

INDUSTRIAL BANK CO.,LTD.
PRB Report



Bearing creates value Sharing breeds advance



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2023

▶ Principle 1: Alignment

Society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

▶ Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

“ Principle 1: Alignment

Response

Industrial Bank (hereinafter referred to as “CIB” or the “Bank”) is one of the first joint-stock commercial bank groups approved by the State Council and the People's Bank of China (PBC). It was founded in August 1988 and listed on the Shanghai Stock Exchange on 5 February, 2007. Upholding a customer-centric approach, the Bank has embraced marketization and differentiation, and leading the development of new businesses such as interbank finance, green finance, investment banking, and asset management. The Bank has developed into a comprehensive financial service group that focuses on banking and extends to business areas such as trust, financial leasing, funds, wealth management, consumption finance, futures, wealth management, research and consultation, and digital finance. It has improved its diversified service network covering domestic and overseas markets as well as online and offline realms, and has become a domestic systemically important bank and the 10th designated operator of digital RMB nationwide. Consistently ranked among the top 20 in The Banker's Top 1000 World Banks and the top 200 in the Fortune Global 500, Industrial Bank also holds the highest ESG rating (AA) in the domestic banking industry for five consecutive years, according to MSCI.

The Bank is mainly engaged in commercial bank services. Its main business scope covers deposits taking; provision of short-, medium-, and long-term loans; domestic and international settlement; bills acceptance and discounting; issue of financial bonds; agency issue, cashing, and underwriting of government bonds; trading of government bonds and financial bonds; agency issue of negotiable securities except stock; trading and agency trading of negotiable securities except stock; asset custody; interbank borrowing and lending; trading or agency trading of foreign exchange; settlement and sales of foreign exchange; bank card business; L/C services and guarantee; agency collections and payments and agency insurance; safe-box services; financial consulting, credit investigation, consulting, and witness business; other banking activities approved by the regulator; concurrent-business insurance agency; import and export of

Links and references

2023 Annual Report, pp. 17,60,64, and 66-67
 2023 Annual Sustainability Report, pp. 9

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Response

gold and its products; public securities investment fund sales; and securities investment fund custody.

As of the end of 2023, the Bank's total assets reached RMB 10,158.326 billion, representing a year-on-year (y-o-y) increase of 9.62%. The balance of its local and foreign currency deposit was RMB 5,137.073 billion, a year-on-year increase of 8.45%. The balance of its local and foreign currency loan reached RMB 5,460.935 billion, a year-on-year increase of 9.59%. Its overseas branches' total assets amounted to RMB 214.241 billion, accounting for 2.11% of the Bank's total assets.

As of the end of 2023, the top five industries that received the largest proportion of bank loans were "personal loans" (36.19%), "manufacturing" (13.34%), "leasing and commercial service" (11.60%), "real estate" (8.01%), and "discounted bills" (5.86%).

As of the end of 2023, the top five geographies that received the largest proportion of bank loans were "central China" (13.50%), "western China" (12.87%), "Guangdong" (12.01%), "head office" (11.00%), and "Fujian" (10.50%).

Links and references

► Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

- Yes
- No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

- UN Guiding Principles on Business and Human Rights
- International Labour Organization fundamental conventions
- UN Global Compact
- UN Declaration on the Rights of Indigenous Peoples
- Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: -----
- Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: -----
- None of the above

Response

A number of branches of the Bank have disclosed the Environmental Information Disclosure Report at the branch level.

The Bank's Shenzhen branch reported in detail on its green finance strategy, environmental and social risk management, the environmental impact of its investment and financing activities, the carbon footprint of its business activities and loans, and green finance innovations. The report is aligned with the Guidelines for Financial Institutions Environmental Information Disclosure (for Trial Implementation) issued by the PBC Financial Standardisation Technical Committee, complies with the Regulations of Shenzhen Special Economic Zone on Green Finance, and combines quantitative and qualitative analyses.

The Bank's Xi'an Branch's Environmental Information Disclosure Report was compiled with reference to People's Bank of China's Guidelines for Environmental Information Disclosure of Financial Institutions (JR/T0227-2021), which comprehensively displayed data related to Xi'an Branch's environmental governance structure and management system, technology empowerment and green finance talent construction, green finance-related product innovations and achievements, and environmental impacts of its investment and financing activities and business activities.

Links and references

[Link to the report of the Shenzhen branch](#)

[Link to the report of Xi' an branch](#)

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▶ Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

▶ 2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly¹ and fulfil the following requirements/elements (a-d)²:

a) Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

“ Principle 2: Impact and Target Setting

¹ That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

² Further guidance can be found in the Interactive Guidance on impact analysis and target setting.

Response

The Bank is mainly engaged in commercial bank services. Its main business scope covers deposit taking; provision of short-, medium-, and long-term loans; domestic and international settlement; bills acceptance and discounting; the issue of financial bonds; agency issue, cashing, and underwriting of government bonds; trading of government bonds and financial bonds; agency issue of negotiable securities except stock; trading and agency trading of negotiable securities except stock; asset custody; interbank borrowing and lending; trading or agency trading of foreign exchange; settlement and sales of foreign exchange; bank card business; L/C services and guarantee; agency collections and payments and agency insurance; safe-box services; financial consulting, credit investigation, consulting, and witness business; other banking activities approved by the regulator; concurrent-business insurance agency; import and export of gold and its products; public securities investment fund sales; and securities investment fund custody.

CIB is mainly engaged in basic corporate finance, green finance, investment banking, inclusive finance, institutional business, transaction banking (international business), basic retail finance, retail lending, wealth management, private banking, credit card services, interbank customer service, bank-bank cooperation, asset management, treasury, asset custody, etc.

Links and references

2023 Annual Report, pp. 17, 90 - 104, 64, and 66 - 67

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Response

The Bank operates primarily in China. As of the end of the reporting period, the top five geographies that received the largest proportion of bank loans were central China (13.50%), western China (12.87%), Guangdong Province (12.01%), the head office (11.00%), and Fujian Province (10.50%).

The business scope in the impact analysis covers the industries in the Bank's lending business that correspond to the UNEP FI Impact Analysis Tool in the primary industry classification. In total, there are 13 real economy industries, with a total size of RMB 3,160 billion, accounting for over 30% of the Bank's overall business amount and 57.87% of its loan business.

As of the end of 2023, the top five industries that received the largest proportion of bank loans were "personal loans" (36.19%), "manufacturing" (13.34%), "leasing and commercial service" (11.60%), "real estate" (8.01%), and "discounted bills" (5.86%).

The above business in the Chinese mainland is not categorised by region due to the statistical methodology.

Other operations are not included mainly because the financial data and indicators contained in the Bank's annual report are prepared in accordance with the China Accounting Standards for Business Enterprises and are little comparable due to the statistical methodology.

Links and references

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b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

i) by sectors & industries³ for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or

ii) by products & services and by types of customers for consumer and retail banking portfolio ‘Key sectors’ relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

If your bank has taken another approach to determine the bank’s scale of exposure, please elaborate, to show how you have considered where the bank’s core business/major activities lie in terms of industries or sectors.

³ “Key sectors” relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

Response

The business scope in the impact analysis covers the industries in the Bank’s lending business that correspond to the UNEP FI Impact Analysis Tool in the primary industry classification. In total, there are 13 real economy industries, involving an amount of RMB 3,160billion, accounting for over 30% of the Bank’s overall business amount and 57.87% of its loan business.

As of the end of 2023, the top ten industries that received the largest proportion of bank loans were “personal loans” (36.19%), “manufacturing” (13.34%), “leasing and commercial service” (11.60%), “real estate” (8.01%), “discounted bills” (5.86%), “wholesale and retail” (5.18%), “water conservation, environment and public facility administration” (5.11%), “production and supply of power, heat, gas and water” (3.40%), “transportation, logistics and postal service” (3.21%), and “construction” (3.06%).

The above business in the Chinese mainland is not categorised by region due to the statistical methodology.

In terms of personal loans, as of the end of 2023, the balance of the Bank’s personal residential and business mortgage loans was RMB 1,075,915 million, accounting for 54.44%. The balance of its personal business loans was RMB 325,428 million, accounting for 16.47%. The balance of its credit cards was RMB 401,633 million, accounting for 20.32%. However, they are not included in the impact analysis due to the detailedness of the data.

Links and references

2023 Annual Report, pp. 64 - 65, and 68

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c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?⁴ Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank’s portfolio impacts into the context of society’s needs.

⁴ Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

Response

1. Climate change mitigation (global priority and national priority): At the general debate of the 75th United Nations General Assembly on 22 September 2020, China pledged to peak CO₂ emission by 2030 and achieve carbon neutrality by 2060 (the “30-60 goals”). CIB has fully followed and implemented the 30-60 goals, taking the lead in the Chinese banking industry to adopt the Climate Neutral Now Initiative under the United Nations Framework Convention on Climate Change. It has scientifically planned and formulated its own carbon reduction goals and phased schedules to orderly reduce carbon emissions. Meanwhile, relying on its advantage as a commercial bank and an investment bank, CIB has comprehensively deployed its carbon finance business, focusing on key areas in carbon reduction and pollution mitigation such as clean energy, energy conservation and environmental protection, and carbon-reduction technology. That way, it has fully supported the green and low-carbon transition in China’s economic and social development. CIB’s relevant carbon inventory at the operational level is not elaborated here.

For the carbon footprint of investment and financing activities, CIB has closely followed up the research on related topics. Its branches have explored the methods of measuring the carbon footprint of loans and carried out such a measurement. Their practice complies with the Guideline for Carbon Accounting Technology of the Investment and Financing Business in Financial Institutions (for Trial Implementation) issued by the PBC and refers to The Global GHG Accounting and Reporting Standard for the Financial Industry released by the Partnership for Carbon Accounting Financials (PCAF) in 2020 and the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).

