

Green Bond Framework for Industrial Bank Co., Ltd.

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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 offshore Green Bonds to finance and/or 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)*¹
- *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 Industries Guidance Catalogue 2019, National Development and Reform Commission (NDRC), Minister of Industry and Information Technology (MIIT), Minister of Natural Resources (MNR), Minister of Ecology and Environment (MEE), Minister of Housing and Urban-Rural Development (MHURD), the People’s Bank of China (PBoC), National Energy Administration (NEA)*
- *Green Bond Categories 2015, the People’s Bank of China (PBoC)*¹

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 Asset categories in the Use of Proceeds section of the Green Bond’s documentation,

(B) Establish an internal process for Asset 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 Assets.

¹ IB would ensure its Green Bonds to be aligned with any new official versions released regarding these guidelines.

Background

Founded in August 1988 and Headquartered in Fuzhou, Fujian Province, Industrial Bank 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 the last 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 the end of 2019, the total assets of IB reached RMB 7.15 trillion, operating income was RMB 181.3 billion, the net profits attributable to the parent company across the year amounted to RMB 65.9 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.

Market position and brand influence kept rising. In 2020, IB ranked No. 4 in terms of a combination of various indicators including growth rate, profitability, cost-to-income ratio and asset quality among "Top Performance PRC Banks" by The Banker; No. 57 among "Forbes Global 2000" by Forbes; No. 7 in terms of Core Tier-1 Capital among "Top 100 PRC Banks" by China Banking Association; "Best Supply Chain Finance Bank" and "Best Green Finance Bank" awarded by Asia Money; and "Best Sustainable Bank in China" among the Finance Asia's Country Awards by FinanceAsia.

Rationale of the IB Green Bonds

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 2019, IB's green financing portfolio has achieved the Bank's mid-term goal of exceeding RMB1 trillion and exceeding 10,000 of green finance corporate clients. Focus areas for IB's green finance projects include renewable energy, clean transportation and sustainable water and wastewater management.

IB was the first green financial bond issuer in China. In 2016, IB issued three green 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. With another two onshore bonds issued in 2018 (RMB30bn 3.99% due Oct-21 and RMB30bn 3.89% due Nov-21) and one issued in 2019 (RMB20bn 3.55% due Jul-22), IB has a total of RMB100bn onshore outstanding green financial bond by the end of 2019. IB has also issued its first offshore green bonds (USD600mi due Nov-21 and EUR 300mi due Nov-21) in 2018. 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 sectors that are included in the Green Bond Categories issued by the PBoC (onshore green bonds) and the Green Bond Principles by ICMA (offshore green bonds). The goal of the issuance was to optimize the IB's financial condition; promote the development and enhance the service level of IB's green finance business.

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, the UN General Assembly adopted a set of goals, the 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.



IB's activities support many of SDGs. In particular, the most material SDGs that the Bank makes a positive contribution to with its Green Bond issuances are:

- SDG 6: Clean Water and Sanitation

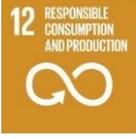
- SDG 7: Affordable and Clean Energy
- SDG 9: Industry, Innovation and Infrastructure
- SDG 11: Sustainable Cities and Communities
- SDG 12: Responsible Consumption and Production
- SDG 13: Climate Action
- SDG 14: Life Below Water

Framework Overview

IB has established this 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

Eligible Green Asset Categories for IB	Alignment with GBP 2018) and SDG(s)	Eligible Green Asset Criteria and Examples
Renewable Energy	Renewable Energy  	Loans or other types of financings to support: <ul style="list-style-type: none"> • Generation, maintenance and transmission of renewable energy • Manufacture of components of renewable energy technology • Scope of renewable energy includes: solar, onshore and offshore wind, tidal, biomass from agricultural wastes or kitchen wastes for municipal wastes, and hydropower (less than 20MW)
Energy Efficiency	Energy Efficiency 	Loans or other types of financing to support: <ul style="list-style-type: none"> • Implementation, construction, maintenance and corresponding development that enhance energy efficiency of underlying technology, product, building, asset or system, and achieve a minimum energy efficiency improvement of 20%

