

Industrial Bank Co., Ltd.

Type of Engagement: Annual Review

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Introduction

In November 2018, Industrial Bank Co., Ltd. (“Industrial Bank”) issued green bonds aimed at financing eligible green projects, particularly in the areas of renewable energy and low carbon transportation. In February 2022, Industrial Bank engaged Sustainalytics to review the projects funded through the issued 2018 green bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Green Bond Framework for Industrial Bank Co., Ltd. (the “Framework”).¹

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2018 green bonds based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Green Bond Framework for Industrial Bank Co., Ltd.; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Green Bond Framework for Industrial Bank Co., Ltd.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Renewable Energy	Generation and transmission of energy from following sources: <ul style="list-style-type: none"> • Solar • Onshore wind • Tidal • Biomass • Hydropower 	<ul style="list-style-type: none"> • kWh of power generated from renewable energy • Amount of CO2 or standard coal equivalent avoided
Low Carbon and Low Emission Transportation	Electric public transportation assets, systems, infrastructure, components and services, examples include: <ul style="list-style-type: none"> • Rail • Tram • Metro • Bus Rapid Transit Systems (BTR) • electric vehicles and hydrogen vehicles 	<ul style="list-style-type: none"> • Amount of CO2 or standard coal equivalent avoided • Km of tracks or dedicated lanes built (applicable to Rail Tram, Metro and Bus Rapid Transit Systems) • No. of passenger transported (applicable to Rail Tram, Metro and Bus Rapid Transit Systems) • Amount of vehicles built or served (applicable to electric vehicles and hydrogen vehicles)

¹ The Green Bond Framework for Industrial Bank Co., Ltd. (November 2018 version) is available at: https://download.cib.com.cn/netbank/download/cn/notice/20181121_en_1.pdf

Issuing Entity’s Responsibility

Industrial Bank is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Industrial Bank’s Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Industrial Bank employees and review of documentation to confirm the conformance with the Green Bond Framework for Industrial Bank Co., Ltd.

Sustainalytics has relied on the information and the facts presented by Industrial Bank with respect to the Nominated Projects. Sustainalytics is not responsible, nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Industrial Bank.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,² nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Industrial Bank’s Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Green Bond Framework for Industrial Bank Co., Ltd. Industrial Bank has disclosed to Sustainalytics that the proceeds of the green bond were fully allocated as of December 31,2018.

Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the green bond in 2018 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Green Bond Framework for Industrial Bank Co., Ltd. and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the green bond in 2018 to determine if impact of projects was reported in line with the KPIs outlined in the Green Bond Framework for Industrial Bank Co., Ltd. and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

² Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix: Allocation and Reporting by Eligibility Criteria

Use of Proceeds Category	Project Number	Project Description	Project Region	Net Bond Proceeds Allocation (USD in million) ³	IB Share of the Project	KPIs	Impact Reported
Renewable Energy⁴	Project 1	Onshore Wind Power Project	Fujian, China	10.54	21.62%	Tons of coal equivalent (Tce) avoided per year (tons/year) ⁵	5,663.91
						CO ₂ emissions equivalent avoided (tons/year)	16,516.14
						SO ₂ emission equivalent avoided (tons/year)	2.18
						NO _x emission equivalent avoided (tons/year)	3.12
	Project 2	Onshore Wind Power Project	Fujian, China	20.59	32.27%	Tce avoided per year (tons/year)	11,766.81
						CO ₂ emissions equivalent avoided (tons/year)	33,523.57
						SO ₂ emission equivalent avoided (tons/year)	9.97
						NO _x emission equivalent avoided (tons/year)	12.65
Low Carbon and Low Emission Transportation^{6,7}	Project 3	Electrified Urban Metro Project	Henan, China	108.08	12.85%	Length of track (km)	9.46
						Passengers transported by 2020 (million/year)	53.15
						Passengers transported by 2045 (million/year)	117.78
	Project 4	Electrified Urban Metro Project ⁸	Guangdong, China	60.52	1.00%	Length of track (km)	43.20
						Passengers transported by 2020 (million/year)	451.51

³ Exchange rate applied: USD/CNY = 0.1441 for 2018 issuance.

⁴ While Industrial Bank discloses the impact matrix both at the project and its share level in its Impact Report 2020 and allocation data recorded for 2021, Sustainalytics notes that this reporting provides impact matrix at the Industrial Bank's share level.

⁵ Tce avoided is a new additional KPIs Industrial Bank reported to further strengthen the reporting criteria.

⁶ Given the nature of impact indicators for this category, this reporting provides impact matrix at the project level.

⁷ Industrial Bank has reported a different set of KPI for this category from its Impact Report 2020.

⁸ As the project has not commenced operations, the above figures represent the estimated impacts.

						Passengers transported by 2045 (million/year)	895.71
	Project 5	Electrified Urban Metro Project ^{8,9}	Fujian, China	744.20	17.45%	Length of track (km)	36.72
						Passengers transported by 2020 (million/year)	146.58
						Passengers transported by 2045 (million/year)	332.15

⁹ The impact numbers reported for this project is at project level. It represents the combined impact of net proceeds allocated from 2018 and 2021 bond.

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