ASSESSMENT

2 August 2024

Send Your Feedback

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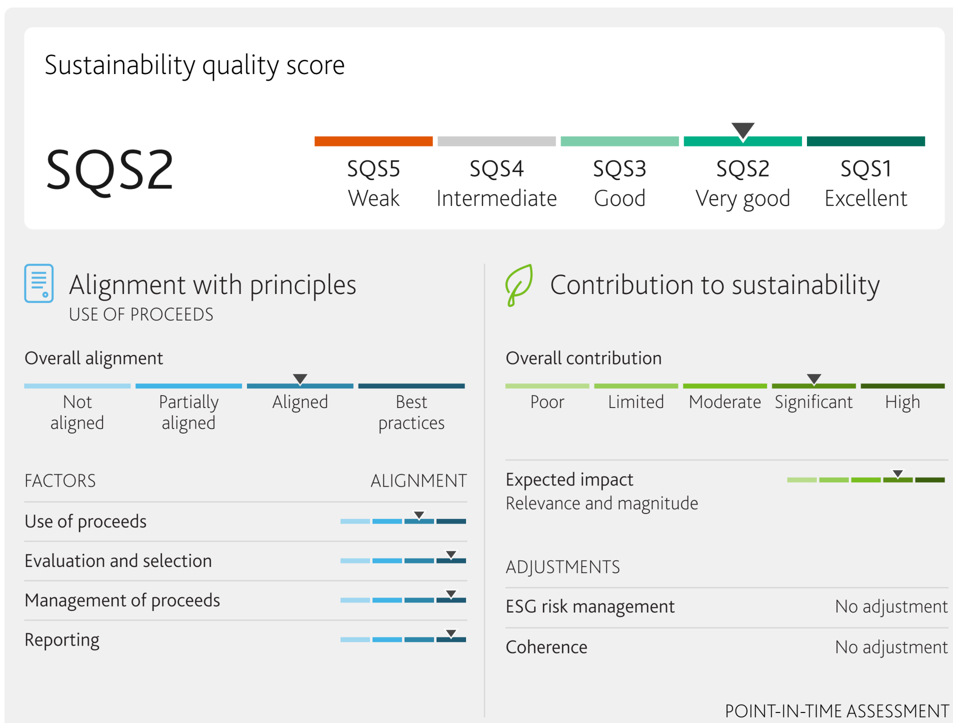
Industrial Bank Co., Ltd.

Second Party Opinion – Green, Social and Sustainability Bond Framework Assigned SQS2 Sustainability Quality Score

Summary

We have assigned an SQS2 Sustainability Quality Score (Very good) to Industrial Bank Co., Ltd.'s (IB) green, social and sustainability bond framework, dated June 2024. IB has established its use-of-proceeds framework with the aim of financing projects across six eligible green categories and two eligible social categories. The framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1), Social Bond Principles (SBP) 2023 and Sustainability Bond Guidelines (SBG) 2021. The framework demonstrates a significant contribution to sustainability.



Scope
We have provided a Second Party Opinion (SPO) on the sustainability credentials of IB's green, social and sustainability bond framework, including the framework's alignment with the ICMA's GBP 2021 (with June 2022 Appendix 1), SBP 2023 and SBG 2021. Under the framework, the bank plans to issue bonds to fund projects across six eligible green categories and two eligible social categories, as outlined in Appendix 2 of this report.

Our assessment is based on the last updated version of the framework received on 15 July 2024, and our opinion reflects our point-in-time assessment[1] of the details contained in this version of the framework, as well as other public and non-public information provided by the company.

We produced this SPO based on our [Framework to Provide Second Party Opinions on Sustainable Debt](), published in October 2022.

Issuer profile
Industrial Bank Co., Ltd. (IB) was founded in 1988, and is headquartered in Fuzhou, Fujian province. As of 31 December 2023, it had total assets of RMB10.16 trillion. IB's cross-bank platform significantly enhances the stability of interbank funding that are connected to the platform.

