10 recreational and sports activity clubs including basketball, football, badminton, tennis, Ping-Pong, swimming, fitness, outdoor activities, chess and cards, calligraphy, painting, and photography for all employees to take part in a range of activities on a daily basis.

We have participated in the national “Financial System Games” qualification trials in 2017, the national financial system futsal player selection, badminton, tennis, swimming, and Ping-Pong qualification trials in CDB Games, “Celebrating the 90th Army Day and Continue to Progress in the New Expedition” theme activity for brisk walking, the “Forge Ahead with Three Steps, Set Sails Again with Gathered Cultural Strengthen” theme activity for calligraphy, painting, and photography. We have also organized the “China Dream, Beauty of Labor” theme cultural activity and the “Three Steps” online quiz competition for all employees. We have successfully entered the final round of the CDB “Three Steps” knowledge contest and joined the “Celebrating the 90th Army Day and Continue to Progress in the New Expedition” theme activity for brisk walking organized by the area labor union. The employee representatives have attended the democracy management theme seminar organized by central and south areas labor union. We have organized the “Celebrate the Spring Festival in the Same Boat” friendly dragon-boat race together with Shenzhen branch and also organized the “the CDB Culture in My Mind” theme speech contest. We have organized donation for families with financial difficulties together with the company’s Youth League Committee and organized theme activity for brisk walking in nonlocal places for New Energy and Equipment Business Department and Ship’s Business Department, theme Tea Party to celebrate the company being listed for one year, “Ink Sky Sends off Fragrance, CDB Family Gathers Together” theme activity for employee condolence in autumn festival. We also organized the female working committee to hold the “Civilized Family, Passing on Love” handmade mini-terrarium and wood chip painting parent-child activity, the “Appreciate the Natural and Cultural Landscape, Listen to Historical and Cultural Stories” theme autumn trip, and organized employees to visit the Dongguan Avalokitesvara National Forest Park and Nanshe Ming & Qing Dynasty Ancient Village, and so on.



Figure 9.4.2-1The management condoles female staffs during Women’s Day



Figure 9.4.2-2 Classic poetry recitation activity participated by female staffs



Figure 9.4.2-3 Guess lantern riddles activity during Spring Festival



Figure 9.4.2-4 Brisk walking activity organized by labor union

# Develop the Community, Practice Public Charity, Support the Industry's Growth

We believe that no enterprise can survive or develop solely on their own. Instead, all enterprises need to connect their development to the growth of the industry, the area, the community, and the society to achieve continuous vitality. Therefore, CDB Leasing always strives to support the industry and the area's growth. Also, by taking part in the public charities, we strongly support the growth of the community.

## 10.1 Support the Area's Growth

On China's economic map, there are many major economic zones like Beijing-Tianjin-Hebei Region and Yangtze River Economic Belt. The development of economic zones requires heavy capital investment, long investment cycle and broad investment scope, while CDB Leasing has the advantages in the financial leasing field to complement with other multi-layer financing products and services. Hence, we can initiate talks between leasing companies and local governments and support the development of major areas so that the area's economy can be developed in innovative ways, transformed and upgraded. Thus, a modern industrial corridor that is highly centralized and internationally competitive can be built.



Figure 10.2-1 CDB Leasing becomes one of the founding members of the “Financial Leasing Strategic Alliance Supporting Yangtze River Economic Belt”



Figure 10.2-2 Alliance Set up and Cooperation Agreement Contract Signing Ceremony in July 2017

## CASE

### CDB Leasing co-established the “Financial Leasing Strategic Alliance Supporting Yangtze River Economic Belt”

It is in 2017 that the “Financial Leasing Strategic Alliance Supporting Yangtze River Economic Belt” (hereinafter referred to as the alliance) was first established. CDB Leasing has participated in the setting up of the regulations of the alliance, the rules of the secretariat, the rules on the alliance cooperation, and so on. The then CEO Fan Xun attended the alliance's Set up and Cooperation Agreement Contract Signing Ceremony in July 2017.

