
Green Bond Framework for Industrial Bank Co., Ltd.

November 2018

Table of Content

Purpose.....	2
Assertions from the Management.....	2
Background.....	2
Rationale of IB Green Bond.....	3
UN Sustainable Development Goals (SDGs).....	4
Framework Overview.....	5
1. Use of Proceeds.....	5
2. Process for Project Evaluation and Selection.....	7
I. Preliminary Screening.....	7
II. Review and Approval.....	8
3. Management of Proceeds.....	8
I. Planning for Use of Proceeds.....	8
II. Management of Separate Ledger.....	8
III. Use of Unallocated Proceeds.....	9
4. Reporting.....	9
I. Use of Proceeds Reporting.....	10
II. Environmental Impact Reporting.....	10
External Review.....	11

Purpose

This Green bond framework (the “Green Bond Framework”) has been prepared to demonstrate how Industrial Bank Co., Ltd. (“IB” or the “Bank”) will issue Green bonds to finance and refinance new and existing projects and businesses with environmental benefits in alignment with:

- *The Green Bond Principles 2018 (GBP 2018), International Capital Market Association (ICMA)*
- *The Guidelines for Establishing a Green Finance System, the People’s Bank of China (PBoC), Ministry of Finance, National Development and Reform Commission (NDRC), Ministry of Environmental Protection, China Banking Regulatory Commission), China Securities Regulatory Commission (CSRC), China Insurance Regulatory Commission (CIRC)*
- *Green Bond Categories, the People’s Bank of China (PBoC)*

Bonds issued under IB’s Green Bond Framework may be certified by *Climate Bonds Initiative (CBI)*.

Assertions from the Management

For each Green bond (the “Green bond”) it will issue as per this Green Bond Framework, IB’s management asserts that it will:

- (A) Disclose the intended Eligible Green Project categories in the Use of Proceeds section of the Green bond’s documentation,
- (B) Establish an internal process for Project Evaluation and Selection,
- (C) Establish an appropriate tracking process for the Management of Proceeds,
- (D) Make and keep readily available up-to-date Reporting on the use of proceeds and the environmental performance of the Green Projects.

Background

Founded in August 1988 and headquartered in Fuzhou, Fujian Province, Industrial Bank (IB) is one of the first batch of joint-stock commercial banks approved by the State Council and the People's Bank of China, and the first Equator Bank in China. On February 5, 2007, IB was listed on Shanghai Stock Exchange (Stock Code: 601166). At present, with a registered capital of RMB20.77 billion, IB has become a national joint-stock commercial bank with

sound governance, distinctive characteristics, great strength and quality service, staying stably among Global Top 50 Banks.

Over 30 years, IB has been advocating the philosophy of "Sincere Service, Growing Together" and endeavored to offer comprehensive, top-quality, and high-efficient financial service for customers. By adhering to the road of differentiated development, IB continually strengthened its competitive edges. By Dec 31 2017, the total assets of IB reached RMB 6.41 trillion, operating incomes hit RMB 139.98 billion, the net profits attributable to the parent company across the year amounted to RMB 57.20 billion.

The group-based and integrated operation was pushed forward stably. It has established China Industrial International Trust, Industrial Bank Financial leasing, AEGON-Industrial Fund, Industrial Consumer Finance, Industrial Research and Industrial Digital Finance, becoming one of the commercial banks with the most financial licenses in China. By now, it has owned 9 business licenses, 4 direct holding (wholly-owned) subsidiaries, 6 indirect holding subsidiaries, invested 5 companies, transforming from a single bank to a bank-based modern financial service group engaging in trust, lease, fund, consumer finance, futures, assets management, research and consulting and digital finance.

Market position and brand influence kept rising. According to the 2015 list of "Top 1000 World Banks" released by the British magazine, The Banker, IB ranked to the 36th place in terms of Tier 1 capital. According to the 2015 Forbes Global 2000 rankings, IB ranked 73rd. According to the 2015 Fortune Global 500 companies, IB ranked 271st, staying stably among Global Top 50 Banks, Global Top 100 of listed companies and Global 500 companies.

