Program Agreement

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

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

HUA XIA BANK CO., LIMITED

Dated May 20, 2016
PROGRAM AGREEMENT

Agreement dated May 20, 2016, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and HUA XIA CO., LIMITED ("Program Implementing Entity") ("Program Agreement") in connection with the Loan Agreement ("Loan Agreement") of same date between the PEOPLE'S REPUBLIC OF CHINA ("Borrower") and the Bank. The Bank and the Program Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

ARTICLE II — PROGRAM

2.01. The Program Implementing Entity declares its commitment to the objectives of the Program. To this end, the Program Implementing Entity shall carry out the Program in accordance with the provisions of Article V of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Program.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Program Implementing Entity shall otherwise agree; the Program Implementing Entity shall carry out the Program in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. The Program Implementing Entity’s Representative is its President or a Vice President.

3.02. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Telex: Facsimile:
248423(MCI) or 64145(MCI) 1-202-477-6391
3.03. The Program Implementing Entity’s Address is:

Hua Xia Bank Co., Limited
No. 22 Jianguomennei Da Jie
Dongcheng District
Beijing, 100005
People’s Republic of China

Facsimile:
86-10-85239605

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By
Authorized Representative

Name: Bert Hoffman
Title: Country Director, China

HUA XIA BANK CO., LIMITED

By
Authorized Representative

Name: Fan Dashe
Title: President
SCHEDULE

Program Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental and Social Systems

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

1. the Loan proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and

2. the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

B. Anti-Corruption

Without limitation upon the provisions of Part A of this Section, the Program Implementing Entity shall carry out the Program in accordance with the provisions of the Anti-Corruption Guidelines.

C. Other Program Institutional and Implementation Arrangements

1. Program Institutions

Without limitation on the generality of Part A of this Section I, the Program Implementing Entity shall:

(a) establish, and thereafter maintain, throughout the period of implementation of the Program, and cause to be maintained, for purposes of carrying out the Program, the Green Finance Center, with terms of reference, staffing and other resources acceptable to the Bank, to be responsible for implementing the Program, the overall green finance business line, marketing, guidance to other branches, quality control, management of Sub-loans, and coordination with the Borrower and the Bank.

2. Program Operational Manual

(a) In carrying out the Program, the Program Implementing Entity shall: (i) apply the POM, and undertake the actions set forth in the PAP, in accordance with the instructions of the POM; and (ii) not amend, abrogate, suspend, or waive any part of the POM without the prior written approval of the Bank.
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(b) In the event of any inconsistency between the provisions of the POM or any part thereof and the provisions of this Agreement, the provisions of this Agreement shall prevail.

3. Sub-borrowers

Unless the Bank shall otherwise agree in writing, the Program Implementing Entity shall select and approve Sub-borrowers in accordance with the eligibility criteria and the procedures set forth in the POM.

4. Sub-projects

The Program Implementing Entity shall appraise, review, approve, and supervise Sub-projects in accordance with the criteria, conditions and procedures set out in the POM, including, among others, the following eligibility criteria:

(a) the proposed Sub-project is in compliance with the environmental and social standards set out in the POM, and with all applicable laws and regulations of the Borrower relating to environmental, health, and safety issues; an environmental and social screening has been carried out for the proposed Sub-project in accordance with principles set forth in the POM; and if said environmental and social screening concludes that an environmental impact assessment is required, said environmental impact assessment has been prepared by the relevant Sub-borrower and approved by the responsible environmental protection bureau of the Borrower prior to implementing the proposed Sub-project;

(b) if the proposed Sub-project involves permanent land acquisition, temporary land occupation and/or land lease, the Sub-borrower ensures that such land acquisition, occupation and/or lease has been completed in compliance with all applicable laws and regulations of the Borrower and the requirements set out in the POM;

(c) the proposed Sub-project is technically feasible, and economically, financially and commercially viable, and does not include any of the activities described in Section II to this Schedule; and

(d) the proposed Sub-project is designed to result in emission reductions as required under Air Pollution Prevention and Control Action Plan and the Successor Program.