IB has adopted a corporate governance philosophy of “harmonious unification of economy, society and environment and sustainable development of bank”. Some of the key environmental and social (E&S) issues identified by IB are optimization of access to finance, support to people’s livelihood and public services, deepening of green financial services and actively responding to climate change.

Strengths
» Clearly defined E&S objectives and benefits in line with the United Nations' (UN) Sustainable Development Goals

» Robust E&S risk management process in place to identify and mitigate the negative E&S impact associated with the projects

» Post-issuance reporting and verification both done until bond maturity

» High likelihood of timely and consistent reporting for future issuances, given the bank's track record of post-issuance reporting for its prior green bonds

Challenges
» Some of the green and social categories are broadly defined

Alignment with principles

IB's green, social and sustainability bond framework is aligned with the four core components of the ICMA's GBP 2021 (with June 2022 Appendix 1), SBP 2023 and SBG 2021:

- [x] Green Bond Principles (GBP)
- [x] Social Bond Principles (SBP)
- [ ] Green Loan Principles (GLP)
- [ ] Social Loan Principles (SLP)
- [ ] Sustainability-Linked Bond Principles (SLBP)
- [ ] Sustainability Linked Loan Principles (SLLP)

Use of proceeds

Not aligned | Partially aligned | **Aligned** | Best practices

Clarity of the eligible categories – ALIGNED

The bank has clearly communicated the nature of expenditures, and the eligibility and exclusion criteria for financed projects, along with the target populations for the social categories for most project categories. The eligibility criteria are clearly defined for most green categories. However, the criteria for certain categories remain broadly defined, for example, sustainable water and wastewater management, and climate change adaptation. Target populations for the affordable basic infrastructure category are broadly defined. The bank has confirmed that eligible projects will be located in China.

Clarity of the environmental or social objectives – BEST PRACTICES

The bank has clearly defined the E&S objectives associated with all eight eligible categories. All eligible categories are relevant to the specific environmental or social objectives to which they aim to contribute. The bank has referenced the UN SDGs in articulating the objectives of the eligible categories (see Appendix 1).

Clarity of expected benefits – BEST PRACTICES

The bank has identified clear E&S benefits for the eligible categories and the identified benefits align with the projects likely to be financed under each category. The benefits are measurable, and they will be quantified for all categories in the annual reporting. The bank has confirmed through internal documents that the share of refinancing will be disclosed to relevant stakeholders before each issuance. Furthermore, all financed assets will be subject to a lookback period of no longer than 24 months from the time of issuance.

Best practices identified - use of proceeds

» Objectives set are defined, relevant and coherent for all project categories

» Relevant benefits are identified for all project categories

» Benefits are measurable and quantified for most projects, either ex-ante with clear baselines or with a commitment to do so in future reporting

» Commitment to transparently disclose the share of proceeds used for refinancing where feasible

» Commitment to transparently communicate the associated lookback period(s) where feasible

Process for project evaluation and selection

Not aligned | Partially aligned | Aligned | **Best practices**

Transparency and quality of the process for defining eligible projects – BEST PRACTICES

The bank has established a clear and structured process for the selection and evaluation of eligible assets, which is outlined in its public framework. A sustainable bond working group is established to oversee the evaluation and selection of the eligible assets. The sustainable bond working group comprises sustainable finance, and environmental and social, and industry experts from relevant departments at the bank's headquarters. The domestic and overseas branches of the bank will conduct preliminary screening of potential assets, and the sustainable bond working group will review and approve the preselected assets in accordance with the eligibility criteria set out in the framework. The bank tracks and monitors the eligibility of assets on a quarterly basis, and determines if any changes are necessary. Traceability of the process is ensured via internal documentation, as confirmed by the bank.