Links and references

2022 Annual Sustainability Report, pp. 102 and 104 – 106

Article 2 of the Minutes of Industrial Bank’s Online Business Seminar on Inclusive Finance (CIB Minutes [2023] No. 45) (internal document)

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Response

2.Rural revitalisation and common prosperity (national priorities): According to policies issued by the State Council, the PBC, the National Financial Regulatory Administration, the China Securities Regulatory Commission, the Ministry of Finance, and other ministries and commissions, rural revitalisation and support for small and medium-sized enterprises (SMEs) are a top priority in inclusive finance. In this regard, financial institutions can play a vital role by expanding their service scope and innovating in products. CIB has positioned inclusive finance as one of its “five new areas” for business transformation and development. In practice, it has increased credit investment in key areas of inclusive finance such as SMEs, and actively embraced the trend of digital development. It has comprehensively strengthened and improved small and micro financial services, and effectively extended financial services to inclusive small and micro businesses from the urban area to the vast rural area. It has also strengthened its support in areas concerning people’s livelihood, such as health care and education.

Links and references

2022 Annual Sustainability Report, pp. 102 and 104 – 106

Article 2 of the Minutes of Industrial Bank’s Online Business Seminar on Inclusive Finance (CIB Minutes [2023] No. 45) (internal document)

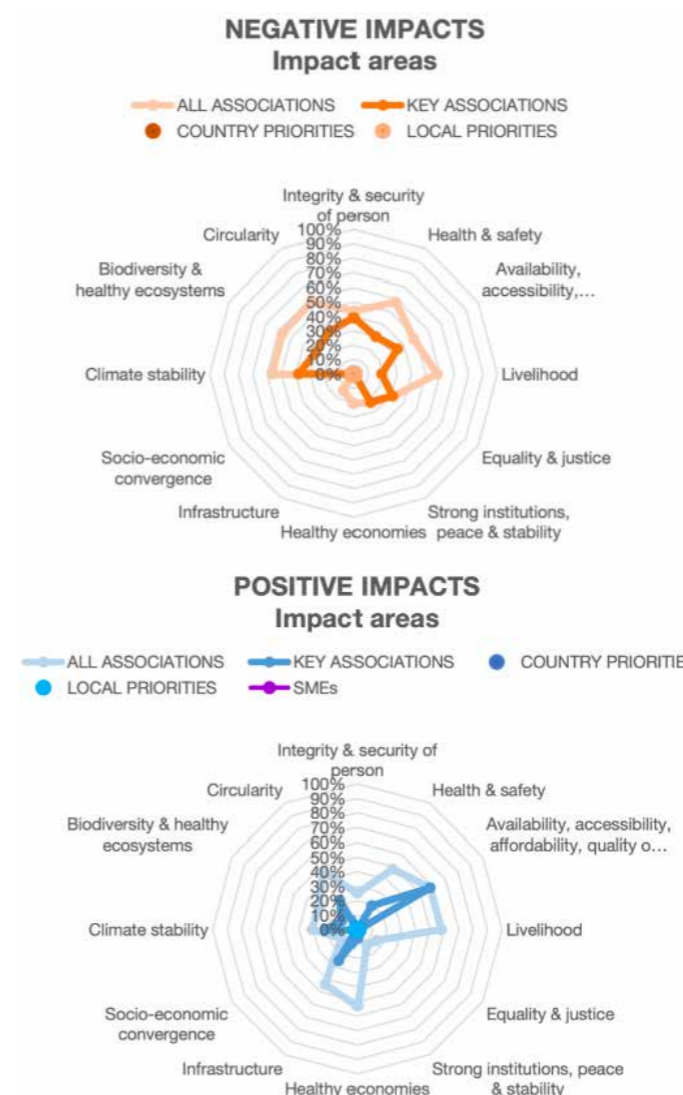
Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2) ⁵? Please disclose.

⁵ To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

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Response

With reference to the UNEP FI Impact Analysis Tool (Portfolio Impact Analysis Tool for Banks, updated in 24 February, 2023) and based on the statistical methodology of the 2023 Annual Report, the Bank's positive and negative environmental and social impacts are as follows:



According to the analysis results of the tool, the Bank's high-impact areas that are highly relevant to national needs are (1) climate change; (2) the availability, accessibility, affordability, quality of resources and services; and (3) socio-economic convergence. The integrity and security of a person in the negative impacts, although analysed as high-impact, is not taken into account as it is less relevant to the priorities of the Bank's jurisdiction.

Links and references

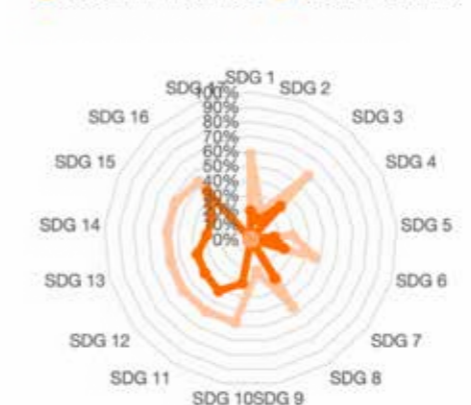
2023 Annual Report, pp. 64–65 and 68

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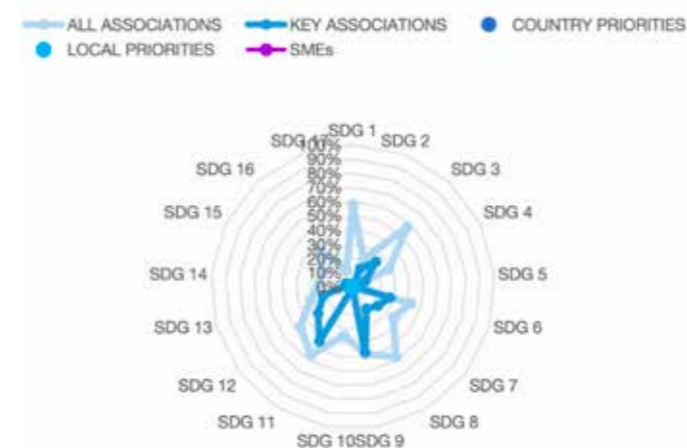
Links and references

2023 Annual Report, pp. 64–65 and 68

NEGATIVE IMPACTS
Impact areas



POSITIVE IMPACTS
SDGs



In terms of impacts on the SDGs, those with the highest positive impacts are Principle 9: Industry, Innovation, and Infrastructure; Principle 11: Sustainable Cities and Communities; and Principle 13: Climate Action. Those with the highest negative impacts are Principle 12: Responsible Consumption and Production; Principle 13: Climate Action; Principle 11: Sustainable Cities and Communities; and Principle 15: Life on Land.

Based on national priorities and through internal discussions and communication with external experts, the Bank has set its priorities as climate change mitigation (climate action) and inclusive finance (covering the impact areas of availability, accessibility, affordability, quality of resources and services, and socio-economic convergence).

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d) For these (min. two prioritized impact areas): **Performance measurement:** Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank’s context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank’s current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank’s activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank’s activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

Response

As of the end of 2023, the top ten industries that received the largest proportion of bank loans were “personal loans” (36.19%), “manufacturing” (13.34%), “leasing and commercial service” (11.60%), “real estate” (8.01%), “discounted bills” (5.86%), “wholesale and retail” (5.18%), “water conservation, environment and public facility administration” (5.11%), “production and supply of power, heat, gas and water” (3.40%), “transportation, logistics and postal service” (3.21%), and “construction” (3.06%).

Based on the above impact analysis results, the Bank’s business mainly involves the following industries (in order of priority): 1. manufacturing; 2. real estate and construction; 3. production and supply of power, heat, gas, and water; and 4. transportation. The low-carbon transition of three key industries, namely, construction, transportation, and manufacturing, is also covered by the Bank’s research this year.

In the area of climate change, CIB has actively studied and explored the climate stress testing, voluntarily disclosed the testing results, assessing the Bank’s ability to cope with transition risks under the “dual-carbon” target and proactively disclosing the status of climate risk stress testing since 2021. In 2023, the Bank continued to promote the climate risk stress test, which was conducted for eight high-carbon industries, namely power, iron and steel, building materials, non-ferrous metal smelting, petrochemicals, chemicals, aviation and paper-making, with three stress scenarios, namely mild, moderate and severe, set up for the test. The stress scenario tests, with the end of 2022 as the base period and the period up to 2030, aim to quantitatively assess the impact of the rising cost of carbon emissions on the repayment ability of customers in high-carbon industries, and then analyse the impact on the quality of credit assets and the level of capital adequacy. Based on the test results, if customers in high-carbon industries do not undergo low-carbon transformation, their ability to repay loans will decline to varying degrees under stress scenarios. However, overall risk is controllable. The Bank’s capital adequacy ratio is expected to decline by approximately 0.34% by the end of 2030 under the heavy stress scenario, but the capital adequacy indicators will still satisfy regulatory requirements under various stress scenarios.

Links and references

2023 Annual Report, pp. 64 – 65
2023 Annual Sustainability Report, pp. 77

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The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

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Response

The Bank intends to set targets in two areas: climate change mitigation and financial inclusion.

For climate change mitigation, the Bank intends to set indicators for carbon intensity. The current statistical methodology covers some pilot projects and the operations of the Group. For the carbon footprint of investment and financing activities, CIB has closely followed up the research on related topics. Its branches have explored the methods of measuring the carbon footprint of loans and carried out such a measurement. Their practice complies with the Guideline for Carbon Accounting Technology of the Investment and Financing Business in Financial Institutions (for Trial Implementation) issued by the PBC and refers to The Global GHG Accounting and Reporting Standard for the Financial Industry released by the PCAF in 2020 and the recommendations proposed by the TCFD.