5. Sub-loans and Sub-loan Agreements

The Program Implementing Entity shall make Sub-loans to Sub-borrowers in accordance with eligibility criteria and procedures acceptable to the Bank as set out in the POM, and shall only make the proceeds of the Sub-loan available to such Sub-borrower after the Program Implementing Entity has entered into a Sub-loan Agreement with the Sub-
borrower on terms and conditions acceptable to the Bank, which shall include the following:

(a) The Program Implementing Entity shall obtain rights adequate to protect its interests and those of the Borrower and the Bank through a Sub-loan Agreement between the Program Implementing Entity and a Sub-borrower, including the right to:

(i) suspend or terminate the right of the Sub-borrower to use the proceeds of the Sub-loan, or declare to be immediately due and payable, or obtain a refund of all or any part of the amount of the Sub-loan then withdrawn, upon the Sub-borrower's failure to perform any of its obligations under the Sub-loan Agreement; and

(ii) require each Sub-borrower to:

(A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including the provisions of the Anti-Corruption Guidelines;

(B) provide, promptly as needed, the resources required for carrying out the Sub-project;

(C) procure the goods and works to be financed out of the Sub-loan in accordance with the provisions of the POM, and use such goods and works exclusively for the Sub-project;

(D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Sub-project and the achievement of its objectives;

(E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (2) at the Bank's or the Borrower's or the Program Implementing Entity's request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower, the Bank and the Program Implementing Entity;
enable the Borrower, the Bank and the Program Implementing Entity to inspect the Sub-project, its operation and any relevant records and documents; and

prepare and furnish to the Borrower, the Bank and the Program Implementing Entity all such information as the Borrower or the Bank or the Program Implementing Entity shall reasonably request relating to the foregoing.

6. The Program Implementing Entity shall exercise its rights under each Sub-loan Agreement in such manner as to protect the interests of the Borrower, the Bank and the Program Implementing Entity and to accomplish the purposes of the Loan. Except as the Borrower and the Bank shall otherwise agree in writing, the Program Implementing Entity shall not assign, amend, abrogate or waive any Sub-loan Agreement or any of its provisions, which in the opinion of the Bank, will affect materially and adversely the ability of the Program Implementing Entity to perform any of its obligations under the Sub-loan Agreement.

Section II. Excluded Activities

The Program Implementing Entity shall ensure that the Program shall include none of the following activities:

A. activities, which in the opinion of the Bank are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or

B. activities involving procurement of any of the following: (1) works, estimated to cost US$ 115 million equivalent or more per contract; (2) goods, estimated to cost US$ 75 million equivalent or more per contract; (3) non-consulting services, estimated to cost US$ 60 million equivalent or more per contract; and (4) consultants’ services, estimated to cost US$ 30 million equivalent or more per contract.

Section III. Program Monitoring, Reporting and Evaluation; Audits

A. Program Reports

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

2. Without limitation to the provisions of paragraph A.1 above, the Program Implementing Entity shall prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank not later than April 30, 2019, a consolidated mid-term review report for the Program, summarizing the results of the monitoring and evaluation activities carried out
from the inception of the Program, and setting out the measures recommended to ensure the efficient completion of the Program and to further the objectives thereof.

B. Program Financial Audits

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

2. The Program Implementing Entity shall provide to the Borrower not later than one (1) month after the Closing Date, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.

C. Independent Verification Agents

The Program Implementing Entity shall not later than December 31, 2016, hire, and thereafter maintain, throughout the period of Program implementation, verification agents having experience and qualifications in the relevant technical fields, acceptable to the Bank, and under terms of reference, including a time-table and adequate budget for its activities, satisfactory to the Bank, to monitor and verify the achievement of the DLRs corresponding to the DLI Categories (2) and (3).