Rationale of IB Green Bond

IB has evolved and advanced its corporate governance philosophy from "shareholders' interests foremost" to "giving consideration to the interests of stakeholders", and to "harmonious unification of economy, society and environment and sustainable development of bank".

IB was the first commercial bank in China to fully embrace sustainable development and Green finance. In 2007, the Bank attended the United Nations Environment Programme (UNEP) Global Roundtable and signed the "UNEP Statement by Financial Institutions on the Environment & Sustainable Development". The Bank announced the adoption of the Equator Principles in 2008, becoming the first bank in China that integrated an advanced

international environmental and social risk management framework into its daily business. In 2015, the Bank became the first financial institution in China to sign the “Statement by Financial Institutions on Energy Efficiency” initiated by the G20 Energy Efficiency Finance Task Group. In China, as the Vice Secretary-General of the Green Finance Committee (GFC) established under China Financial Forum, the Bank has been proactively promoting Green finance as part of the national agenda, contributing to the drafting of key policies such as the Green Bond Issuance Guidelines by the PBoC; Guidelines for Establishing the Green Financial System by seven ministerial agencies including the PBoC and Ministry of Finance; and participating in GFC’s activities such as policy promotion, research, capacity building and international cooperation.

In 2017, IB’s Green Financing Portfolio totaled RMB674.5bn and IB had 9549 Green Finance Corporate Clients. Focus areas for Green Finance Projects include renewable energy, clean transportation and sustainable water and waste water management.

IB was the first Green finance bond issuer in China. In 2016, IB issued three bonds in the China Interbank Market; RMB10bn 2.95% due Jan-18, RMB20bn 3.20% due Jul-18 and RMB20bn 3.40% due Nov-21. Funds raised are funding projects in environmental protection, energy saving, clean energy, resource conserving and recycling, clean transportation, ecological protection and climate change response and other industries that are included in the Green Bond Categories issued by the PBoC. The goal of the issuance was to optimize the issuer’s financial condition, promote the development and enhance the service level of IB’s Green finance business. By 2017, a total of RMB65.67bn was utilized (including funds released and rolled over after projects matured) to fund over 1400 qualified project since the issuances.

The Green bonds issued by IB will be a further elaboration of the Bank’s sustainable development strategy and will facilitate the implementation of environmental protection endeavors in accordance with China’s National 13th Five-year Plan. It also serves the purpose of delivering the bank’s consistent effort in Green development to its investors and supporting them to meet their objectives in the expanding Green economy.

UN Sustainable Development Goals (SDGs)

On September 25th 2015, countries adopted a set of goals – SDGs - to end poverty, protect the planet and ensure prosperity for all as part of a new

sustainable development agenda. Each goal has specific targets to be achieved over the next 15 years.



IB has reviewed the UN Sustainable Development Goals (SDGs) and its activities support many of the SDGs. In particular, the most material goals that IB makes a positive contribution to are:

- SDG 6: Clean Water and Sanitation
- SDG 7: Affordable and Clean Energy
- SDG 9: Industry, Innovation and Infrastructure
- SDG 11: Sustainable Cities and Communities
- SDG 12: Responsible Consumption and Production
- SDG 13: Climate Action

Framework Overview

IB has established the Green Bond Framework under which it plans to finance and refinance, in whole or in part, eligible Green assets as defined below (“Eligible Green Assets”):

1. Use of Proceeds

The proceeds of each IB Green Bond will be allocated to finance, and refinance, eligible Green assets in the following categories.