For financial inclusion, the Bank intends to use the balance of inclusive loans as the indicator. As of the end of 2021, the balance of the Bank's inclusive loans was RMB 298.7 billion; the number of the Bank's inclusive micro and small loan households was 153.3 thousand. As of the end of 2022, the balance of the Bank's inclusive micro and small loans was RMB 404.161 billion, an increase of RMB 105.389 billion, or 35.27%, from the end of the previous year; the number of the Bank's customers of inclusive loans for micro and small-sized enterprises (MSEs) was 198.4 thousand, representing a y-o-y increase of 45.1 thousand. As of the end of 2023, the balance of inclusive micro and small loans was RMB 500.965 billion, an increase of RMB 96.804 billion, up 23.95% from the end of the previous year, accounting for 20.25% of current loan additions, with a non-performing loan ratio of 0.95%, and an average interest rate on newly disbursed inclusive micro and small loans of 3.87% in 2023. As of the end of 2023, the Bank had 2,085 outlets, including 1,084 traditional sub-branches and 836 community sub-branches.

Links and references

2021 Annual Report, pp. 65, 75, 41

► Self-assessment summary

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⁶ You can respond “Yes” to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

Response

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts⁶?

Scope:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Portfolio composition:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Context:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Performance measurement:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

According to the analysis results of the tool, the Bank’s high-impact areas that are highly relevant to national needs are climate change; availability, accessibility, affordability, quality of resources and services; and socio-economic convergence.

How recent is the data used for and disclosed in the impact analysis?

- Up to 6 months prior to publication
- Up to 12 months prior to publication
- Up to 18 months prior to publication
- Longer than 18 months prior to publication

▶ 2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets ⁷ have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment: which international, regional or national policy frameworks to align your bank's portfolio with⁸ have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.


⁷ Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

⁸ Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

Response

CIB has identified six main stakeholders in light of UN Sustainable Development Goals (SDGs), internationally accepted corporate social responsibility (CSR) standards, characteristics of the financial industry, and its own CSR and experience, the Bank identifies six major stakeholders: staff of government or banking regulators, directors, supervisors and shareholders of the Bank, customers of the bank, employees of the bank, residents of the neighbouring communities of the bank, and partners (financial peers, suppliers, NGOs). To ensure that it understands the concerns and expectations of stakeholders and internalises them as a driving force for progress, CIB regularly conducts research on key ESG issues and makes materiality analysis of the issues through research on stakeholders. This practice ensures that it can fully follow up and respond to stakeholders' concerns.

The SDGs are relevant to a number of the Bank's key strategies, which are summarised as follows:

Area	Progress in 2023	SDGs
Building a value bank for shareholders	<ul style="list-style-type: none"> The Group's total assets amounted to RMB 10,158.326 billion, achieving operating income of RMB 210.831 billion and net profit attributable to shareholders of the parent company of RMB 77.116 billion, with a non-performing loan ratio of 1.07%, a decrease of 0.02% compared with the end of the previous year. 	
	<ul style="list-style-type: none"> 528 training sessions on anti-corruption and anti-commercial bribery policies, with anti-corruption and integrity training covering 204,000 people. Data security investment scale of RMB 120 million, the annual wind control platform blocked all kinds of high-risk transactions of more than RMB 11 million. Enterprise-level intelligent anti-fraud platform won the People's Bank of China's second prize for financial technology development. No incidents of regulatory penalties due to leakage of customer information or failure to fulfil work requirements related to the protection of personal information have occurred. MSCI's ESG rating was upgraded to AA, the highest rating in the domestic banking industry for 5 consecutive years. 	

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Links and references

2023 Annual Sustainability Report, pp. 21 - 24

<p>Serving the economy and society for the country</p>	<ul style="list-style-type: none"> · "Five New Tracks" of loans have all achieved double-digit growth compared to the beginning of the year, in line with the direction of economic transformation: at the end of 2023, loans in the five new tracks of science and innovation, inclusive, energy, automotive and parks have increased by 92.3%, 67.68%, 54.81%, 56.16% and 63.65% (compared to the end of 2021). · Annual domestic RMB loan collection rate decreased by 33 BPs year-on-year. · Green finance financing balance of RMB 1,892.872 billion, up 16.14% year-on-year. · Compound annual growth rate of inclusive finance of 35% in the past three years. · Private enterprise loan balance of RMB 1,305.698 billion, up 16.72% year-on-year. · Satisfying customers' diversified needs for pension services, the Bank had opened over 4,246 thousand personal pension accounts by the end of 2023. · The Group's total IT investment reached RMB8.398 billion, up 1.78% year-on-year. · Released enterprise-level data dictionary for the first time, built 28,000 enterprise-level data dictionary standards, and the Standardised Design Specification for Enterprise-level User Experience was recognised by the People's Bank of China as the industry's premiere standard. · Underwriting scale of debt financing instruments for non-financial enterprises exceeded RMB 730 billion, regaining the No. 1 position in the market, and the underwriting scale of overseas bonds maintained the No. 1 position among Chinese joint-stock commercial banks. · The balance of loans from institutions in Fujian Province was RMB 1,520.891 billion, an increase of 3.95% from the beginning of the year. 	   
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Response

Enhancing the service experience for customers	<ul style="list-style-type: none"> · Retail AUM increased by 16.62% from the beginning of the year to RMB 3.93 trillion. · Xingyin's wealth management scale grew 8.18% to RMB 2.26 trillion from the beginning of the year, and its comprehensive wealth management ability has topped the P&E Standard comprehensive wealth management ability list for 24 quarters in total. · Employee participation rate in consumer rights protection related training reached 100%. · 95561 customer service hotline service satisfaction rate of 99.94%. · Public financial literacy reached 210,449.200 thousand customers and 13,661 public financial literacy activities were held. 	 
Protecting the environment for a beautiful China	<ul style="list-style-type: none"> · Optimising fossil energy review strategy by including ESG performance of credit recipients in rating considerations. · Cumulative number of enterprises served by green finance is 77,502. · Green loans led to annual carbon dioxide emission reduction of 22,922,800 tonnes, annual standard coal savings of 9,517,300 tonnes, and annual water savings of 10,545,200 tonnes. · New green bond investment scale of RMB 24.992 billion, the stock scale of RMB 44.415 billion. · Xingyin Wealth Management ESG Wealth Management and Green Wealth Management products issued amounted to RMB 233.2 billion, of which RMB 79.5 billion was issued in green wealth management products, green leasing, green trust and green fund balances totalled RMB 99 billion. · A total of 6 buildings in CIB's own premises have green building labels. 	    
Creating a better future for the community	<ul style="list-style-type: none"> · The Bank's smart collection industry substitution and upgrading, with the share of intelligent robots (AI) taking up cases rising to 95%, representing an increase of 63% over 2022, which is equivalent to approximately 1,300 manpower savings. 	

Links and references

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Response

	<ul style="list-style-type: none"> · Completed 287 smart outlets. · Completed 2,085 "Xing Gong Yi" Beneficiary Stations. · Donated RMB 52,386,100 to external organizations during the year. · Has been stationed in villages all year round to provide counterpart financial assistance services, with 74 points of assistance and 52 cadres dispatched. · Employee volunteer activities 19,140 times. · Volunteer activity time 21,332 hours. 	
Growing together for employees	<ul style="list-style-type: none"> · Employee satisfaction score of 95.22 (out of 100), 70% participation in employee satisfaction survey. · Carried out digital special exams on the level of digital competence of the entire bank's employees, involving 34 exam subjects and nearly 110,000 cumulative exams, up 144% year-on-year. · Per capita training hours per employee were 210.7 hours, up 3.7 hours year-on-year. · The "Voice of Xing" platform received more than 15,500 posts from employees and over 95,000 comments, with a daily reading volume of 42,000 and a cumulative reading volume of over 42.95 million. 	

Based on the results of the Impact Analysis Tool, the two goals that are most relevant are Principle 11: Sustainable Cities and Communities and Principle 13: Climate Action.

In terms of national policies, the 30-60 carbon peaking and carbon neutrality goals and rural revitalisation are highly aligned with the Bank's key strategies.

Links and references

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b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	Indicator code	Response
Climate change mitigation	...	
	...	
	...	

Impact area	Indicator code	Response
Climate change mitigation	...	
	...	
	...	

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

Response

The Bank intends to set the following indicators, along with the corresponding baselines as follows.

Climate change mitigation:

Carbon emission intensity of key industries: Relevant baseline studies will be conducted as soon as possible.

Balance of green financing:

As of the end of 2022, the balance of green financing in the Bank's on-balance and off-balance sheet amounted to RMB 1,629.76 billion.

Inclusive finance:

The Bank intends to use the balance of inclusive loans as the indicator. As of the end of 2021, the balance of its inclusive loans was RMB 298.7 billion.

Links and references

2022 Annual Report, pp. 124

2021 Annual Report, pp. 65

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c) SMART targets (incl. key performance indicators (KPIs)⁹): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

⁹ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

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Response

Climate change mitigation:

In 2021, the Bank issued the "CIB Green Finance Business Development Plan 2021-2025" to promote the healthy and rapid development of the Bank's green finance business around the goal of "dual-carbon", and to firmly polish the brand of green bank.

In terms of climate change mitigation, the Bank will leverage the "Dual Carbon Management Platform" to strengthen systematic assessment and statistical tool development.