The alliance has signed cooperation agreements worth 300 billion Yuan with 11 provincial or municipal NDRCs within the Yangtze River Economic Belt. The alliance has confirmed major projects such as Golden Waterway, the Standardization of Ship Types, Integrated 3D Trans-

portation Corridor, and the Industrial Transformation and Upgrade. Moreover, it has received the current and future construction project list from 11 provinces and cities with the help of NDRC.

Since the establishment of the alliance, the interaction and communication have naturally increased among companies. Many companies in the alliance have started industrial information sharing to make competition more friendly and beneficial. The development of the Yangtze River Economic Belt has therefore been strongly financially supported.

## 10.2 Focus on the Community's Growth

As a company with the sense of social responsibility, CDB Leasing has actively participated in community development and public charity activities. We have encouraged and led our employees to do volunteer work to help more people in need with genuine love.



Figure 10.3-1 CDB Leasing young employees having Young Volunteers Theme League Activity

## CASE

### We have organized the “DB Youth Rural Financial Service Project” focused on supporting the poor and the exploited.

We have organized the “DB Youth Rural Financial Service Project” focused on supporting the poor and the exploited. To deeply understand the spirit of the 19th National Congress of CCP and make the Communist Youth League play a role in the guideline of “Stick to the Point, Look at the Bigger Picture”, as well as to guide the young to become exploitive financial practitioners “With Hope, With Capability, With Sense of Responsibility”, we have organized the young employees to do project research, case study, policy advocacy, voluntary support education, and other activities. The young employees have been led to understand the conditions of our country, our people, and our community better. Also, our company has created a good atmosphere for the young employees to study and do research, which has strengthened their faith in “Four Consciousness” and “Four Confidence”. Their sense of honor, belonging, and mission has been reinforced, and their work capability and overall quality have been improved.



Figure 10.3-2 CDB Leasing and CBD Shenzhen Branch co-organized the “Colorful Class” Volunteer Service Activity to offer our care and love to the children of rural migrant workers

## CASE

We continue to launch all kinds of young volunteer service activities.

We continue to launch all kinds of young volunteer service activities. Guided by “Move upwards and Move towards Goodness”, we have set up the League Committee to encourage the members to organize young volunteer service activities. Throughout the years, we have incessantly organized “Learn from Lei Feng” Young Volunteers Theme Activity, Green Environment Protecting Volunteer Service Activity, “Colorful Class” Volunteer Service Activity to offer our care and love to the children of rural migrant workers, goods and materials donation for the poor areas, and so on. The League Committee has also built a long-term volunteering system to help Hui Wen School at Longgang District, Shenzhen so that more young employees can devote themselves into helping and caring the children of rural migrant workers. In 2017, we have donated the “CDB Leasing Love Music Room” to allow more children of rural migrant workers to enjoy the wonder and joy from music. Not only can they then feel the care and love from the society, but also they can healthily grow both physically and mentally.

## 10.3 Holding Hands to Support the Industry’s Growth

Throughout our growing progress during all the years, CDB Leasing has taken the initiative to be part of the development of China’s leasing industry and has constantly been pushing and leading the industry to transform and upgrade.

On the one hand, we have been exploring new leasing areas in aerospace, infrastructure, shipping, cars, engineering machinery, devices and facilities, and so on. The rich industry experience we have accumulated has pushed the industry to realize the four-step-transformation of the business model from “Easy Leasing” to “Traditional Leasing” to “Managing Leasing”, and finally to “Innovative Leasing”.

On the other hand, we have established business relationships with different types of leasing companies to bring capital liquidity to the industry and import professionals and talents to help with the growth of the industry. Additionally, we try our best to facilitate communications in the industry, within the industry committee, with the regulators, and by submitting proposals during NPCs to proactively contribute to the development of the industry.



