

GROUND RULES FOR THE
**CUFE-CNI Green Bond
INDEX SERIES**



Shenzhen Securities Information Co., Ltd.

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SECTION 1

1.0 INTRODUCTION

1.1 This paper sets out the Ground Rules for the management of the CUFE-CNI Green Bond Index Series. The index Series is developed collaboratively by Shenzhen Securities Information Co., Ltd ('SSI') and International Institute of Green Finance ('IIGF'), Central University of Finance and Economics ('CUFE'). Copies of the Ground Rules are available from SSI on the website: www.cnindex.com.cn.

1.2 The CUFE-CNI Green Bond Index Series is designed to represent the performance of Chinese green bonds whose proceeds are used exclusively to finance environmentally friendly projects. According to the **Green Bond Support Project Catalogue** (2015, China Society for Finance and Banking Green Finance Specialized Committee), this includes the six environmental sectors below:

- GB1: Energy Saving;
- GB2: Pollution Prevention & Control;
- GB3: Resource Conservation and Recycling;
- GB4: Clean Transport;
- GB5: Clean Energy;
- GB6: Ecological Protection and Climate Change Adaption;
- GBm: Use of proceeds in line with at least 2 categories above.

When the uses of proceeds are not in line with the catalogue, a bond will be assessed as being green bond if the proceeds are used for general business purposes and at least 90% of the issuers' revenue comes from the environmental sectors.

1.3 The CUFE CNI Green Bond Index Series includes the following total return index:

Index code	Index name	Base Date	Base Value
CNB00013	CUFE-CNI High Grade Green Bond Total Return Index	2011.12.30	100
CNB00014	CUFE-CNI High Grade Unlabeled Green Bond Total Return Index	2011.12.30	100
CNB00015	CUFE-CNI High Grade Labeled Green Bond Total Return Index	2016.12.30	100

1.4 The CUFE-CNI Green Bond Index Series is calculated on an end-of-day basis and published once daily after the market close. The estimated time of publication is 07:00 PM Beijing Time. The indices are calculated every day except on weekends and exchange market holidays.

1.5 The CUFE-CNI Green Bond Index Series is the common property owned by SSI and IIGF. Without the authorization of SSI and IIGF, the index shall not be tracked, traded or used as the benchmark for the investment evaluation by any institution or individual for commercial use.

SECTION 2

2.0 INDEX MANAGEMENT

2.1 Shenzhen Securities Information Co., Ltd ('SSI')

2.1.1 SSI is responsible for the calculation, publication and daily operation of the CUFE-CNI Green Bond Index Series.

2.2 International Institute of Green Finance ('IIGF')

2.2.1 IIGF is responsible for the identification and selection of green bonds for the constituents of the CUFE-CNI Green Bond Index Series.

2.3 Status of these Ground Rules

2.3.1 These Ground Rules provide information about the publication of the CUFE-CNI Green Bond Index Series and set out the methodology underlying CUFE-CNI Green Bond Index Series.

2.3.2 Investors who choose to follow any index in the CUFE-CNI Green Bond Index Series or to buy products that claim to follow any index in the Series should assess the merits of the index's rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by SSI and IIGF (or any person concerned with the preparation or publication of these Ground Rules) for any losses, damages, claims and expenses suffered by any person as a result of:

- any reliance on these Ground Rules, and/or
- any errors or inaccuracies in these Ground Rules, and/or
- any non-application or misapplication of the policies or procedures described in these Ground Rules, and/or
- any errors or inaccuracies in the compilation or any constituent data in the Index.

2.4 Amendments and Exceptions

2.4.1 Where an exception is granted to the Ground Rules, it shall not be deemed to create a precedent for future decisions of SSI and IIGF.

2.4.2 Changes to the Ground Rules can only be made by SSI and IIGF.

2.4.3 Changes to the Ground Rules are announced after being approved and will be announced to the market at the proper time prior to their implementation.

SECTION 3

3.0 INDEX CONSTRUCTION

3.1 Eligible Securities

3.1.1 For inclusion, bonds must meet the following criteria:

- RMB denominated;
- Identified as “Green Bond” by IIGF;
- Issued and settled in either exchange or inter-bank bond market.