Environmental and social risk mitigation process – BEST PRACTICES
The sustainable bond working group will identify and assess the perceived E&S risks associated with the selected eligible assets, and determine the appropriate measures to mitigate such risks. The bank integrated its ESG-related risk assessment system into its credit grant process, which involves classification of customers into four categories according to the relevant risk assessment criteria and adoption of differentiated management strategies based on risk classification. Key E&S indicators that are embedded into the customer due diligence process include energy consumption, water resource utilization, greenhouse gas (GHG) emissions, administrative penalties related to environmental protection, supplier management, customer complaints and employees' social security data. The bank issued the Credit Grant Policy of the Industrial Bank (2022) and the Notice of the Industrial Bank on Issuing ESG-related Credit Policy, which aim to strengthen the credit approval process for high energy-consuming and high-emission industries. The sustainable bond working group is responsible for monitoring eligible projects, and if a material event occurs during the bond tenor, appropriate solutions will be customized to the circumstances.

Best practices identified - process for project evaluation and selection

» The roles and responsibilities for project evaluation and selection are clearly defined and include relevant expertise

» There is evidence of continuity in the selection and evaluation process through the life of the financial instrument(s), including compliance verification and procedures to undertake mitigating actions when needed

» The process for project evaluation and selection is traceable

» Material environmental and social risks for most project categories are identified

» Presence of corrective measures to address environmental and social risks across projects

» ESG controversies are monitored

Management of proceeds

Not aligned	Partially aligned	Aligned	Best practices ▼

Allocation and tracking of proceeds – BEST PRACTICES
The bank has outlined a clear process for the management of proceeds. Net proceeds will be deposited in the general funding account and tracked using a separate sustainable bond ledger (the Ledger). The bank will review and update the Ledger on a quarterly basis to ensure the full amount of proceeds is allocated to eligible projects. The bank intends to complete full allocation of net proceeds from each bond within 24 months after issuance.

Management of unallocated proceeds – BEST PRACTICES
Unallocated proceeds will be held in accordance with the bank's liquidity management policy and could be temporarily invested in sustainable bonds issued by nonfinancial institutions in domestic or international markets, or in money market instruments with good credit rating and market liquidity. The temporary placement of unallocated proceeds will also comply with the exclusionary criteria under the framework, and these proceeds will not be invested in energy-intensive, highly polluting or GHG-intensive projects. The bank commits to reallocate the net proceeds to other eligible projects that comply with the eligibility criteria in the event of asset amortization, prepayment or sale, or changes in eligibility due to other reasons.

Best practices identified - management of proceeds

- Broad disclosure of a clearly articulated and comprehensive management of proceeds policy to external stakeholders; bondholders or lenders at a minimum
- Short allocation period, for example typically less than 24 months
- Disclosure on temporary placement and presence of exclusion criteria toward environmentally or socially harmful activities
- Commitment to reallocate proceeds to projects that are compliant with the framework

Reporting

Not aligned | Partially aligned | Aligned | Best practices

Transparency of reporting – BEST PRACTICES

The bank will publish an annual sustainable bond report, which covers both use-of-proceeds allocation and impact reporting, until bond maturity. The report will be publicly available on the bank's official website and will include exhaustive indicators, such as the aggregate amount and percentage allocated to each eligible category; the remaining balance of unallocated proceeds and types of temporary investment; the share of financing versus refinancing; material developments and controversies related to allocated projects; and the expected sustainable benefits of the eligible categories. The bank has identified relevant impact indicators in the framework for the eligible categories, and has confirmed through internal documents that the calculation methodologies and key assumptions will also be disclosed. The bank has confirmed that both the allocation and impact reporting will be externally verified annually until bond maturity.