Figure 10.3-1 CDB Leasing signs strategic cooperation framework agreement with CUFE

## CASE

CDB Leasing makes strategic cooperation with Central University of Finance and Economics to conduct researches on frontier topics in the financial leasing field together

CDB Leasing has signed a strategic cooperation framework agreement with Central University of Finance and Economics on promoting the education and training of talents and facilitating industrial cooperation seminars. In the future, the two parties will cooperate comprehensively in four areas including internship and employment, management training, applied research, and mutual help and development. “CDB Leasing—CUFE Industry-Study-Research Practice Base”, “CDB Leasing—CUFE Internship and Employment Practice Base” and “CUFE CDB Leasing Management Training Base” have been built for both parties to conduct research on frontier topics in the financial leasing field cooperatively and push the industry to move forward.



Figure 10.3-2 CDB Leasing signs strategic cooperation agreement worth 10 billion Yuan with XCMG Group

### CASE

**CDB Leasing makes strategic cooperation with XCMG Group worth 10 billion Yuan to promote the development of China's engineering machinery aggressively**

CDB Leasing has been supportive of the development of the national industry and works hard to promote the building of modern state-owned enterprises. Since 2011 when CDB Leasing and XCMG Group has cooperated for the first time, the long-term business relationship has been established and maintained. In 2017, the cooperation has advanced further where the accumulated business conducted and funds invested reached a record high of 10 million Yuan, which symbolized an opening of a new dimension of cooperation. It has also driven the cooperation model to transform into “Strategic Mutual Trust”.

Besides cooperating in the business field, both companies have also been actively interacting and communicating for party construction and exchange visits among the management so that the cooperation can be more close and lasting. We strive to provide inclusive financial services to the middle, small, and micro-sized clients from “Thousands of Households”, take up our social responsibilities together, and hold hands in developing China's engineering machinery industry.

### List of Policies

ESG Indicator	Policies
A1:Emission	<ul style="list-style-type: none"> <li>• Quality, Hazardous Substance, Environmental and Occupational Health and Safety Management Manual</li> <li>• The Process for Identifying and Evaluating the Environmental Factors</li> <li>• The Process for Waste Water Discharge, Waste Gas Emission, and Noise Control</li> <li>• Comprehensive Waste Water Discharge Standard GB8978-1996</li> <li>• Water Pollutant Emission Limit DB44 /26-2001</li> <li>• Air Pollutant Comprehensive Emission Standard GB16297-1996</li> <li>• Air Pollutant Emission Limit DB44/27-2001</li> <li>• Gasoline Car Idle Pollutant Emission Standard GB14761.5-9</li> <li>• The Process for Environmental Monitoring and Measurement Control</li> </ul>
A2:Resource Usage	<ul style="list-style-type: none"> <li>• CDB Financial Leasing Co. Ltd.'s Management Rules on Company Items Warehousing (Trial)</li> <li>• CDB Financial Leasing Co. Ltd.'s Management Rules on Printing &amp; Copying</li> <li>• CDB Financial Leasing Co. Ltd.'s Rules on Drivers Management</li> </ul>
A3:Environment and Natural Resources	<ul style="list-style-type: none"> <li>• Environmental Protection Law of People's Republic of China</li> <li>• The Process for Identifying and Evaluating the Environmental Factors</li> </ul>
B1:Employment	<ul style="list-style-type: none"> <li>• Labor Law of People's Republic of China</li> <li>• The Civil Law of People's Republic of China</li> <li>• Contract Law of People's Republic of China</li> <li>• CDB Financial Leasing Co. Ltd.'s Rules on Employee Hiring (Trail)</li> <li>• CDB Financial Leasing Co. Ltd.'s Management Rules on Employee Vacation</li> <li>• CDB Financial Leasing Co. Ltd.'s Rules on Salary Management (Trail)</li> </ul>
B2:Health and Safety	<ul style="list-style-type: none"> <li>• CDB Financial Leasing Co. Ltd.'s Rules on Drivers Management</li> </ul>
B3:Development and Training	<ul style="list-style-type: none"> <li>• CDB Financial Leasing Co. Ltd.'s Rules on Employee Training Management (Trail)</li> </ul>

