

Industrial Bank Co., Ltd.

Type of Engagement: Annual Review

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Introduction

In November 2020, Industrial Bank Co., Ltd. (“Industrial Bank”) issued a blue bond aimed at financing offshore wind, sewage treatment, port pollution prevention and control, and urban flood control facilities in coastal areas. In February 2022, Industrial Bank engaged Sustainalytics to review the projects funded through the issued 2020 blue bond 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” updated in 2020).¹

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2020 green based on whether the projects:

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	Loans or other types of financings to support: <ul style="list-style-type: none"> • Generation, maintenance and transmission of renewable energy • Manufacture of components of renewable energy technology² • Scope of renewable energy includes: solar, onshore and offshore wind, tidal, biomass from agricultural wastes or kitchen wastes for municipal wastes, and hydropower (less than 20MW) 	<ul style="list-style-type: none"> • kWh of power generated from renewable Energy • Amount of CO2 or standard coal equivalent avoided • kWh of energy saved per year • Percentage annual energy saved
Sustainable Water and Wastewater Management	Loans or other types of financing to support: <ul style="list-style-type: none"> • Construction, operation and maintenance of wastewater treatment • Example would include: wastewater pipe and treatment plant facilities; water recycling systems; and water/rainwater collection pipes and facilities 	<ul style="list-style-type: none"> • Amount of water saved/recycled • Amount of wastewater treated

¹ Industrial Bank updated the Framework in October 2020 to update the details of criteria and include the “Sustainable Marine Economy, Marine Environmental Protection and Coastal Climate Change Adoption” category. The Green Bond Framework for Industrial Bank Co., Ltd. (updated version 2020) is available at: https://download.cib.com.cn/netbank/download/en/20201029_en1.pdf

² Sustainalytics notes that the Issuer has indicated the any allocation of proceeds to the manufacturing of renewable energy components will be exclusively allocated to renewable energy technological components and any fossil fuel related technology is excluded.

	<ul style="list-style-type: none"> • Construction and maintenance of sustainable urban drainage systems, river training and other forms of flooding mitigation • Examples would include: urban drainage systems; dam, levees and other forms of flooding mitigation.³ 	
<p>Sustainable Marine Economy, Marine Environmental Protection and Coastal Climate Change Adoption</p>	<p>Loans or other types of financing to support:</p> <ul style="list-style-type: none"> • Construction, operation, maintenance and retrofits of shipment and port pollution treatment facilities • Construction, operation, maintenance and retrofits of sea water desalination facilities which are powered at least 90% by renewable energy • Construction, operation and maintenance of sustainable water infrastructure, including wastewater treatment, urban drainage systems, river training and other forms of flooding mitigation for climate change adoption in coastal areas⁴ 	<ul style="list-style-type: none"> • Amount of water saved/recycled • Amount of wastewater treated • Sea water desalination capacity built • Other types pollution or waste treated, including but not limited to solid waste, dust or exhaust gas • Length of urban drainage systems, dam, levees and other forms of flooding mitigation built

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,⁵ 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, 2020.

³ Industrial Bank confirmed to have carried out climate risk assessments prior to project financing of Sustainable Water and Wastewater Management category.

⁴ Industrial Bank excludes fossil-fuel-powered technologies from the financings to shipment and port pollution treatment facilities.

⁵ 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.

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 2020 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 2020 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

Appendix

Appendix 1: Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Project Number	Project Description	Project Region	Net Bond Proceeds Allocation (USD in million) ⁶	IB Share of the Project	KPIs	Impact Reported
Renewable Energy ⁷	Project 1	Offshore Wind Power Project	Fujian, China	46.89	5.95%	Tons of coal equivalent (Tce) avoided per year (tons/year) ⁸	18,994.92
						CO ₂ emissions equivalent avoided (tons/year)	55,883.87
						SO ₂ emission equivalent avoided (tons/year)	33.92
						NO _x emission equivalent avoided (tons/year)	16.66
	Project 2	Offshore Wind Power Project	Fujian, China	9.86	1.79%	Tce avoided per year (tons/year)	3,506.56
						CO ₂ emissions equivalent avoided (tons/year)	7,179.58
						SO ₂ emission equivalent avoided (tons/year)	5.19
						NO _x emission equivalent avoided (tons/year)	4.83
Sustainable Water and Wastewater Management ^{9, 10}	Project 3	Coastal Area Flood Control Facilities Construction Project	Jiangsu, China	23.52	12.96%	Length of river training (km)	128.81
	Project 4	Coastal Area Flood Control Facilities Construction Project	Fujian, China	50.52	36.29%	Length of river training (km)	131.30

⁶ Exchange rate applied: USD/CNY = 0.1493 for 2020 issuance.

⁷ 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.

⁸ Tce avoided is a new additional KPIs Industrial Bank reported to further strengthen the reporting criteria.

⁹ Given the nature of impact indicators for this category, this reporting provides impact matrix at the project level.

¹⁰ Industrial Bank confirmed that Project 16 to 25 were identified for financing based on climate risk climate risk assessments studies.

Use of Proceeds Category	Project Number	Project Description	Project Region	Net Bond Proceeds Allocation (USD in million) ⁶	IB Share of the Project	KPIs	Impact Reported
	Project 5	Coastal Area Flood Control Facilities Construction Project	Fujian, China	91.09	37.78%	Length of river training (km)	16.00
						Construction or reinforcement of dam and levees (km)	22.27
	Project 6	Coastal Area Flood Control Facilities Construction Project	Zhejiang, China	20.01	16.04%	Construction or reinforcement of dam and levees (km)	12.13
Sustainable Marine Economy, Marine Environmental Protection and Coastal Climate Change Adoption^{11,12}	Project 7	Coastal Sewage Treatment Project	Jiangsu, China	10.45	14.23%	Construction or renovation of wastewater treatment capacity (thousand m3/d)	150.00
						Construction of wastewater pipelines (km)	67.18
	Project 8	Coastal Sewage Treatment Project	Zhejiang, China	23.82	40.32%	Construction or renovation of wastewater treatment capacity (thousand m3/d)	250.00
	Project 9	Coastal Sewage Treatment Project	Zhejiang, China	95.14	48.27%	Construction or renovation of wastewater treatment capacity (thousand m3/d)	86.00
	Project 10	Coastal Sewage Treatment Project	Guangdong, China	17.32	46.93%	Construction or renovation of wastewater treatment capacity (thousand m3/d)	110.00
	Project 11	Coastal Sewage Treatment Project	Jiangsu, China	59.45	49.76%	Construction of wastewater pipelines (km)	391.73

¹¹ Given the nature of impact indicators for this category, this reporting provides impact matrix at the project level.

¹² Industrial Bank confirmed the exclusion of fossil-fuel-powered technologies from the financings to shipment and port pollution treatment facilities.

Use of Proceeds Category	Project Number	Project Description	Project Region	Net Bond Proceeds Allocation (USD in million) ⁶	IB Share of the Project	KPIs	Impact Reported
	Project 12	Port Pollution Prevention Project	Anhui, China	1.91	20.62%	Construction or renovation of wastewater treatment capacity (thousand m ³ /d)	4.80
						Sets of dust-removing devices installed ¹³	12.00

¹³ Sets of Dust-Removing Devices Installed is a new additional KPIs Industrial Bank reported to further strengthen the reporting criteria.

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