

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 its “China-EU Common Ground Taxonomy” Themed Green Bond (the “2022 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 2022 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 2020¹. This is Sustainalytics’ second annual review of allocation and reporting of the instruments issued under the Framework, following a previous review in March 2023².

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
Low Carbon and Low Emission Transportation	<p>Loans or other types of financing to support:</p> <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"> • 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 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)

¹ 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>

² Sustainalytics, “Annual Review, Industrial Bank”, (2023), at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/industrial-bank-co.-ltd.-2022-green-bond-annual-review-\(2023\).pdf](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/industrial-bank-co.-ltd.-2022-green-bond-annual-review-(2023).pdf)

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 2022 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,³ 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 2022 Green Bond were fully allocated as of 31 December 2022.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	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
Reporting Criteria	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

³ 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.

Appendices

Appendix 1: Allocation Reporting by Eligibility Criteria

Industrial Bank raised USD 648.80 million as net proceeds from the issuance of the 2022 Green Bond, that were fully allocated in accordance with the use of proceeds criteria noted in the Framework to refinance eligible green assets that are in line with the prudent green standards set in the China-EU CGT, including low carbon and low emission transportation.

Table 3: Allocation Reporting for the two 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 (%)
Low Carbon and Low Emission Transportation	1	Metro	Fujian, China	2017-2047	Under construction	2,087.79	310.25	7.17%
	2		Yunnan, China	2020-2041	Fully operational	2,278.18	338.55	7.52%
Total						4,365.97	648.80	

Appendix 2: Reported Impact by Eligibility Criteria

Table 4: Reported Impact⁴ 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)
Low Carbon and Low Emission Transportation	1	36.72	146.58	332.15
	2	43.38	-	396.28

⁴ 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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