3.1.2 The following bond types are specifically excluded from the indices:

- Zero coupon bonds, Floating-rate bonds
- Convertible bonds
- Asset backed securities
- Private placement and other bonds of which the indenture provisions are not publicly available

3.2 Selection Rules

3.2.1 **Bond types:** Bonds issued by government, policy banks and government backed agencies; bonds issued by AAA-rated financial and nonfinancial companies are also eligible, including Listed Company Bonds, Enterprise Bonds, MTN/CPs, and etc.

3.2.2 **Coupon types:** Only fixed-rate bonds are eligible for the indices.

3.2.3 **Term at issuance:** To qualify for the index constituent, all bonds must have an original term which between 1 to 10 years. Money market instruments (<1 Yr) and long term bonds (> 10 Yrs) are not included.

3.2.4 **Time to maturity:** all bonds must have a remaining time to maturity of at least 0.25 year (91 days) measured from the respective rebalancing date to the maturity date.

3.2.5 **Amount Outstanding:** No requirements.

All bonds in line with above criteria are eligible for inclusion in the CUFE-CNI Green Bond Index. Unlabeled green bond are eligible for inclusion in the Unlabeled Green Bond Index; Labeled green bond are eligible for inclusion in the Labeled Green Bond Index.

SECTION 4

4.0 INDEX ALGORITHM AND CALCULATION METHOD

4.1 Bond Prices

4.1.1 The prices of the constituent bonds are sourced from market observable quotes, trading prices and the CNI evaluated prices.

4.2 Index Algorithm

4.2.1 The index is weighted by green asset of the constituents, which is identified by IIGF as the portion of proceeds used exclusively for green purpose. The index algorithm is detailed as follows:

Total Return Index

$$TRI_t = TRI_{t-1} \times \frac{\sum_i (P_{i,t} + AI_{i,t}) \times Q_{i,t-1} + \sum_i CPN_{i,t}}{\sum_i (P_{i,t-1} + AI_{i,t-1}) \times Q_{i,t-1}}$$

Gross Price Index

$$GI_t = GI_{t-1} \times \frac{\sum_i (P_{i,t} + AI_{i,t}) \times Q_{i,t-1}}{\sum_i (P_{i,t-1} + AI_{i,t-1}) \times Q_{i,t-1}}$$

Clean Price Index

$$PI_t = PI_{t-1} \times \frac{\sum_i P_{i,t} \times Q_{i,t-1}}{\sum_i P_{i,t-1} \times Q_{i,t-1}}$$

Where,

- TRI Total Return Index Value.
- GI Gross Price Index Value.
- PI Clean Price Index Value.
- $P_{i,t}$ Clean price of constituent i on day t .
- $P_{i,t-1}$ Clean price of constituent i on previous business day $t-1$.
- $AI_{i,t}$ Accrued interest of constituent i on day t .
- $AI_{i,t-1}$ Accrued interest of constituent i on previous business day $t-1$.
- $Q_{i,t-1}$ Green asset of constituent i on previous business day $t-1$.
- $CPN_{i,t}$ Cash income of coupon and redemption of constituent i on day t

SECTION 5

5.0 PERIODIC REVIEW OF CONSTITUENTS

5.1 The indices are reviewed and rebalanced monthly at the end of every month after the close of trading on the last business day. Bonds can be added to or removed from the indices according to the eligibility criteria, and new issues are taken into account if they have been listed to settle for at least five business days as of the rebalance date.

5.2 If there is any change in the outstanding amount of the constituent bonds, the adjustment will be carried out at the next rebalancing date.

APPENDIX A

In addition to the total return index, the following gross price index and clean price index are also calculated for the CUFE-CNI Green Bond Index Series:

Clean Price Index

- CNB10013: CUFE-CNI High Grade Green Bond Clean Price Index
- CNB10014: CUFE-CNI High Grade Unlabeled Green Bond Clean Price Index
- CNB10015: CUFE-CNI High Grade Labeled Green Bond Clean Price Index

Gross Price Index

- CNB20013: CUFE-CNI High Grade Green Bond Gross Price Index
- CNB20014: CUFE-CNI High Grade Unlabeled Green Bond Gross Price Index
- CNB20015: CUFE-CNI High Grade Labeled Green Bond Gross Price Index

Please see Rules 4.2.1 for the detailed index algorithm.

APPENDIX B

FURTHER INFORMATION

Further information on the CUFÉ-CNI Green Bond Index Series is available from SSI (website: www.cnindex.com.cn) who will also welcome comments on these Ground Rules and on the Index. Enquiries should be addressed in the first instance to:

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