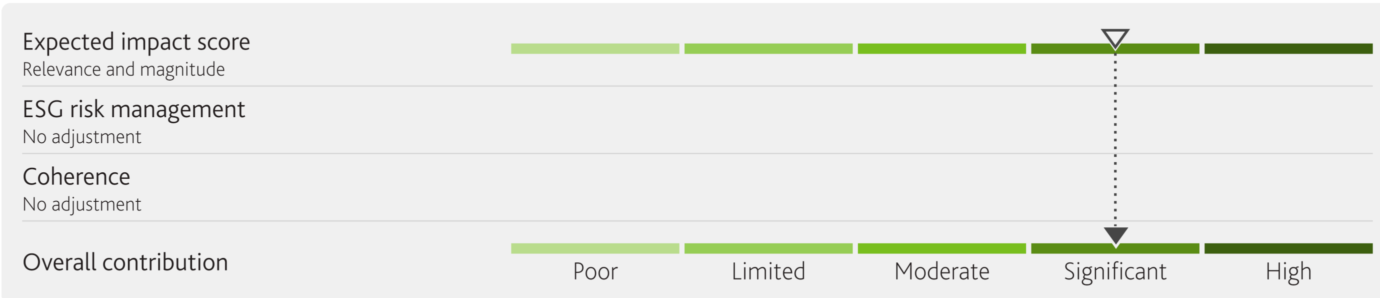
The bank has been publishing timely annual post-issuance report in line with the commitments in its prior green bond framework, suggesting a high likelihood of continued timely and consistent reporting for future issuances.

Best practices identified - reporting

- Reporting until full bond maturity or loan payback
- Reporting covers material developments and issues related to the projects or assets
- Reporting on allocation of proceeds and benefits done at least at eligible category level
- Exhaustive allocation reporting – balance or % of unallocated funds, types of temporary investments (e.g. cash or cash equivalent) and share of financing vs re-financing
- Clear and relevant indicators to report on the expected environmental/social impact of all the projects, where feasible, or eligible categories
- Disclosure of reporting methodology and calculation assumptions to bondholders or lenders at a minimum
- Independent audit of the tracking and allocation of funds at least until full allocation and in case of material changes
- Independent impact assessment on environmental benefits by a qualified third-party reviewer at least until full allocation and in case of material changes and/or case studies to report on the social impact/benefits

Contribution to sustainability

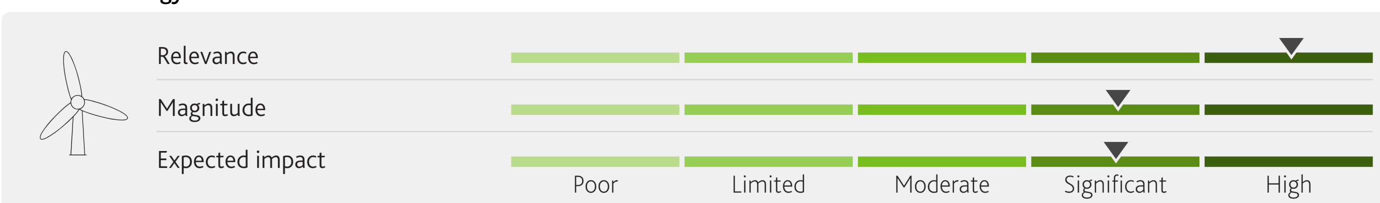
The framework demonstrates a significant overall contribution to sustainability.



Expected impact

The expected impact of the eligible projects on E&S objectives is significant. Based on information provided by the bank, we expect a higher proportion of the proceeds from forthcoming issuances to be allocated to the renewable energy, green buildings, and low-carbon and low-emission transportation project categories. We have therefore assigned a higher weight to those categories in our assessment of the overall framework's contribution to sustainability. A detailed assessment by eligible category is provided below.

