

# Industrial Bank Co., Ltd.

**Type of Engagement:** Annual Review

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**Engagement Team:**

Akshay Chandrakapure, [akshay.chandrakapure@morningstar.com](mailto:akshay.chandrakapure@morningstar.com)

Sidharth P R, [sidharth.pr@morningstar.com](mailto:sidharth.pr@morningstar.com)

## Introduction

In June 2021, Industrial Bank Co., Ltd. (“Industrial Bank” or “IB”) issued its Carbon Neutrality Themed Green Bond (the “2021 Green Bond”) to finance renewable energy and low carbon transportation projects. In March 2024, Industrial Bank engaged Sustainalytics to review the projects financed with proceeds from the 2021 Green Bond (the “Nominated Projects”) and provide an assessment as to whether the projects meet the use of proceeds criteria and the reporting commitments outlined in the Green Bond Framework for Industrial Bank Co., Ltd. (the “Framework”). Sustainalytics provided a Second-Party Opinion on the Framework in October 2020<sup>1</sup>. This is Sustainalytics’ third annual review of allocation and reporting of the instruments issued under the Framework, following previous reviews in February 2022<sup>2</sup> and March 2023<sup>3</sup>.

## Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether they:

1. Meet the use of proceeds and eligibility criteria defined 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 Categories, Eligibility Criteria and Associated KPIs**

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
<b>Renewable Energy</b>	<p>Loans or other types of financings to support:</p> <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>Low Carbon and Low Emission Transportation</b>	<p>Loans or other types of financing to support:</p> <ul style="list-style-type: none"> <li>• Construction, operation, maintenance and corresponding services of electric or hydrogen-powered transportation assets, systems and infrastructure</li> <li>• Manufacture of electric transportation vehicles and components</li> </ul>	<ul style="list-style-type: none"> <li>• Amount of CO<sub>2</sub> or standard coal equivalent avoided</li> <li>• Km of tracks or dedicated lanes built (applicable to Rail)</li> </ul>

<sup>1</sup> Sustainalytics, “Second-Party Opinion, Industrial Bank”, (2020), at: <https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/green-bond-framework-for-industrial-bank-co.-ltd.-second-party-opinion.pdf>

<sup>2</sup> Sustainalytics, “Annual Review, Industrial Bank”, (2022), at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/industrial-bank-co.-ltd.-2021-green-bond-annual-review-\(2022\).pdf](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/industrial-bank-co.-ltd.-2021-green-bond-annual-review-(2022).pdf)

<sup>3</sup> Sustainalytics, “Annual Review, Industrial Bank”, (2023), at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/industrial-bank-co.-ltd.-2021-green-bond-annual-review-\(2023\).pdf](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/industrial-bank-co.-ltd.-2021-green-bond-annual-review-(2023).pdf)

<sup>4</sup> Sustainalytics notes that the Issuer has indicated that 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.

		<p>Tram, Metro and Bus Rapid Transit Systems)</p> <ul style="list-style-type: none"> <li>• No. of passengers transported (applicable to Rail Tram, Metro and Bus Rapid Transit Systems)</li> <li>• Amount of vehicles built or served (applicable to electric vehicles and hydrogen vehicles)</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 descriptions of projects, amounts allocated and project impact.

### **Independence and Quality Control**

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from Industrial Bank’s 2021 Green Bond. 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>5</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 2021 Green Bond were fully allocated as of 31 December 2021.

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<sup>5</sup> Sustainalytics’ limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

## Detailed Findings

**Table 2: Detailed Findings**

<b>Framework Requirements</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the Nominated Projects to determine alignment with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the Nominated Projects to determine if impact was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

## Appendices

### Appendix 1: Allocation Reporting by Eligibility Criteria

Industrial Bank raised USD 922.20 million as net proceeds from the issuance of the 2021 Green Bond, that were fully allocated in accordance with the use of proceeds criteria noted in the Framework to refinance eligible green assets aimed at significant carbon emission reduction.

**Table 3: Allocation Reporting for the seven projects refinanced.**

Use of Proceeds Category	Project Ref. No (#)	Project Description	Project Region	Financing Period	Project Status	Net Proceeds Allocation (RMB million)	Net Proceeds Allocation (USD million)	IB's share in the project (%)
Renewable Energy	1	Offshore Wind Power	Shanghai, China	2021-2037	Fully operational	244.03	38.19	7.17
	2	Manufacture of solar cell and relevant equipment for solar energy	Jiangsu, China	2021-2026	Fully operational	225.00	35.21	42.70
	3		Jiangsu, China	2021-2026	Fully operational	240.00	37.56	11.46
Low Carbon and Low Emission Transportation	4	Metro	Fujian, China	2017-2047	Under construction	2,180.91	341.28	7.49
	5		Guangdong, China	2021-2046	Under construction	783.30	122.57	1.87
	6		Fujian, China	2021-2036	Fully operational	603.21	94.39	4.03
	7	Manufacture of power battery dedicated for EVs	Sichuan, China	2020-2028	Fully operational	1,616.79	253.00	40.42
<b>Total</b>						5,893.24	922.20	

## Appendix 2: Reported Impact by Eligibility Criteria

Table 4: Reported Impact for Renewable Energy

Use of Proceeds Category	Project Ref. No (#)	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> emissions equivalent avoided (tons/year)		NO <sub>x</sub> emissions equivalent avoided (tons/year)		Other Impacts
				Project level	IB's share of impact	Project level	IB's share of impact	Project level	IB's share of impact	Project level	IB's share of impact	
Renewable Energy	1	206.40	636.82	196,800	14,115	533,900	38,292.68	164.49	11.80	158.18	11.35	-
	2	-	-	-	-	-	-	-	-	-	-	Capacity of manufacturing 300 MW Copper Indium Gallium Di-selenide Solar Cells (CIGS) per year
	3	-	-	-	-	-	-	-	-	-	-	Capacity of manufacturing 5 GW monocrystalline silicon solar cells per year

Table 5: Reported Impact<sup>6</sup> for Low Carbon and Low Emission Transportation

Use of Proceeds Category	Project Ref. No (#)	Length of track (km)	Passenger Transported by 2020 (million/year)	Passenger Transported by 2045 (million/year)	Other Impacts
Low Carbon and Low Emission Transportation	4	36.72	146.58	332.15	-
	5	71.30	179.69	500.85	-
	6	26.27	110.23	274.85	-
	7	-	-	-	12 GW lithium EV power battery manufacturing capacity

<sup>6</sup> Sustainalytics notes that the impact data reported for these projects under this category pertains to the entire project and is not the pro-rated impact data.

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