Eligible Green Asset Categories for IB	Alignment with Green Bond Principles (GBP 2018) and Sustainable Development Goals (SDG) Categories	Description and Examples
Renewable Energy	Renewable Energy 	Generation and transmission of energy from following sources: <ul style="list-style-type: none"> • Solar • Onshore wind • Tidal • Biomass • Hydropower
Energy Efficiency	Energy Efficiency 	Implementation, construction and corresponding development that enhance energy efficiency of underlying technology, product, asset or system, and achieve a minimum energy efficiency improvement of 20%
Low Carbon and Low Emission Transportation	Clean Transportation 	Electric public transportation assets, systems, infrastructure, components and services, examples include: <ul style="list-style-type: none"> • Rail • Tram • Metro • Bus Rapid Transit Systems (BTR) electric vehicles and hydrogen vehicles
Sustainable Water and Wastewater Management	Sustainable Water and Waste water Management 	Sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation,

		<p>examples include:</p> <ul style="list-style-type: none"> • Water/rainwater collection pipes and facilities • Clean/drinking water pipe and treatment facilities • Waste water treatment plant facilities, Water recycling systems • Urban drainage systems • Dam, levees and other forms of flooding mitigation
--	--	---

In any case, the Eligible Green Assets shall exclude below (“Exclusionary List”)

- Fossil fuel related assets, as well as infrastructure or rolling stock assets used for the transportation of fossil fuel and related products
- Hydropower plants whose installed capacity are over 20MWs
- Nuclear and nuclear related assets
- Biomass which is suitable for food source
- Activity considered as illegal under host country laws or regulations or international conventions and agreements, or subject to international bans; Production or trade in weapons and munitions;
- Production or trade in tobacco, alcoholic beverages (excluding beer and wine);
- Gambling, casinos and equivalent enterprises;
- Production or trade in radioactive materials;
- Production or activities involving harmful or exploitative forms of forced labor or harmful child labor;
- Commercial logging operations for use in primary tropical moist forest;
- Production or trade in wood or other forestry products other than from sustainably managed forests

2. Process for Project Evaluation and Selection

I. Preliminary Screening

Domestic and oversea branches of IB shall carry responsibility for a

preliminary screening of potential projects in accordance with the criteria and standards set out in IB's internal regulations. Green Finance Product Managers of each branch, who will conduct detail works of the screening, shall receive specific trainings from IB's Headquarter periodically. Potential projects will then be submitted to IB's Headquarter for review and approval.

II. Review and Approval

A Green Bond Working Group (the "Green Bond Working Group"), which comprises Green finance, environment and industry experts from Green Finance Department at IB's Headquarter, will review all potential projects to determine their compliance with IB's internal regulation and the "Eligible Green Asset" categories as described in the "Green Bond Framework" and form an eligible Green asset list (the "Eligible Green Asset Lists"). The decision by each expert of the Green Bond Working Group to form the Eligible Green Asset List must be unanimous. Each expert enjoys a veto power to the final decision on the selection. The assets vetoed by any expert shall be excluded from the Eligible Green Asset list.

III. Update and Maintenance

The Green Bond Working Group shall review the Eligible Green Asset list on a quarterly basis and determine if any changes are necessary, which may include changes in value of Eligible Green Assets due to asset amortization, prepayment or sales or changes in eligibility due to other reasons. The Green Bond Working Group shall make updates to the Eligible Green Asset List, including replacement, deletion, or addition of projects, based on the review to maintain the eligibility of the Use of Proceeds.

3. Management of Proceeds

I. Planning for Use of Proceeds

Prior to the issuance of a Green bond, IB shall evaluate the recent and pipeline capital spending and develop a preliminary Eligible Green Asset List in accordance with the procedures as described in the Project Evaluation and Selection section to ensure that the Green bond proceeds can be allocated to the Eligible Green Assets in a timely manner.

II. Management of Separate Ledger

IB shall establish a separate "Green Bond Ledger" (the "Ledger") to

record the source and allocation of proceeds to ensure that all net proceeds of the Green bonds are used to finance Eligible Green Assets. The proceeds of each IB Green bond will be deposited in the general funding account and “earmarked” pending allocation.