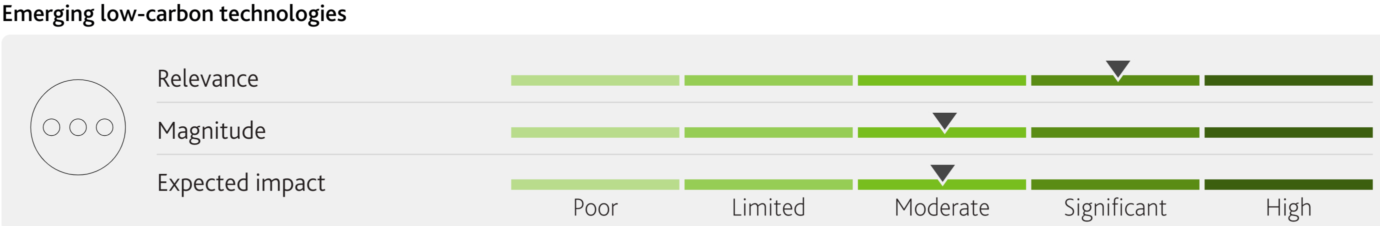
Renewable energy



The projects to be financed under this category are highly relevant to their project location and the banking industry. Because China is the world's largest GHG emitter, promotion of renewable energy is one of the key elements of the nation's energy transition strategy and holds significant potential for advancing global decarbonization. China still depends significantly on coal for its electricity generation, with nearly 60% of its total electricity coming from coal in 2023[2]. The banking sector in China plays a critical role in this context. It directs capital toward green projects, thereby spearheading decarbonization initiatives and fulfilling its commitment to fostering green finance at a strategic level.

The magnitude of this category is significant due to the potential of the financed projects to yield long-term environmental benefits. These projects are expected to avoid negative lock-in effects by substituting fossil fuels with cleaner energy sources. IB has stated that most of the proceeds from forthcoming issuances will be allocated to wind projects, which is one of the cleanest energy options. The solar, wind and tidal projects are eligible in line with the EU Taxonomy substantial contribution criteria. IB has adopted the Climate Bonds Initiative (CBI) criteria for biomass production facilities and has specified that feedstock will come only from waste sources and not from those suitable for use as food. The eligibility criteria for hydropower assets are in line with the EU Taxonomy substantial contribution criteria; however, stricter criteria exist in the market. Moreover, environmental externalities associated with concentrated solar power projects, such as competition for access to water and its availability, are not explicitly considered, although IB has confirmed that environmental impact assessments will be required during the project review stage.

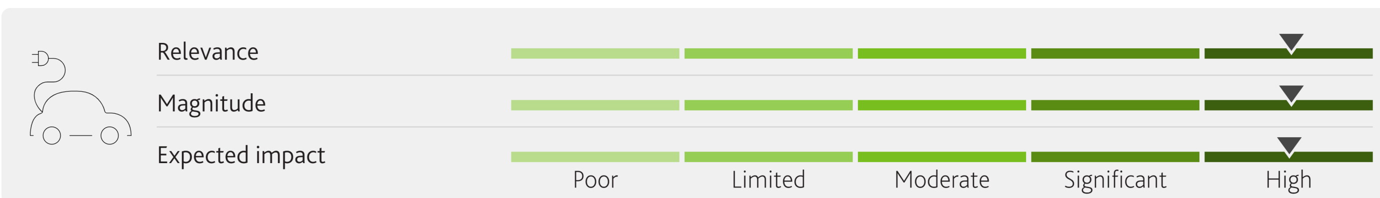
Emerging low-carbon technologies



Financing of direct air capture (DAC) projects has significant relevance to the global and regional decarbonization progress. Carbon capture, utilization and storage (CCUS) has been identified as a key technology to reduce emissions in heavy industries and remove CO_2 from the atmosphere in the International Energy Agency's (IEA) net zero by 2050 scenario[3]. The substantial relevance of CCUS to China is underscored by the country's status as the world's top GHG emitter. This is further emphasized by China's proactive policy measures to endorse and implement this technology[4]. However, the universal applicability of DAC technology, unlike point source capture, does not have particular relevance to any single industry.

The magnitude of this category is moderate. Eligible projects could contribute to the progress on global decarbonization. IB has confirmed that only projects that use DAC technology will be eligible for financing under this category. The eligibility criteria reference the EU Taxonomy substantial contribution criteria for relevant technologies, including leakage rate for CO_2 transportation through pipelines, leakage detection systems and compliance with ISO 27914: 2017 for permanent sequestration of captured CO_2. IB has also confirmed that CCUS will not be used for fossil fuel-related activities, including oil and gas exploration and production, power generation and refinery. However, there is significant uncertainty around DAC technology in terms of carbon reduction potential due to the fact that it is still at a nascent development stage. The high energy demands of DAC also imply that the effectiveness of emission reduction largely depends on the energy sources used by the plants. Additionally, it is unclear whether the captured CO_2 will be used or permanently stored. In scenarios where captured CO_2 is used, it might not invariably lead to emission reduction. Furthermore, IB has not outlined clear monitoring plans or reporting obligations for the post-closure stage of projects focused on permanent CO_2 storage.