B4:Labor Rules	<ul style="list-style-type: none"> <li>• Provisions on Prohibition of Child Labor</li> <li>• CDB Financial Leasing Co. Ltd.'s Duties of Positions in the Labor Union</li> <li>• CDB Financial Leasing Co. Ltd.'s Rules on Labor Union Financial Management</li> <li>• CDB Financial Leasing Co. Ltd.'s Working System of Labor Union</li> <li>• CDB Financial Leasing Co. Ltd.'s Management Rules on Labor Union Expense Reimbursement</li> <li>• CDB Financial Leasing Co. Ltd.'s Trial Rules on Labor Union Club Management</li> <li>• CDB Financial Leasing Co. Ltd.'s Management Rules on Labor Union Condolence</li> </ul>
B5:Supply Chain Management	<ul style="list-style-type: none"> <li>• Law of People's Republic of China on Tenders and Bids</li> <li>• Regulation on the Implementation of the Bidding Law of the People's Republic of China</li> <li>• Provisions on Reinforcing the Management of the Centralized Purchasing of State-owned Financial Enterprises</li> <li>• CDB Financial Leasing Co. Ltd.'s Detailed Rules on the Implementation of Centralized Purchasing</li> </ul>
B6:Product Responsibility	<ul style="list-style-type: none"> <li>• CDB Financial Leasing Co. Ltd.'s Leasing Business Guide</li> <li>• CDB Financial Leasing Co. Ltd.'s Instruction on the Evaluation of the Launch of Urban Public Transport Leasing Business (Trail)</li> <li>• CDB Financial Leasing Co. Ltd.'s Management Rules on the Work of Intellectual Property Protection</li> <li>• CDB Financial Leasing Co. Ltd.'s Rules on Business Secret Management</li> <li>• CDB Financial Leasing Co. Ltd.'s Management Rules on After-lease Check</li> </ul>
B7:Anti-corruption	<ul style="list-style-type: none"> <li>• CDB Financial Leasing Co. Ltd.'s Management Rules on the Reporting of Major Risks and Issues (Trail)</li> <li>• CDB Financial Leasing Co. Ltd.'s Management Rules on Anti-Fraud (Trail)</li> <li>• CDB Financial Leasing Co. Ltd.'s Management Rules on Anti-money Laundering (Trail)</li> <li>• CDB Financial Leasing Co. Ltd.'s Management Rules on Case-preventing Work (Trail)</li> </ul>
B8:Community Investment	<ul style="list-style-type: none"> <li>• CDB Financial Leasing Co. Ltd.'s Authorization Scheme of Board of Directors through the Meeting of Shareholders (Draft)</li> <li>• CDB Financial Leasing Co. Ltd.'s Authorization Scheme of Chairman of the Board by the Board of Directors</li> </ul>

Others	<ul style="list-style-type: none"> <li>• CDB Financial Leasing Co. Ltd.'s Comprehensive Regulations on Risk Management (Trail)</li> <li>• CDB Financial Leasing Co. Ltd.'s Rules on Market Risk Management</li> <li>• CDB Financial Leasing Co. Ltd.'s Rules on Operation Risk Management</li> <li>• CDB Financial Leasing Co. Ltd.'s Rules on Compliance Risk Management</li> <li>• CDB Financial Leasing Co. Ltd.'s Rules on Country Risk Management</li> <li>• CDB Financial Leasing Co. Ltd.'s Rules on Reputation Risk Management</li> <li>• CDB Financial Leasing Co. Ltd.'s Rules on Regulatory Framework Management</li> <li>• CDB Financial Leasing Co. Ltd.'s Regulations on Internal Auditors</li> <li>• CDB Financial Leasing Co. Ltd.'s Rules on Internal Audit Management</li> <li>• CDB Financial Leasing Co. Ltd.'s Work Plan for Internal Audit</li> </ul>
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List of Data