By the end of 2025, the balance of all of the Group's green financing shall be no less than RMB 2 trillion, and the number of green finance corporate customers shall be no less than 55,000.

Inclusive finance: By the end of 2025, the balance of the Bank's inclusive loans shall be RMB 600 billion. (Baseline: As of the end of 2021, the balance of its inclusive loans was RMB 298.7 billion.)

Links and references

Notice of Industrial Bank on Issuing the Development Plan of Industrial Bank for the Green Finance Business for 2021 – 2025 (CIB [2021] No. 486) (internal document)

Section 2, Article 2. Development goals of green finance

2023 Annual Sustainability Report, pp. 92

Minutes of the Special Meeting of Industrial Bank on Inclusive Finance 2023 (CIB Minutes [2023] No. 46)

2021 Annual Report, pp. 65

d) Action plan: which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

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Response

Climate change mitigation:

The Bank will measure the annual GHG emissions/emission intensity of key industries and conduct a gap analysis every year from 2025. It will measure the balance of green financing in the middle of each year and conduct a gap analysis.

Inclusive finance:

The Bank will review inclusive finance-related KPIs, conduct gap analyses, and communicate with peers and external experts every year from 2025.

Links and references

Article 14 and 19 of CIB Minutes [2023] No.700): Notice of Industrial Bank on Issuing the Work Points for ESG Management System Construction in 2023

► Self-assessment summary

	...first area of most significant impact: Green Finance	...second area of most significant impact: Inclusive finance
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No

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▶ 2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Response

The Bank optimised relevant indicators this year, and the baseline studies for some of the indicators have not been completed, therefore there is no implementation or monitoring status available for the targets.

Factors that may affect the progress include the macro-economic environment and progress in carbon emission reduction technologies.

In the future, the Bank will focus on ESG disclosure and customised the task objectives, work plans, and implementation roadmaps, thus transforming its priorities into concrete implementation measures.

Links and references

Minutes of the ESG Priority Deployment Meeting of Industrial Bank Head Office 2023 (CIB Minutes [2023] No. 24)

Article 3. Optimising ESG working systems and mechanisms

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▶ Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

▶ 3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers¹⁰ in place to encourage sustainable practices?

Yes In progress
 No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes In progress
 No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities¹¹. It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

“ Principle 3: Clients and Customers

¹⁰ A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

¹¹ Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

Response

CIB has deepened its green finance business and accelerated the transformation and upgrading of high-energy-consuming sectors: it has further supported the wind and water industries, encouraged the development of energy storage business to consolidate CIB's advantages in the green gold business, and supported the low-carbon transformation of high-carbon industries, such as relaxing the requirements for access to the "three-conversion linkage" business in terms of the stand-alone installed capacity, coal consumption, and the number of equipment utilisation hours, etc., in the coal and power industries. For example, in the chemical and coal chemical industry, we exempted the shareholder background restriction for financing in line with the green loan of the Bank of China's calibre or the key areas of carbon emission reduction; we actively practiced the requirements of green and low carbon, and strengthened the risk control of thermal power, coal, iron and steel, oil refining, aluminium, copper and other high-energy-consuming industries, for example, we upgraded the green financial technical standards and requirements for iron and steel industry, and made "the completion of the ultra-low emission renovation and the replacement of coal reduction as a moderate cooperation customer." as an access condition for moderate cooperation customers.

CIB has taken the initiative to comply with the trend of ESG development and to enhance CIB's environmental and social risk management level. Relevant documents have been issued to explicitly require that CIB's green credit policy requirements be conscientiously implemented and that all industries be required to comply with relevant national environmental protection standards, etc., so as to actively guide the investment of credit resources in the areas of business that comply with the ESG-related requirements, have low energy consumption, low emissions, low pollution, high efficiency, and have a favourable market outlook.

Links and references

2022 Annual Sustainability Report, pp. 70, and 121

2023 Annual Sustainability Report, pp. 82, 88-89, and 56

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Response

In 2023, in order to consolidate CIB's leading position in ESG and further optimise the evaluation strategy for the fossil energy industry, CIB issued the Circular on Optimising the Evaluation Strategy for Fossil Energy and Continuously Implementing the ESG Philosophy in Depth, which formulated the evaluation strategy for the fossil energy industry in accordance with the principles of strengthening total volume management and promoting structural adjustment, and clarified that the new credit granted in the fossil energy industry would be limited to the advantageous regions, green finance and low-carbon transition finance. The Circular also clarifies that new credit granted in the fossil energy industry is limited to advantageous regions, green finance and low-carbon transition finance, and takes green development indicators as the bottom line for credit access and risk assessment. It has also set green development indicators as the bottom line for credit access and risk assessment. It has also strengthened its green leadership in the fossil energy industry. At the same time, the credit process was optimised to incorporate carbon pricing and carbon performance into the credit management process, i.e. the carbon reduction results during the credit duration of the enterprise will be used as an important reference for the next round of exposure, quota activation or interest rate pricing, so as to guide the credit resources to tilt towards the subjects and projects with obvious carbon reduction effect, and realise the credit strategy linked to the benefits of carbon reduction.

Links and references

2022 Annual Sustainability Report, pp. 70, and 121

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Response

In 2023, CIB will take into account new energy, traditional energy and petrochemical segments, and support the development of new energy sources such as hydropower, photovoltaic and wind power while promoting the transformation and development of traditional energy sources. Actively serve customers, social and environmental low-carbon transformation, social and environmental benefits are significant; deep ploughing into the energy and chemical industry segmentation track, steadily develop coal, thermal power and other traditional energy financial business, and actively grasp the new energy, chemical and new materials industry development opportunities; do a good job in investment banking, commercial banking, public-private integration, digital finance four major types of product services, deepen customer partnerships; focus on building a new energy equipment manufacturing industry chain ecology. It will also focus on building five major ecosystems, including centralised power plant ecosystem, industrial and commercial distributed power plant ecosystem, household PV ecosystem and "Zero Carbon + Park", so as to achieve both economic and social benefits.

Links and references

2022 Annual Sustainability Report,
pp. 70, and 121

2023 Annual Sustainability Report,
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Response

For personal customers, CIB has worked together with the China Green Foundation to launch a public interest project. In the project, customers donate their card credits for planting trees, and CIB donates the corresponding amount to the China Green Foundation. The farmers in the project area plant ecological and economic vegetation on the wasteland to promote the income of forest farming. The project helps industrial ecological conservation and rural revitalisation characterised by "planting trees, alleviating poverty by labour, and promoting sustainable development".

Responding to the trend of "digital transformation" of inclusive finance, CIB has been building the CIB Inclusive Platform by building platforms, expanding scenarios, and gathering data. The platform breaks the bottleneck of information asymmetry and helps MSMEs get out of financing difficulties. Targeting various scenarios such as industrial chain, rural revitalisation, science and innovation finance, and public-private linkage, CIB has connected with various other platforms, core enterprises, and ecological scenarios to expand a large number of scenario data. It has built series of inclusive finance online financing product system, namely, the CIB Speedy Loan, and launched a series of online products for inclusive financing scenarios, so that more MSMEs can enjoy such timely services.

Links and references

- 2022 Annual Sustainability Report, pp. 70, and 121
- 2023 Annual Sustainability Report, pp. 82, 88 - 89, and 56

▶ 3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

Response

In 2023, CIB will strive to build a market-leading "green banking group", define the main indicators of CIB's green financial business in accordance with more positive principles, and require optimisation of the Group's green financial product system, optimisation of the construction of institutions and mechanisms, enhancement of policy support, enhancement of professional capabilities, promotion of green operations, and enhancement of green financial publicity, continuously promote the digital transformation of green finance; in terms of the Group's green business guidance, it issued the Notice on the Release of Guidelines on Green Finance Marketing Services (2023), which specifies the main directions of annual green finance marketing services, including basic requirements, basic objectives, key areas and key products.

By the end of 2023, CIB's financing balance of on-balance sheet and off-balance sheet of green finance was RMB 1,892.872 billion, with a y-o-y increase of 16.14%.

(1) In terms of green loans, the balance of CIB's green loans meeting the requirements of the PBC amounted to RMB 809.019 billion, increasing by 26.99% from the end of the previous year. The green projects supported by the Green Loan achieved a saving of 9.52 million tonnes of standard coal, carbon dioxide emission reduction by 22,920 thousand tonnes and water saving by 10,550 thousand tonnes throughout the year.

(2) In terms of green investment banking, in 2023, CIB underwrote green non-financial corporate debt financing instruments with a scale of RMB 21.806 billion, and landed the market's first carbon asset transformation bond, the first "green + science and technology innovation" REITs, and the first green yen offshore bonds for Chinese enterprises.

(3) In terms of wealth management, the issuance scale of Xingyin Wealth Management's ESG Wealth Management and Green Wealth Management products in 2023 is RMB 233.2 billion, including RMB 79.5 billion in environmental wealth management products.

Links and references

2022 Annual Sustainability Report (2022), pp. 98, and 108

2023 Annual Report, pp. 152, 154, 32, and 113

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Response

(4) In terms of asset management, the company's green leasing, green trust and green fund balances totalled RMB 99 billion, an increase of 16.89% compared with the end of last year. The Company launched the first "sustainable development-linked" financial leasing business in the financial leasing industry, and set up the "CIB Trust - ESG Responsible Investment Pooled Fund Trust Plan", which incorporates the ESG scores of the investment targets into the investment decision-making factors.