<p>Low Carbon and Low Emission Transportation</p>	<p>Clean Transportation</p>   	<p>Loans or other types of financing to support:</p> <ul style="list-style-type: none"> • Construction, operation, maintenance and corresponding services of electric or hydrogen-powered transportation assets, systems and infrastructure • Manufacture of electric transportation vehicles and components • Examples include electric rail, tram, metro, bus rapid transit, electric vehicles and hydrogen vehicles
<p>Sustainable Water and Wastewater Management</p>	<p>Sustainable Water and Wastewater Management</p> <p>Climate Adaptation</p>   	<p>Loans or other types of financing to support:</p> <ul style="list-style-type: none"> • Construction, operation and maintenance of wastewater treatment • Example would include: wastewater pipe and treatment plant facilities; water recycling systems; and water/rainwater collection pipes and facilities • Construction and maintenance of sustainable urban drainage systems, river training and other forms of flooding mitigation • Examples would include: urban drainage systems; dam, levees and other forms of flooding mitigation
<p>Sustainable Marine Economy, Marine Environmental Protection and Coastal Climate Change</p>	<p>Sustainable Water and Wastewater Management; Environmentally Sustainable Management of Living Natural Resources and Land Use</p>	<p>Loans or other types of financing to support:</p> <ul style="list-style-type: none"> • Construction, operation, maintenance and retrofits of shipment and port pollution treatment facilities • Construction, operation, maintenance and retrofits of sea water desalination facilities which are powered at least 90% by renewable energy • Construction, operation and

Adoption	  	<p>maintenance of sustainable water infrastructure, including wastewater treatment, urban drainage systems, river training and other forms of flooding mitigation for climate change adoption in coastal areas</p>
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Priority shall be offered to assets that voluntarily adopt power/electricity input from renewable energy, provided options to choose between energy providers are available. In any case, the Eligible Green Assets shall exclude the 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 20MW;
- 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;
- Palm oil related projects.

2. Process for Asset Evaluation and Selection

I. Preliminary Screening

Domestic and oversea branches of IB shall carry responsibility for a

preliminary screening of potential assets 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 Headquarters periodically. Potential assets will then be submitted to IB's Headquarters 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 Headquarters, will review all potential assets to determine their compliance with IB's internal regulation and the "Eligible Green Asset" categories as described in this Green Bond Framework and form an eligible green asset list (the "Eligible Green Asset List"). 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 Asset 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, specific theme (if any), etc.

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

- Names of the Eligible Green Assets
- Names of borrowers
- Asset descriptions
- Asset 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 Assets. 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) until full allocation or upon material change of Eligible Green Assets allocated. 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 the remaining balance of all the Eligible Green Assets, or with remaining balance larger than RMB 50 million, or with remaining balance larger than 10% of the sum of outstanding balance of the all Green Bonds (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:

“Eligible Green Asset” Categories	Potential Impact Indicators
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 annual energy saved
Low Carbon and Low Emission Transportation	<ul style="list-style-type: none"> • Amount of CO₂ or standard coal equivalent avoided • Km of tracks or dedicated lanes built (applicable to Rail Tram, Metro and Bus Rapid Transit Systems) • No. of passengers 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 wastewater treated
Sustainable Marine Economy, Marine Environmental Protection and Coastal Climate Change Adoption	<ul style="list-style-type: none"> • Amount of water saved/recycled • Amount of wastewater treated • Sea water desalinization capacity built • Other types pollution or waste treated, including but not limited to solid waste, dust or exhaust gas • Length of urban drainage systems, dam, levees and other forms of flooding mitigation built

External Review

IB has engaged Sustainalytics to provide Second Party Opinion for GBP alignment of this Framework.

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

Maintenance and Update of the Framework

IB shall review and update this framework in a timely manner based on consideration of IB’s recent and pipeline capital spending, environmental and

social policy and external standards. Date of updates and major changes shall be disclosed in this section:

Date	Major Update(s)
November 2018	<ul style="list-style-type: none"> • First version of Green Bond Framework launched
October 2020	<ul style="list-style-type: none"> • Updates to Use of Proceeds: <ul style="list-style-type: none"> • Detailed clarification on Eligible Green Asset Criteria and Example Eligible Asset • Inclusion of marine-related eligible asset for Green Bond issuance • Updates to Process for Project Evaluation and Selection: <ul style="list-style-type: none"> • Minor adjustments to accommodate changes in Use of Proceeds • Updates to Management of Proceeds: <ul style="list-style-type: none"> • Minor adjustments to accommodate changes in Use of Proceeds • Updates to Reporting: <ul style="list-style-type: none"> • Additional impact indicators added. • New section added: Maintenance and Update of the Framework