	ESG Indicator	Unit	2017 Data	Density/Unit	Data
A.Environment					
A1:Emission					
A1.2	The consumption and density of greenhouse gases				
	The amount of greenhouse gases emission caused by the burning of fossil fuels and the consumption of outsourced electricity	Ton	337.45	Ton/100 million Yuan	2.86
A1.4	The total amount and density of non-hazardous wastes generated				
	Kitchen waste	Kilo	15,562	Kilo/100 million Yuan	131.86
A2:Resource Usage					
A2.1	The consumption and density of energies				
	Gasoline	Liter	15,181	Liter/100 million Yuan	128.65
	The electricity consumption in office	Kilowatt hour	435,623.00	Kilowatt hour /100 million Yuan	3,691.72
A2.2	The consumption and density of water				
	The water consumption in office	Cubic meter	3,081.00	Cubic meter /100 million Yuan	26.11
B.Society					
B1:Employment					
B1.1	Number of employees: categorized by gender, employment type, age group, and region				
Total			287		
Categorized by region	Domestic	Person	208	/	/
	Overseas	Person	79	/	/
Categorized by education	Master's and above	Person	159	/	/
	Undergraduate and above	Person	123	/	/
	Below degree-level	Person	5	/	/
Categorized by age	35 and below	Person	155	/	/
	35-55	Person	122	/	/
	55 and above	Person	10	/	/
Categorized by gender	Male	Person	176	/	/
	Female	Person	111	/	/
Categorized by position	Higher management	Person	9	/	/
	Middle management	Person	62	/	/
	Staff	Person	216	/	/

B2:Health and Safety					
B2.1	The total number and rate of people died in the line of duty.	Person	0	/	/
B2.2	The number of days absent due to injuries in the line of duty.	Day	0	/	/
B3:Development and Training					
B3.1	The percentage of trained employees: categorized by gender and employment type	%		/	/
B3.2	The average training hours per employees: categorized by gender and employment type	Hour		/	/
	The number of training organized	Time	24	/	/
	The number of employees trained	Person-time	1200	/	/
B6:Product Responsibility					
B6.2	The number of complaints received about the products or services, as well as the solutions.				
	The number of complaints	Case	0	/	/
B7:Anti-corruption					
B7.1	The amount of corruption lawsuit cases	Case	0	/	/
B8:Community Investment					
B8.2	The resources used in focused areas				
	The total amount of charitable and public service donations	10 thousand Yuan	0	/	/
Remark: •All the data presented in the above list was generated from 1 Jan 2017 to 31 Dec 2017 •The denominator of all the density data presented in the above list was 11.8 billion Yuan, CDB Leasing's total revenue in 2017					

ESG Indicator Index

	ESG Indicator	Disclosures	Sections
A1 Normal Reveal	The policies about the emissions of exhaust gases and greenhouse gases, the sewage disposals to water and land, the generation of hazardous and non-hazardous wastes.	●	9
A1.1	The types of emissions and relevant emission data.	◐	9
A1.2	The total amount and the density of emissions of greenhouse gases.	◐	9
A1.3	The total amount and the density of the hazardous wastes generated.	N/A	N/A
A1.4	The total amount and the density of the non-hazardous wastes generated.	●	9
A1.5	The description of the measures and the results of emission reduction.	◐	9
A1.6	The description of the measures and the results of the disposals and the reduction of generation of hazardous and non-hazardous wastes.	●	9
A2 Normal Reveal	The policies about the effective use of resources (including energies, water and other raw materials).	●	9
A2.1	The total amount of the consumption and the density of energies.	●	9
A2.2	The total amount of the consumption and the density of water.	●	9
A2.3	The description of the efficiency scheme and the results of the use of energies.	●	7,9
A2.4	The description of the possible problems about the obtaining of available sources of water, as well as the efficiency scheme and the results of water usage.	◐	9
A2.5	The total amount and the amount per unit of production of the materials used for products manufactured.	N/A	N/A
A3 Normal Reveal	The policies about reducing the impacts on the environment and natural resources caused by the issuer	●	9
A3.1	The description of the major impacts on the environment and natural resources caused by the business activities and the measures taken to manage the impacts.	●	9
B1 Normal Reveal	The policies about the salary and dismissal, employment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other remuneration and benefits, as well as the materials for the issuer to comply with the relevant laws and regulations that might cause major impact.	●	9
B1.1	The total number of employees categorized by gender, employment type, age group, and region.	●	9
B1.2	The rate of employee turnover categorized by gender, age group, and region.	○	N/A