CIB is committed to building a sound financial service capacity for biodiversity conservation. To this end, it has developed and continuously improved financial products and services for biodiversity conservation to enhance its professional capacity for biodiversity conservation. In response to the growing diversified and personalised financing needs for biodiversity conservation, CIB has launched some special products and services such as the environmental protection loan, the water saving loan, the green loan for innovative investment, blue bonds, the carbon asset-pledged loan, the forest tenure rights mortgage loan, and the wetland carbon sink loan. Meanwhile, it has given full play to the Group's comprehensive operating advantages and actively promoted its subsidiaries to carry out biodiversity-related products.

Links and references

2022 Annual Sustainability Report, pp. 70, and 121

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Response

By the end of 2023, CIB granted 41 financing deals pledged by national carbon allowance at its 15 branches across China, with a financing amount over RMB 730 million. CIB's 33 branches launched 291 loans linked with carbon reduction and carbon footprint, with the financing amount of RMB 8.725 billion.

Since the PBC released the carbon-reduction supporting tool in November 2021, CIB has actively been utilising such dividend policies as the supporting tool to continuously increase its support in key areas such as clean energy, energy conservation and environmental protection, and carbon reduction. By the end of 2023, CIB had received a cumulative total of RMB 37.4 billion in low-cost funding from the PBOC's Carbon Emission Reduction Support Instrument (CERSI).

In terms of inclusive finance, by the end of 2023, the CIB Inclusive Platform had achieved scene customer acquisition, and cumulatively connected 876 external supply chain, Internet, digital government and other kinds of scene platforms, with 178,200 registered platform users and 109,800 new users; cumulatively resolved all kinds of financing needs for 68,000 cases, amounting to RMB 269.216 billion, with RMB 168.635 billion newly added.

Links and references

2022 Annual Sustainability Report,
pp. 70, and 121

2023 Annual Sustainability Report,
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▶ Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

▶ 4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups¹²) you have identified as relevant in relation to the impact analysis and target setting process?

Yes In progress No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

“ Principle 4: Stakeholders

¹² Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations.

Response

CIB identifies six main stakeholders in light of UN SDGs, internationally accepted CSR standards, characteristics of the financial industry, and its own CSR and experience. To ensure that it understands the concerns and expectations of stakeholders and internalises them as a driving force for progress, CIB regularly conducts research on key ESG issues and makes materiality analysis of the issues through research on stakeholders. This practice ensures that it can fully follow up and respond to stakeholders' concerns.

Based on the results of the stakeholder research in the previous year and combined with the banking policies and hotspots, major corporate strategies, and international standards and guidelines related to sustainable development, CIB has identified and revised 24 ESG issues.

To understand the main concerns of stakeholders, CIB conducted a questionnaire survey on the six main stakeholders and rated the importance of various ESG issues. In 2023, the research on stakeholders focused on promoting the distribution and effective retrieval of questionnaires to six major stakeholders: staff of government or banking regulators, directors, supervisors and shareholders of the Bank, customers of the Bank, employees of the Bank, residents of the Bank's neighbouring communities, and partners (financial peers, suppliers, and NGOs).

Based on the importance degree of ESG issues to stakeholders and to CIB, CIB constructed a materiality matrix to screen out key issues that have a significant impact on its business development.

Based on the matrix, CIB listed how concerned the stakeholders were about various issues in 2023, and referred to the GRI Standards to fully explain the corresponding management policies and mechanisms, and continuously actively and effectively managed and disclosed various issues.

Links and references

2022 Annual Sustainability Report, pp. 98 – 117, and 147

2023 Annual Sustainability Report, pp. 21 – 22, and 79 - 80

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Response

In 2021, during the 15th Conference of the Parties to the United Nations Convention on Biological Diversity (COP15), CIB signed the "Joint Declaration of Banking Financial Institutions in Support of Biodiversity Conservation" and, as one of the 13 co-sponsors of the Partnership for Biodiversity Finance (PBF), launched the "Partnership for Biodiversity Finance Global Initiative" together with the United Nations Environment Programme (UNEP), the United Nations Development Programme (UNDP), the World Resources Institute (WRI), the World Bank, the Asian Investment Bank (AIIB), the Paulson Foundation, the World Wide Fund for Nature (WWF) and other institutions, issued a Global Initiative of the Partnership for Biodiversity Finance (PBF), which is an effective and powerful way to promote financial institutions and various stakeholders to mainstream biodiversity conservation and to promote the goals of ecological conservation and sustainable use of natural resources. The goal of biodiversity conservation and sustainable use of natural resources will be realised.

Links and references

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Response

In January 2023, the research results of the Carbon Financial Products Topic - Research on Carbon Financial Products and Businesses of Banking Financial Institutions, which was carried out by 30 banking financial institutions under the lead of CIB, was released by the CBA during the second phase of the 15th Conference of the Parties (COP15) to the Convention on Biological Diversity in Montreal, and the project is a key project of the Dual Carbon Expert Working Group of the China Banking Association.

On 12 June 2023, CIB participated in the "Technical Seminar on Financial Support for Biodiversity Conservation" and shared the practices of financial support for biodiversity conservation in light of the Bank's relevant situation.

In July 2023, CIB participated in the first executive board meeting of the Partnership for Biodiversity Finance (PBF) in 2023, and exchanged views on the future work plan, the expansion of the board members and other important agendas.

Links and references

2022 Annual Sustainability Report,
pp. 98 – 117, and 147

2023 Annual Sustainability Report,
pp. 21 – 22, and 79 - 80

- 01 **Principle 1:**
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Response

CIB has fully followed and implemented the 30-60 goals, taking the lead in Chinese banking industry to adopt the Climate Neutral Now Initiative under the United Nations Framework Convention on Climate Change. It has scientifically planned and formulated its own carbon reduction goals and phased schedules to orderly reduce carbon emissions. Meanwhile, relying on its advantage as a commercial bank and an investment bank, CIB has comprehensively deployed the carbon finance business, focusing on key areas in carbon reduction and pollution mitigation such as clean energy, energy conservation and environmental protection, carbon-reduction technology. That way, it has fully supported the green and low-carbon transition in China's economic and social development.

For the carbon footprint of investment and financing activities, CIB has closely followed up the research on related topics. Its branches have explored the methods of measuring the carbon footprint of loans and carried out such a measurement. Their practice complies with the Guideline for Carbon Accounting Technology of the Investment and Financing Business in Financial Institutions (for Trial Implementation) issued by the PBC and refers to The Global GHG Accounting and Reporting Standard for the Financial Industry released by the PCAF in 2020 and the recommendations of the TCFD.

Links and references

- 2022 Annual Sustainability Report, pp. 98 – 117, and 147
- 2023 Annual Sustainability Report, pp. 21 – 22, and 79 - 80

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Response

With reference to the recommendations of the TCFD, CCIB pays close attention to the impacts of climate risks. It has proactively assessed climate-related risks and opportunities and integrated them into the current framework of risk management to regularly analyse, evaluate, and formulate corresponding countermeasures.

As the first Chinese signatory and member institution of the Sustainable Blue Economy Finance Initiative (SBEFI) managed by the United Nations Environment Programme Finance Initiative (UNEP FI), CIB highly stresses and strongly supports the sustainable development of the ocean economy. It requires its coastal branches across the country to attach great importance to and strongly support the cooperation of ocean economy business in accordance with the Head Office's requirements for blue finance. The branches shall also develop blue finance service plans with regional characteristics in combination with local planning and actively expand cooperation in key fields such as clean energy, ocean transportation, seawater desalination, marine fisheries, and marine ecological conservation, thereby adding new impetus to the development of regional ocean economy. In May 2022, in accordance with the reporting requirements of the SBEFI managed by the UNEP FI, CIB released the Chinese and English versions of the Sustainable Blue Finance Report of the Industrial Bank Co., Ltd. on its official website. The report comprehensively displays the Bank's efforts in supporting the sustainable development of the marine economy and industry.

CIB attaches great importance to environmental and social risk management. Since 2020, CIB has comprehensively revised and improved the relevant systems and management processes. The efforts have been focused on adding the management requirements on climate change risks and potential environmental and social impacts, such as the UN SDGs and TCFD. That way, it has further strengthened its environmental and social risk management.

Links and references

- 2022 Annual Sustainability Report, pp. 70, and 121
- 2023 Annual Sustainability Report, pp. 82, 88 - 89, and 56

▶ Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

▶ 5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

Yes In progress No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to), Response: Yes.

details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as remuneration practices linked to sustainability targets. Response: Yes.

“ Principle 5: Governance & Culture

Response

CIB's Board of Directors decides on strategic plans, major policies and basic systems for sustainable development and ESG, assumes the ultimate responsibility for ESG management, and establishes a Strategy and ESG Committee with five directors and a chairman, who is the Chairman of the Board. The Bank's senior management regularly reports to the Board of Directors on important ESG matters such as green finance, inclusive finance, ESG and climate-related risks, consumer rights and interests protection, human capital development, privacy and data protection, ESG performance management and information disclosure, etc., and forms the Board of Directors' Opinion Conveyance Letters in response to the relevant opinions, which are conveyed to the operating management and the relevant management departments of the Head Office, to promote the enhancement of the ESG management level. The Bank's ESG Leading Group is responsible for coordinating and leading the Bank's ESG management and implementation work, with the Chairman of the Board of Directors as the leader and the President of the Bank as the deputy leader. The Leadership Team has set up an office attached to the ESG Management Centre of the Board of Directors' Office of the Head Office of the Bank.

