

Industrial Bank Co., Ltd.

Type of Engagement: Annual Review

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Introduction

In May 2022, Industrial Bank Co., Ltd. ("Industrial Bank" or "IB") issued 2022 "China-EU Common Ground Taxonomy" themed green bond aimed at financing renewable energy and low carbon transportation projects. In March 2023, Industrial Bank engaged Sustainalytics to review the projects financed with proceeds from issued green bond (USD 648.80 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").¹ Sustainalytics provided a Second-Party Opinion on the Framework in October 2020.²

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 KPIs³

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
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 technology⁴• 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
Low Carbon and Low	Loans or other types of financing to support:	<ul style="list-style-type: none">• Amount of CO₂ or standard coal equivalent avoided.

¹ The Framework is published on Industrial Bank's website and is available at: https://download.cib.com.cn/netbank/download/cn/20201029_cn3.pdf

² 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

³ The Framework defines five green use of proceeds categories. Industrial Bank allocated proceeds to two green categories: Renewable Energy, and Low Carbon and Low Emission Transportation.

⁴ 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.

Emission Transportation	<ul style="list-style-type: none"> • Construction, operation, maintenance and corresponding services of electric or hydrogen-powered transportation assets, systems and infrastructure • Manufacture of electric transportation vehicles and components 	<ul style="list-style-type: none"> • Km of tracks or dedicated lanes built (applicable to Rail Tram, Metro and Bus Rapid Transit Systems) • No. of passengers transported (applicable to Rail Tram, Metro and Bus Rapid Transit Systems) • Amount of vehicles built or served (applicable to electric vehicles and hydrogen vehicles)
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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,⁵ 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 were fully allocated as of December 31, 2022.

⁵ 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

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the green bond from May 2022 to December 2022 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
Reporting Criteria	Verification of the projects funded by the green bond from May 2022 to December 2022 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	Zhejiang, China	1,159.53	172.31	22.93%
	Project 2	Solar Power	Ningxia, China	1,200.00	178.32	69.81%
Low Carbon and Low Emission Transportation	Project 3	Metro	Yunnan, China	2,006.44	298.17	6.62%
Total				4,365.97	648.80	-

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 ₂ emissions equivalent avoided (tons/year)		SO ₂ Emission Eq. avoided (ton/year)		NO _x 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	301.00	884.34	265,800.00	60,940.05	584,000.00	133,893.87	1,061.10	243.28	2,122.50	486.63
	Project 2	Fully operational	250.00	384.20	120,000.00	83,777.43	381,200.00	266,132.97	10.40	7.26	211.00	147.31

Table 4: Impact Reporting for Low Carbon and Low Emission Transportation

Use of Proceeds Category	Project Number	Project status	Length of track (km)	Passenger Transported by 2020 (million/year)	Passenger Transported by 2045 (million/year)
Low Carbon and Low Emission Transportation⁶	Project 3	Fully operational	43.38	-	396.28

⁶ Sustainalytics notes that the impact data for projects under this category for the entire project.

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