B2 Normal Reveal	The policies about providing a safe working environment and protect employees from the occupational hazard, as well as the materials for the issuer to comply with the relevant laws and regulations that might cause major impact.	●	9
B2.1	The total number and rate of people died in the line of duty.	●	9
B2.2	The number of days absent due to injuries in the line of duty.	●	9
B2.3	The description of the adopted measures for employee health and safety, as well as the implementation and scrutiny.	●	9
B3 Normal Reveal	The policies about enhancing employees' knowledge of executing work duties and skills. The description of the training.	●	9
B3.1	The trained employees categorized as a percentage by gender and employment type (such as higher management and middle management).	◐	9
B3.2	The average hours spent on completing the training categorized by the employees' gender and employment type.	◐	9
B4 Normal Reveal	The policies about the prevention of using child labor and forcing labor, as well as the materials for the issuer to comply with the relevant laws and regulations that might cause major impact.	●	9
B4.1	The description of reviewing the employment customs to avoid using child labor or forcing labor.	●	9
B4.2	The description of the measures to be taken to alleviate the situation in case of violation.	●	9
B5 Normal Reveal	The policies about the environmental and social risks of the supply chain management.	●	5
B5.1	The number of suppliers categorized by region.	◐	5
B5.2	The description of the relevant employment customs, the number of suppliers whom the customs were used for, as well as the implementation and scrutiny of the customs.	●	5
B6 Normal Reveal	The policies about the health and safety of the products, advertisements, tags, confidential matters, and remedies, as well as the materials for the issuer to comply with the relevant laws and regulations that might cause major impact.	●	5
B6.1	The percentage of called-back-products among all sold or shipped out products due to safety and health issues.	N/A	N/A
B6.2	The number of complaints received about the products or services, as well as the solutions.	●	5
B6.3	The description of the relevant customs about maintaining and protecting intellectual property.	●	5
B6.4	The description of the processes of quality determination and product callback.	◐	5
B6.5	The description of the relevant policies about protecting the consumers' data and privacies, as well as the implementation and scrutiny.	●	5
B7 Normal Reveal	The relevant policies about preventing bribery, blackmailing, fraud, and money laundering, as well as the materials for the issuer to comply with the relevant laws and regulations that might cause major impact.	●	5
B7.1	The number and the results of the lawsuits about the issuer or its employees' corruption during the time of reporting.	●	5
B7.2	The description of the prevention measures and the reporting process, as well as the implementation and scrutiny.	●	5

B8 Normal Reveal	The relevant policies about how to understand the needs of the community where the business runs and how to ensure the interests of the community are taken into consideration while the business operates.	●	10
B8.1	The focused areas of contribution (such as education, environmental issues, labor needs, health, culture and physical exercise).	●	8,10
B8.2	The resources spent on the focused areas (such as money and time).	●	10
Remarks: ● Revealed in the report    ◐ Revealed partially    ○ Not revealed. N/A: not applicable to the group			

# Feedback Form

Dear readers:  
Thank you for reading the report! It would be a great pleasure for us to receive your valuable advice and suggestions about our company's ESG report so that we could improve the report continuously.

## China Development Bank Financial Leasing Co. Ltd. 2017 ESG Report Feedback Form

Name \_\_\_\_\_ Company \_\_\_\_\_  
Phone No. \_\_\_\_\_ Position \_\_\_\_\_  
Email \_\_\_\_\_

How will you grade the report: (please tick accordingly)

	Very Good	Good	Neutral	Bad	Very Bad
The highlight of the significant information reflecting the company's environment, society and governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The clarity, accuracy, and integrity of the information and indicators in the report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The layout of the content and the design of the style for easy-reading	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Which part of the report are you interested in most?

What other information do you think is needed but not provided in the report?

What suggestion do you have for us to publish the ESG report in the future?