Links and references

2022 Annual Sustainability Report (2022), pp. 31

2023 Annual Sustainability Report (2022), pp. 18 - 20, 25, 31

CIB's Board of Directors issues the ESG Policy, steering sustainable development

Section 1. Improving comprehensive governance capabilities, Article 2. Deployment for developing the ESG "Five Capabilities", Minutes of the ESG Priority Deployment Meeting of Industrial Bank Head Office 2023 (CIB Minutes [2023] No. 24) (internal document)

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Response

In 2023, the Board of Directors of CIB formulated and issued the ESG Policy of Industrial Bank Co., Ltd. as a platform and direction for the sustainable development of the Bank, transformed the ESG evaluation system into a reference standard and implementation tool for improving the operation and management capabilities, and transformed the ESG management requirements into behavioural habits and work patterns, so as to build an ESG management system with "Industrial characteristics" and to serve high-quality development and value enhancement. The Bank will transform the ESG evaluation system into a reference standard and implementation tool for improving management capability, and transform ESG management requirements into behavioural habits and work patterns, so as to build an ESG management system with "CIB characteristics" and serve high-quality development and value enhancement.

In 2023, CIB assessed the implementation of the 2021-2025 five-year development strategy planning stage and adjusted and optimised some indicators including ESG-related indicators. The preparation and issuance of "2023 Key Points for the Construction of ESG Management System of CIB" covered CIB's strategic development priorities such as optimisation of customer base, customer service enhancement, construction of green financial assets, innovation of green banking products, rural finance, protection of consumer rights and interests, and data security.

Links and references

- 2022 Annual Sustainability Report (2022), pp. 31
- 2023 Annual Sustainability Report (2022), pp. 18 - 20, 25, 31
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Response

CIB has established a science-based and sound corporate governance structure with clear divisions of responsibilities, checks and balances, and an organic linkage among the Shareholders' Meeting, the Board of Directors, the Board of Supervisors, and the executive management. They work together to enhance the effectiveness of the Bank's governance. The CIB's Board of Directors has set up five specialised committees: the Strategy and ESG Committee, the Risk Management and Consumer Financial Protection Committee, the Auditing and Related Party Transactions Control Committee, the Nomination Committee, and the Remuneration Assessment Committee. These committees are responsible for discussing important CIB proposals and environmental, social and governance issues. The chairpersons of the committees, other than the Strategy and ESG Committee, are all independent directors.

CIB has established the Remuneration and Assessment Committee under the Board of Directors. It is responsible for regularly reviewing the performance evaluation and remuneration system and standards of the Bank's management and submitting them to the Board of Directors for deliberation, taking into account factors such as the salary level of the industry, individual performance and the achievement of strategic goals. Moreover, the Board conducts yearly evaluation of executives' annual operation performance in accordance with performance evaluation standards and assessment procedures around the corporate development strategy and annual operation plan. The evaluation results are linked to the payment of executives' remuneration.

Links and references

- 2022 Annual Sustainability Report (2022), pp. 31
- 2023 Annual Sustainability Report (2022), pp. 18 - 20, 25, 31
- CIB's Board of Directors issues the ESG Policy, steering sustainable development
- Section 1. Improving comprehensive governance capabilities, Article 2. Deployment for developing the ESG "Five Capabilities", Minutes of the ESG Priority Deployment Meeting of Industrial Bank Head Office 2023 (CIB Minutes [2023] No. 24) (internal document)

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Response

The remuneration of CIB's senior executives is paid strictly in accordance with the programme determined by the competent authorities and considered and approved by the corporate governance procedures, and is linked to the results of the Company's business performance assessment. Through the establishment of a comprehensive evaluation system comprising quantitative indicators such as profitability, asset quality, solvency and operational growth, as well as qualitative indicators such as service for high-quality development (including support for economic and social development, construction of major projects, precise poverty alleviation and rural revitalisation) and green financial business development (including green financial system construction, branding and business development), the Bank combines short-term incentives with long-term incentives to strengthen the performance responsibilities of executives and promote the enhancement of operation and management. It combines short-term incentives with long-term incentives, strengthens the responsibility of executives in fulfilling their duties, promotes the improvement of the Company's operation and management level, and facilitates the Company's sustainable and healthy development.

Links and references

2022 Annual Sustainability Report (2022), pp. 31

2023 Annual Sustainability Report (2022), pp. 18 - 20, 25, 31

CIB's Board of Directors issues the ESG Policy, steering sustainable development

Section 1. Improving comprehensive governance capabilities, Article 2. Deployment for developing the ESG "Five Capabilities", Minutes of the ESG Priority Deployment Meeting of Industrial Bank Head Office 2023 (CIB Minutes [2023] No. 24) (internal document)

▶ 5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Response

The Bank attaches great importance to the career development of employees. It makes every effort to build a strategic human resources management system with competency model as the core to get the whole picture of employees' needs for career development. While focusing on the career development of employees at different posts, the Bank has established the "management + specialty" dual-channel development system, which integrates the performance appraisal system involving all employees to keep the talent development channel smoothly in an effective manner.

Employee remuneration distribution follows the basic concept of "distribution according to the value and contribution of the position", in which the value of the position includes the degree of difficulty of the technology and management, the degree of risk and the degree of contribution in the banking system, and employee remuneration matches the value of the position and the work responsibilities undertaken by the employee. Remuneration distribution takes into account both efficiency and fairness, reasonably grasps the gap in job distribution, fully mobilises frontline and grassroots employees, and effectively balances the income distribution among the leadership team, middle-level cadres and grassroots employees. Among them, the proportion of employees receiving regular performance and career development appraisals, the proportion of employees receiving target management appraisals, and the proportion of employees receiving multi-dimensional performance appraisals (e.g., 360 feedback) have all reached 100%.

Links and references

2022 Annual Sustainability Report, pp. 139 - 141

2023 Annual Report, pp. 33, 146, 158-159

2023 Annual Sustainability Report, pp. 16, 146, 176, and 161

- 01 Principle 1: Alignment
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Response

CIB continuously improved its “5+N” personnel training system. It improved every essential part of the employee training system to help employees enhance their business capabilities and fully realise their personal values. While focusing on important strategic businesses and the cultivation of critical groups, CIB started to build talent teams in key areas characterised by digitalisation, specialisation, integration, internationalisation, compound talent, high-end talent, and craftsman talent. It took the lead in implementing the 10,000 Scientific and Technological Talents’ Plan and the 10,000 Green Finance Talents’ Plan and made great efforts in building a team of high-quality financial professionals. It also established two talent pools, Honghu and Kunpeng, to speed up the exchange and rejuvenation of key talent, effectively activate primary talent resource, and enable the high-quality development of the Group.

For a long time, the company has been highly focused on supporting staff development, treating human resources as the first resource, firmly agreeing that a high-quality, high-quality talent team is the company's most cherished and valuable asset, and doing its best to help staff grow, endeavouring to provide all staff with a fair, just, diversified, and harmonious corporate culture, and giving staff a working environment with simple relationships and full of goodwill, so that staff can focus on growth and development, and we are committed to providing a fair, just, diversified and harmonious corporate culture for all employees. The company carries out the concept of diversity and inclusion in recruitment and employment, provides equal employment opportunities to qualified candidates, avoids discrimination in terms of gender, age, ethnicity, family status, religion, sexual orientation, society, origin, etc., and realises equal opportunities, respects each employee's wishes and preferences, and helps employees realise their career aspirations and personal ambitions. The company organises and conducts HR ecological research every year, and the score of employee satisfaction in 2023 is 95.22. The company has been awarded as one of the top 100 best employers in China by Wisdom Link Recruitment in 2023.

Links and references

- 2022 Annual Sustainability Report, pp. 139 - 141
- 2023 Annual Report, pp. 33, 146, 158-159
- 2023 Annual Sustainability Report, pp. 16, 146, 176, and 161

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Response

In 2023, CIB will build a professional talent team: systematically promote the construction of the team, create a digital, composite, professional, high-end, comprehensive, international, artisanal and other "seven-type" talent team, introduce professional sequence management methods, focus on the strategic landing to deepen the "5 + N" Focusing on the direction of transformation and development, the company will enhance the professional ability of the team to support the implementation of the strategy, vigorously implement the "Ten Thousand People Plan for Scientific and Technological Talents" and "Ten Thousand People Plan for Green Financial Talents", and strengthen the construction of the wealth team. The company has also implemented the "Ten Thousand People Plan for Scientific and Technological Talents" and "Ten Thousand People Plan for Green Financial Talents" to strengthen the construction of wealth teams.

Links and references

2022 Annual Sustainability Report,
pp. 139 - 141

2023 Annual Report, pp. 33, 146,
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Response

The trade union of CIB actively promoted the construction of the trade union organisation, guided the employees to participate in democratic management, and strengthened the protection of employees' rights and interests. 2023, CIB organised and convened a total of four staff congresses to consider and deliberate on the "Motion on Amending <Methods for the Management of Risk Funds of the Personnel in Credit Business Positions in Industrial Bank Branches>", "Motion on Amending <Corporate Annuity Scheme of Industrial Bank Co. Ltd>", "Motion on Formulating <Measures for the Management of Professional and Technical Sequences of Industrial Bank," and six other motions involving the immediate interests of employees, to safeguard the employees' right to know and supervise, and to safeguard the rights and interests of employees. As of the end of 2023, CIB's employees shared 6,141 business cases through exchanges, which effectively led to business innovation and experience dissemination; the platform "Singing Voice" received more than 15,500 posts from employees, with a daily readership of 42,000, a cumulative readership of more than 42,950,000, and comments of more than 95,000, and received 1,167 and adopted 758 suggestions from employees throughout the year, with an adoption rate of 65%, which fully protects the rights and interests of employees.

CIB organises surveys, training, and special exchanges on select topics for the Board of Directors to deepen its directors' understanding of banking management and improve its decision-making quality and efficiency. These sessions are tailored to the Bank's business development needs and the professional functions of directors and fully focus on key areas. In 2023, CIB organised a total of 5 training sessions for Board members, with a total attendance of 14. During the year, each director participated in the training for up to 12 hours. The training covered topics such as the macroeconomic situation, analyses of fiscal and financial policies, changes to the independent director system, etc.

