

# Industrial Bank Co., Ltd.

**Type of Engagement:** Annual Review

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## Introduction

In November 2020, Industrial Bank Co., Ltd. (“Industrial Bank” or “IB”) issued its 2020 green bond (blue bond) aimed at financing offshore wind, sewage treatment, port pollution prevention and control, and urban flood control facilities. In March 2023, Industrial Bank engaged Sustainalytics to review the projects financed with proceeds from issued green bond (USD 450 million) 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., version 2020.10 (the “Framework”).<sup>1</sup> Sustainalytics provided a Second-Party Opinion on the Framework in October 2020.<sup>2</sup>

## Evaluation Criteria

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

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on at least one Key Performance Indicator (KPI) for each use of proceeds category defined in the Framework.

**Table 1: Use of Proceeds Category, Eligibility Criteria and Associated KPIs<sup>3</sup>**

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
<b>Renewable Energy</b>	Loans or other types of financings to support: <ul style="list-style-type: none"> <li>• Generation, maintenance and transmission of renewable energy</li> <li>• Manufacture of components of renewable energy technology<sup>4</sup></li> <li>• 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)</li> </ul>	<ul style="list-style-type: none"> <li>• kWh of power generated from renewable Energy</li> <li>• Amount of CO<sub>2</sub> or standard coal equivalent avoided</li> <li>• kWh of energy saved per year</li> <li>• Percentage annual energy saved</li> </ul>
<b>Sustainable Marine Economy, Marine</b>	Loans or other types of financing to support:	<ul style="list-style-type: none"> <li>• Amount of water saved/recycled</li> <li>• Amount of wastewater treated</li> </ul>

<sup>1</sup> The Framework is published on Industrial Bank’s website and is available at: [https://download.cib.com.cn/netbank/download/cn/20201029\\_cn3.pdf](https://download.cib.com.cn/netbank/download/cn/20201029_cn3.pdf)

<sup>2</sup> Industrial Bank Green Bond Framework Second-Party Opinion is on Industrial Bank’s website at: [https://download.cib.com.cn/netbank/download/cn/20201029\\_cn1.pdf](https://download.cib.com.cn/netbank/download/cn/20201029_cn1.pdf)

<sup>3</sup> The Framework defines five green use of proceeds categories. Industrial Bank allocated proceeds to two green categories: Renewable Energy, and Sustainable Marine Economy, Marine Environmental Protection and Coastal Climate Change Adoption.

<sup>4</sup> 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.

<b>Environmental Protection and Coastal Climate Change Adoption</b>	<ul style="list-style-type: none"> <li>• Construction, operation, maintenance and retrofits of shipment and port pollution treatment facilities</li> <li>• Construction, operation, maintenance and retrofits of sea water desalination facilities which are powered at least 90% by renewable energy</li> <li>• 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 areas<sup>5</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Sea water desalination capacity built</li> <li>• Other types pollution or waste treated, including but not limited to solid waste, dust or exhaust gas</li> <li>• Length of urban drainage systems, dam, levees and other forms of flooding mitigation built</li> </ul>
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### Issuer’s Responsibility

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

### Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, 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 and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by Industrial Bank. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein 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 of the review.

### Conclusion

Based on the limited assurance procedures conducted,<sup>6</sup> nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. Industrial Bank has disclosed to Sustainalytics that the proceeds from the green bond (blue bond) were fully allocated as of December 31, 2020.

<sup>5</sup> Industrial Bank excludes fossil-fuel-powered technologies from the financings to shipment and port pollution treatment facilities.

<sup>6</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, estimated and realized costs of projects, and project impact, as provided by the Issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Detailed Findings

**Table 2: Detailed Findings**

<b>Eligibility Criteria</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the projects funded by the 2020 green bond (blue bond) from November 2020 to December 2020 to determine if projects aligned with the use of proceeds criteria outlined in the Framework and above in Table 1.	All projects reviewed complied with the use of proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded by the 2020 green bond (blue bond) from November 2020 to December 2020 to determine if impact of projects was reported in line with the KPIs outlined in the Framework and above in Table 1. For a list of KPIs reported, please refer to Appendix 2.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

## Appendices

### Appendix 1: Allocation Reporting by Eligibility Criteria

Use of Proceeds Category	Project Number	Project Description	Project Region	Net Bond Proceeds Allocation (RMB in million)	Net Bond Proceeds Allocation (USD in million)	IB's share in the project
Renewable Energy	Project 1	Offshore Wind Power Project	Fujian, China	314.00	46.89	5.95%
	Project 2		Fujian, China	66.05	9.86	1.79%
Sustainable Marine Economy, Marine Environmental Protection and Coastal Climate Change Adoption	Project 3	Coastal Area Flood Control Facilities Construction	Jiangsu, China	157.50	23.52	12.96%
	Project 4		Fujian, China	338.33	50.52	36.29%
	Project 5		Fujian, China	610.00	91.09	37.78%
	Project 6		Zhejiang, China	134.00	20.01	16.04%
	Project 7	Coastal Sewage Treatment	Jiangsu, China	70.00	10.45	14.23%
	Project 8		Zhejiang, China	159.50	23.82	40.32%
	Project 9		Zhejiang, China	637.10	95.14	48.27%
	Project 10		Guangdong, China	116.00	17.32	46.93%
	Project 11		Jiangsu, China	398.11	59.45	49.76%
	Project 12	Port Pollution Prevention	Anhui, China	12.79	1.91	20.62%
<b>Total</b>				3,013.38	450.00	-

## Appendix 2: Impact Reporting by Eligibility Criteria

Table 3 Impact Reporting for Renewable Energy

Use of Proceeds Category	Project Number	Project status	Installed capacity of the project (MW)	Annual Power Output of the project (GWh)	Tons of coal equivalent (Tce) avoided per year (tons/year)		CO <sub>2</sub> emissions equivalent avoided (tons/year)		SO <sub>2</sub> Emission Eq. avoided (ton/year)		NO <sub>x</sub> Emission Eq. avoided (tons/year)	
					Impact of the entire project	IB's share of impact	Impact of the entire project	IB's share of impact	Impact of the entire project	IB's share of impact	Impact of the entire project	IB's share of impact
Renewable Energy	Project 1	Fully operational	300.00	1,057.96	319,200.00	18,994.92	939,100.00	55,883.87	570.00	33.92	280.00	16.66
	Project 2	Fully operational	200.00	621.90	195,900.00	3,506.56	401,100.00	7,179.58	290.00	5.19	270.00	4.83

Table 4: Impact Reporting for Sustainable Marine Economy, Marine Environmental Protection and Coastal Climate Change Adoption

Use of Proceeds Category <sup>7</sup>	Project Number	Project status	River Training (km)	Construction or Reinforcement of Dam and Levees (km)	Construction or Renovation of Wastewater Treatment Capacity (thous m <sup>3</sup> /d)	Construction of Wastewater Pipelines (km)
Sustainable Marine Economy, Marine Environmental Protection and Coastal Climate Change Adoption	Project 3	Fully operational	128.81	-	-	-
	Project 4	Fully operational	131.30	-	-	-
	Project 5	Fully operational	16.00	22.27	-	-
	Project 6	Under construction	-	12.13	-	-
	Project 7	Fully operational	-	-	150.00	67.18
	Project 8	Fully operational	-	-	250.00	-
	Project 9	Under construction	-	-	86.00	-

<sup>7</sup> Sustainalytics notes that the impact data for projects under this category for the entire project.

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	Project 10	Fully operational	-	-	110.00	-
	Project 11	Fully operational	-	-	-	391.73
	Project 12	Fully operational	-	-	4.80	-

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