The Ledger will contain, for each Green bond issued, information including:

(1) Details of Green bond: ISIN, date of issuance, maturity date, amount of issuance, currency, coupon rate, etc.

(2) Fund allocation to Eligible Green Assets, including:

- Names of the Eligible Green Assets
- Names of borrowers
- Project descriptions
- Project categories
- Initial balance
- Remaining balance
- Release date (s)
- Repayment date (s)
- Interest rate
- Estimated beneficial environmental impact of Eligible Green Assets
- Other necessary information

(3) Amount and use of proceeds of unallocated funds

IB will review and update the Ledger on a quarterly basis.

III. Use of Unallocated Proceeds

IB commits to have any remaining balance of unallocated proceeds allocated to Eligible Green Assets in a timely manner.

Unallocated proceeds will be held in accordance with IB’s prudent liquidity management policy. It could be temporarily invested in Green bonds issued by non-financial institutions in domestic or international markets, or in money market instruments with good credit rating and market liquidity until they are allocated to Eligible Green Projects. It will not be invested in energy intensive, highly polluting nor greenhouse gas intensive projects and will subject to the Exclusionary List

4. Reporting

IB commits to publish a Green bond report (the “Annual Green Bond Report”, or the “Report”) on a yearly basis on its official website

(www.cib.com.cn) as long as the Green bond is outstanding. The Green Finance Department will be responsible for producing the Report and IB's senior management will review and approve the Report.

The Report will provide information on proceeds allocation and Environmental impacts by the time point the report is composed. IB will also make disclosure through other channels where feasible, such as annual reports and sustainability reports, which will also be published on its official website (www.cib.com.cn)

I. Use of Proceeds Reporting

Information will be provided on amounts equal to the net proceeds of the Green bond issued and provide:

(1) Aggregate amount and percentage allocated to the various Eligible Green Asset Categories

(2) Remaining balance of unallocated funds and the types of temporary investment, if applicable

(3) Description of Significant Eligible Green Assets, defined as projects ranks top 10% in remaining balance of all Eligible Green Assets, or with remaining balance larger than RMB 50 million, or with remaining balance larger than 1% of the outstanding balance of the Green bond. (subject to confidentiality disclosures)

II. Environmental Impact Reporting

When possible, IB shall report environmental impact resulting from Eligible Green Assets. Subject to the categories of Eligible Green Assets and the availability of information, IB aims to include, but not limited to, the following Impact Indicators (the "Indicators").

"Eligible Green Asset" Categories	Impact Indicator
Renewable Energy	<ul style="list-style-type: none">• kWh of power generated from renewable Energy• Amount of CO₂ or standard coal equivalent avoided
Energy Efficiency	<ul style="list-style-type: none">• kWh of energy saved per year• Percentage energy efficiency achieved
Low Carbon and Low Emission Transportation	<ul style="list-style-type: none">• Amount of CO₂ or standard coal equivalent avoided

	<ul style="list-style-type: none"> • Km of tracks or dedicated lanes built (applicable to Rail Tram, Metro and Bus Rapid Transit Systems) • No. of passenger transported (applicable to Rail Tram, Metro and Bus Rapid Transit Systems) • Amount of vehicles built or served (applicable to electric vehicles and hydrogen vehicles)
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Amount of water saved/recycled • Amount of waste water treated

External Review

IB has engaged Center for International Climate Research (“CICERO”) to act as an external reviewer of this Green Bond Framework for GBP alignment. The Second Party Opinion by CICERO will be publicly available on IB official global website (www.cib.com.cn).

IB will engage an independent third party to provide assurance (the “Assurance Report”) on its Annual Green Bond Report which will provide information on allocation and impacts. The Assessment Report will be published on IB official global website (www.cib.com.cn) together with Annual Green Bond Report.