Links and references

- 2022 Annual Sustainability Report, pp. 139 - 141
- 2023 Annual Report, pp. 33, 146, 158-159
- 2023 Annual Sustainability Report, pp. 16, 146, 176, and 161

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Response

CIB organised a variety of training courses for different types of employees to improve their professional competence and overall business quality, and cultivate their lifelong employability. In 2023, the Bank will complete the annual teacher course re-examination plan for subsidiaries and head office divisions, involving about 3,315 courses; develop professional primary learning maps for 18 positions and more than 300 courses, and promote the basic coverage of professional primary courses; build more than 160 courses for risk professional and technical sequences, integrated management talents, and craftsman talent training; build five virtual courses, including "digital technology", "risk management", "green finance", and so on. The Company has developed more than 160 courses on risk expertise, integrated management talents, and training of artisanal talents, etc.; constructed five virtual colleges, including "Digital Technology", "Risk Management" and "Green Finance", and released 430 courses in this area. It has built five major virtual colleges, including "Digital Technology", "Risk Management", "Green Finance" and so on, and released more than 430 courses.

Among them, the "10,000 People Plan" for green finance is being promoted in an orderly manner to consolidate and enhance the professional capacity in green finance. As of the end of 2023, the Company had 7,151 green financial talents, an increase of 197.22% from the end of the previous year.

Links and references

- 2022 Annual Sustainability Report, pp. 139 - 141
- 2023 Annual Report, pp. 33, 146, 158-159
- 2023 Annual Sustainability Report, pp. 16, 146, 176, and 161

► 5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?¹³ Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

¹³ Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

Response

CIB strictly enforces the Know Your Customer (KYC) policy in opening bank accounts and handling new transactions. Where a customer engages in illegal transactions and escalates the risk, the Bank will conduct due diligence and subsequent control measures according to the risk level.

CIB has set explicit requirements for the entire process of third-party security management, including the pre-assessment, in-process monitoring, and post-event inspection.

CIB fully applies the ESG-related risk assessment system to the credit grant process of its three major business lines, corporate finance, retail finance, and interbank finance. It classifies customers into four categories, namely Class A, Class B, Class C and Class D, according to the relevant risk assessment criteria, and adopts differentiated management strategies. It also integrates all aspects of the credit grant process, including due diligence, risk assessment, contract signing, financing issuance and duration management.

CIB's internal rating model indicators are designed to comprehensively evaluate all aspects of the client's operation and risk profile, while taking ESG-related factors into consideration. For example, the "quality control system" indicator in the qualitative evaluation of the management and operation of the rating company takes into account the environmental benefits of the enterprise's operation, including whether or not it has obtained the China. For example, the "Quality Control System" indicator in the qualitative evaluation of the company's management and operation takes into account the environmental benefits of the enterprise's operation, including whether it has obtained the "China Environmental Labelling" certification, etc.; the "Internal Control Management" indicator evaluates the enterprise's internal control situation, including whether the enterprise's corporate governance structure is perfect, and whether it has established a sound financial system, etc., reflecting the consideration of the ESG performance of the enterprise's operation management.

Links and references

2022 Annual Sustainability Report, pp. 40,45,102 – 115

2023 Annual Report, pp. 92

2023 Annual Sustainability Report, pp. 88 – 89

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Response

CIB observes the Notice of the Industrial Bank on the Establishment of Customers' ESG Indicator System, the ESG Embedded Credit Process Plan of the Industrial Bank for Corporate Finance Customers, the Notice of the Industrial Bank on Embedding ESG into Small and Micro Enterprises' Credit Process, the ESG Embedded Credit Process Plan of the Industrial Bank for Retail Credit Customers, the Notice of the Industrial Bank on Printing and Issuing the Interbank Customers' ESG Indicator System, and the ESG Embedded Credit Process Plan of the Industrial Bank for Interbank Financial Customers. Following these documents, CIB conducts targeted due diligence based on the ESG related content and the characteristics of customers' industries and regions. It strengthens the collection and verification of customers' basic information and data related to the ESG performance, covering 39 indicators such as energy consumption, water resource utilisation, greenhouse gas emissions, corporate environmental credit evaluation, administrative penalties related to environmental protection, suppliers' management, customers' complaints, employees' social security data, debt repayment ability, information disclosure and negative news. The aim is to ensure the authenticity, integrity and validity of information. CIB has formulated special risk prevention and control measures and response plans, including but not limited to rectification of violations within a prescribed time limit, the signing of a special commitment letter, adjustment of credit grant plans, increase of capital ratios, enhancement of risk mitigation measures, suspension of newly added credit limit, and compression of stock business. In the credit review and approval process, the Bank implements differentiated credit control measures.

Links and references

- 2022 Annual Sustainability Report, pp. 139 - 141
- 2023 Annual Report, pp. 33, 146, 158-159
- 2023 Annual Sustainability Report, pp. 16, 146, 176, and 161

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Response

Meanwhile, CIB has adopted such strategies as the positive/negative screening and impact investment. In 2023, RMB 152.938 billion of financing was provided to clients through green investment banking, an increase of 8.12% year-on-year; the scale of new green bond investment was RMB 24.992 billion, and the scale of stock was RMB 44.415 billion.

The Bank continuously improves its refined management of environmental and social risks. In 2022, the Bank formulated and issued the Notice of Industrial Bank on Issuing ESG-related Credit Policies. In the document, the Bank stipulates that all industries shall abide by relevant national environmental protection standards, experience no environmental pollution accidents or major ecological damage events occurring in recent years, and have sound safety production and occupational health management system. Loans shall not be issued for projects and enterprises that are explicitly prohibited by the State and fail to meet environmental protection regulations, and the loans already issued should be recovered. Support for ecological conservation in key areas and regions shall be increased continuously, major projects for biodiversity conservation shall be actively supported, and close attention shall be paid to the impact of project construction on the ecological environment and biodiversity. It has also set out requirements for 23 industries, including agriculture, forestry and mining.

Links and references

2022 Annual Sustainability Report,
pp. 40,45,102 – 115

2023 Annual Report, pp. 92

2023 Annual Sustainability Report,
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Response

In 2023, in order to consolidate CIB's ESG leading position and further optimise the evaluation strategy for the fossil energy industry, the Bank issued the Circular on Optimising the Evaluation Strategy for Fossil Energy and Continuously Implementing the ESG Philosophy in Depth, which formulates the evaluation strategy for the fossil energy industry in accordance with the principles of strengthening total volume management and promoting structural adjustment, and specifies that the new credit granted in the fossil energy industry should be limited to the advantageous regions, green finance and low-carbon transition finance. In addition, green development indicators are set as the bottom-line requirements for credit access and risk assessment, so as to strengthen the green leadership of the fossil energy industry. At the same time, we optimise the credit process, incorporate carbon pricing and carbon performance into the credit management process, and take the carbon reduction results of enterprises during the credit duration as an important reference for the next round of exposure, quota activation or interest rate pricing, so as to guide the credit resources to tilt towards the main bodies and projects with obvious carbon reduction effect, and link the credit strategy with the carbon reduction benefits.

Links and references

- 2022 Annual Sustainability Report,
pp. 40,45,102 – 115
- 2023 Annual Report, pp. 92
- 2023 Annual Sustainability Report,
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► Self-assessment summary

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Response

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

Yes No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes progress No

▶ Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

▶ 6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

- Yes
- Partially
- No

If applicable, please include the link or description of the assurance statement.

“ Principle 6: Transparency & Accountability

Response

The main body of the report is from the Bank's 2023 Annual Report and Sustainability Report. For the 2023 Annual Sustainability Report, Ernst & Young Hua Ming LLP has issued an independent authentication's assurance report. The 2023 Annual Report has been audited by KPMG Huazhen LLP, which has issued an auditor's report with an unqualified opinion.

The report has undergone Type 2 Moderate assurance by SynTao Green Finance, an independent assurer, in accordance with the AA1000 Standard.

Links and references

[Link to the 2022 Annual Sustainability Report \(Chinese\)](#)

[Link to the 2022 Annual Report \(Chinese\)](#)

[Link to the 2023 Annual Sustainability Report \(Chinese\)](#)

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▶ 6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI
- SASB
- CDP
- IFRS Sustainability Disclosure Standards (to be published)
- TCFD
- Other: Guidelines for Financial Institutions Environmental Information Disclosure issued by the PBC

Response

The Bank's Sustainability Report is aligned with the GRI Standards.

Links and references

[Link to the 2023 Annual Sustainability Report \(Chinese\)](#)

01 **Principle 1:**
Alignment

07 **Principle 2:**
Impact Analysis and Target Setting

45 **Principle 3:**
Clients & Customers

59 **Principle 4:**
Stakeholders

69 **Principle 5:**
Governance & Culture

97 **Principle 6:**
Transparency & Accountability

▶ 6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis¹⁴, target setting¹⁵ and governance structure for implementing the PRB)? Please describe briefly.

¹⁴ For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement.

¹⁵ For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

Response

The Bank will accelerate the development of processes and tools for climate risk management and build a framework for identifying, assessing, and responding to climate change risks and opportunities. It will strengthen the identification, assessment, calculation, management, and application of carbon assets, especially enhancing the development of systematic assessment and statistical tools based on the Carbon Peaking and Carbon Neutrality Management Platform.

The Bank will (1) comprehensively strengthen the Board of Directors' performance management and decision-making responsibility for important ESG matters; (2) effectively implement the audit and supervision mechanism for important ESG matters; (3) continuously improve ESG policies, systems, and processes; and (4) implement supporting ESG training programs. These initiatives are aimed at continuously refining and improving its ESG 'governance' performance. With leading ESG performance, the Bank will consistently align its strategy with China's national strategies of high-quality development, common prosperity, and 'dual-carbon' goals, practice its political consciousness, and serve the people in financial work.

Links and references

Section 3. Enhancing capabilities to address climate change, Article 2. Deployment for developing the ESG "Five Capabilities", Minutes of the ESG Priority Deployment Meeting of Industrial Bank Head Office 2023 (CIB Minutes [2023] No. 24) (internal document)

Section 1. Improving comprehensive governance capabilities, Article 2. Deployment for developing the ESG "Five Capabilities", Minutes of the ESG Priority Deployment Meeting of Industrial Bank Head Office 2023 (CIB Minutes [2023] No. 24) (internal document)

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▶ 6.4 Challenges

- Embedding PRB oversight into governance
- Customer engagement
- Gaining or maintaining momentum in the bank
- Stakeholder engagement
- Getting started: where to start and what to focus on in the beginning
- Data availability
- Data quality
- Conducting an impact analysis
- Access to resource
- Assessing negative environmental and social impacts
- Reporting
- Choosing the right performance measurement methodology/ies
- Assurance
- Setting targets
- Prioritizing actions internally
- Other.....

Response

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Independent Assurance Statement for the Industrial Bank Co., Ltd. PRB Report 2023

To the management team and stakeholders of Industrial Bank Co., Ltd., SynTao Green Finance Co., Ltd. (hereinafter referred to as “SynTao GF”) was commissioned by Industrial Bank Co., Ltd. (hereinafter referred to as “Industrial Bank”) to conduct an independent third-party assurance of the relevant information and data disclosed in its *Industrial Bank Co., Ltd. PRB Report 2023* (hereinafter referred to as “PRB Report”). The assurance conducted by SynTao GF is outlined as follows:

Scope of Assurance

1. Timeframe

The assurance was limited to the information disclosed in the *PRB Report* for the period from January 1, 2023, to December 31, 2023. Any relevant information and data outside this reporting period were not within the scope of this assurance.

2. Information and Data Scope

The scope of this assurance was limited to the information and data concerning Industrial Bank covered in the *PRB Report* and did not include information and data from third parties such as Industrial Bank's suppliers. Information and data disclosed in the *PRB Report* that had already been audited or verified by independent third-party organisations were not re-verified in this process.

3. Assurance Scope

The assurance scope aimed to assess whether the *PRB Report* complied with the Inclusivity, Materiality, Responsiveness, and Impact principles outlined in AA1000AP (2018). It also assessed whether the governance structure related to impact analysis, target setting, target implementation and monitoring, and the implementation of *Principles for Responsible Banking* complied with the requirements of the *Guidance for assurance providers: Providing Limited Assurance to Reporting*.

Responsibilities

The responsibility of Industrial Bank was to ensure the integrity and accuracy of the content of the *PRB Report* and the information provided to SynTao GF, with no significant misrepresentations.

The responsibility of SynTao GF was to issue an independent assurance statement based on the information provided by Industrial Bank, within the scope of authority recognised in the assurance contract between the two parties, under *AA1000 Assurance Standard v3* (AA1000AS v3) and the United Nations Environment Programme Finance Initiative (UNEP FI) *Guidance for assurance providers: Providing Limited Assurance for Reporting*.

Standards

SynTao GF utilized AA1000AS v3 as the reference standard for assurance services. AA1000AS v3 refers to the assurance standard created by AccountAbility. The type and depth of assurance conducted in this instance were categorized as “Type 2, Moderate Assurance”.

The assurance statement was prepared by SynTao GF following the *SynTao GF Non-Financial Report Assurance Method*.

In addition to AA1000AS v3, the standards, principles, and initiatives referenced by SynTao GF included: UNEP FI *Principles for Responsible Banking* / UNEP FI *Guidance for assurance providers: Providing Limited Assurance for Reporting* / Global Reporting Initiative *GRI Standards* / Hong Kong Exchanges and Clearing *Limited ESG Reporting Guide* / Task Force on Climate-related Financial Disclosures *TCFD Framework* / International Sustainability Standards Board (ISSB) *IFRS S1 - General Requirements for Disclosures of Sustainability-related Financial Information* and *IFRS S2 Climate-related Disclosures* / European Union *Corporate Sustainability Reporting Directive (CSRD)* / *Greenhouse Gas Protocol (GHG Protocol)*, among others.

Assurance Methodology

1. Assurance Plan

SynTao GF recorded key resource requirements, evidence to be collected, tasks, activities, deliverables, and timelines in the schedule, forming a plan.

2. Information Collection

Following principles of clarity, balance, completeness, and timeliness, SynTao GF assessed the quality of the collected information.

3. Conducting Assurance

- Conducting interviews with management, including departmental managers and those responsible for sustainability management.
- Verifying relevant documents, data, and other materials provided by Industrial Bank.
- Assessing whether the information and data in the *PRB Report* comply with the inclusivity, materiality, responsiveness, and impact principles outlined in AA1000AP (2018).
- Assessing the reliability and quality of specific performance information (significant impacts) in the *PRB Report*.
- Evaluating whether the information and data in the *PRB Report* comply with the requirements of the *Guidance for assurance providers: Providing Limited Assurance for Reporting*.

4. Any other necessary work deemed by SynTao GF

Independence and Capability

1. Independence

SynTao GF and Industrial Bank are entirely independent entities. Apart from the services specified in the verification contract, SynTao GF has no other affiliations with Industrial Bank.

2. Capability

SynTao GF specializes in providing professional consulting, research, and training services in sustainable finance, including environmental, social, and corporate governance (ESG) ratings, green finance strategic planning, Environmental and Social Risk Management (ESRM), green finance product innovation, research on green finance and responsible investment, green bond assurance, as well as green credit and responsible investment capacity building.

SynTao GF is a licensed assurance provider of AA1000AS v3. This license authorizes SynTao GF to use and comply with AccountAbility's AA1000AS v3, as well as the use of the AA1000AS v3 markings related to sustainability assurance services.

Members of SynTao GF's assurance team hold qualifications in ISO14001 internal auditing, CFA ESG, EFFAS Certified ESG Analyst, GRI training certification, carbon asset management, and other qualifications in the field of sustainable development. The team consists of professionals with extensive experience in the field of sustainable development and a comprehensive understanding of the AA1000AS v3 standard.

Limitations

SynTao GF relied entirely on the information and data provided by Industrial Bank required in the assurance of this PRB Report and did not collect information from other external sources. Interviews also did not involve external stakeholders.

Content for Assurance

1. AA1000 Accountability Principles (2018)

Inclusivity: Industrial Bank has fully identified the bank's internal and external stakeholders, such as government and regulatory bodies, shareholders, investors, customers, employees, partners and suppliers, etc. It has also formulated internal documents for stakeholder identification, established a stakeholder communication mechanism to understand the expectations and concerns of stakeholders, and to regularly collect feedback from stakeholders.

Materiality: By utilising the tools provided by UNEP FI, Industrial Bank has identified material impacts that are highly relevant to the bank, set corresponding targets, and disclosed the bank's sustainability policy and programmes in its reports.

Responsiveness: Industrial Bank has established a stakeholder engagement mechanism focusing on the concerns of stakeholders, fully responded to the demands and expectations from stakeholders, especially the key stakeholders.

Impact: Industrial Bank has an organisational structure that is compatible with sustainable development and integrates the concept of sustainable development into the bank's business activities. Industrial Bank has also established a risk management mechanism and identified

significant impacts.

2. Principles for Responsible Banking

2.1 Impact Analysis: Industrial Bank has accurate data on products, services, and portfolios in its main business areas. Industrial Bank disclosed the methodology for impact analysis and target setting, and the data and performance indicators were reasonably selected and followed the relevant governance processes.

2.2 Target Setting: Industrial Bank's target setting relates to the significant impacts identified in the impact analysis, with milestones set that are specific, measurable, achievable, relevant and time-bound, consistent with relevant domestic and international policies. Industrial Bank has also formulated a monitoring plan for the implementation of the targets, specifying the departments and personnel responsible for monitoring.

2.3 Target Implementation and Monitoring: Industrial Bank plans to implement actions for the targets set. Industrial Bank has disclosed the progress made in respect of each of its set objectives and the impact they have made.

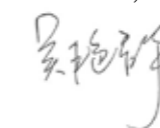
5.1 Governance Structure for the Implementation of the Principles for Responsible Banking: Industrial Bank's governance structure includes a committee in charge of the sustainability strategy, the senior management and the committee regularly review the implementation of the objectives, and the remuneration of the senior management is linked to the implementation of the business of serving high-quality development and green finance. In addition, Industrial Bank conducts regular governance meetings and trainings to ensure that the targets are met.

Conclusion

1. SynTao GF did not identify any non-compliance with the Inclusivity, Materiality, Responsiveness, and Impact principles outlined in AA1000AP (2018) in the *Industrial Bank Co., Ltd. PRB Report 2023*.
2. SynTao GF found the disclosed data regarding the products, services, and investment portfolios in the operational regions of Industrial Bank to be reliable, without any quality issues, and suitable for stakeholders to refer to. Regarding the impact analysis and target setting in the *Industrial Bank Co., Ltd. PRB Report 2023*, SynTao GF did not find any information or data that would compromise its reliability and quality, nor did it find any non-compliance with the *Guidance for Assurance Providers: Providing Limited Assurance to Reporting* from UNEP FI.

Assurance Provider: SynTao Green Finance Co., Ltd.

Assurance Team Lead: WU, Yanjing



April 17, 2024