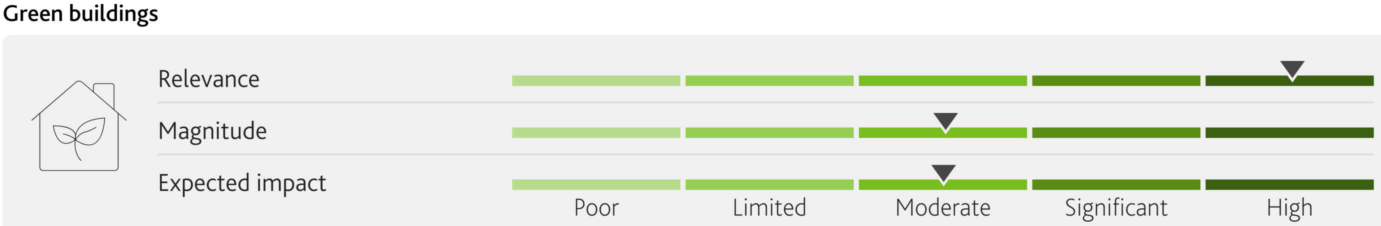
Low-carbon and low-emission transportation



This category has high relevance because the financed projects will encourage the use of zero direct emission vehicles in China, a country where the transport sector is a major source of GHG emissions and air pollutants. As China's motorization rate increases, the transport sector's contribution to total emissions is set to increase[5]. Thus, moving the transport sector to low-carbon modes will significantly influence China's emission patterns and air quality. The financed projects also resonate with China's national strategies to promote electric vehicles (EV) and railway electrification.

The magnitude of this category is high because the financed projects are dedicated to transportation assets with zero direct CO_2 emissions, aligning with the best available technology in the transport sector with no lock-in effects. The activities covered by the category are eligible in line with the requirements of the EU taxonomy, including the manufacture of zero direct emission vehicles, financing zero direct emission trains and vehicles, and developing infrastructure that enables low-carbon road transport such as EV charging stations. The infrastructure or rail transportation projects used for the transportation of fossil fuel and mining products are explicitly excluded. We expect that zero direct tailpipe emission technologies will provide long-term environmental benefits, although their actual short- to medium-term impacts will depend on factors such as grid emission and the commercial feasibility of low-carbon hydrogen in the supply chain.

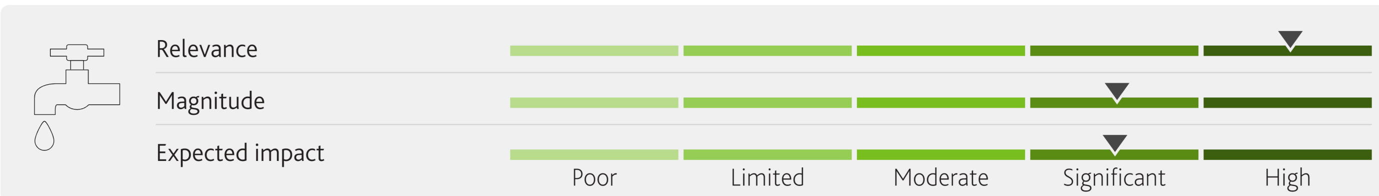
Green buildings



The relevance of the financed projects under this category is high. The building sector contributed about 20% of China's total emissions from both direct and indirect use of fossil fuels in providing heat and electricity, based on the IEA's data[6]. Due to the growth in building stocks as a result of continued urbanization, achieving carbon neutrality in the building sector has become a key strategy for meeting the nation's dual carbon targets. The banking sector plays an important role in directing funds toward the development of energy- and resource-efficient buildings in China to reduce energy consumption and GHG emissions associated with the building sector.

The financed projects under this category are expected to have a moderate magnitude. There is limited visibility into the expected proceeds allocation between nearly zero energy buildings and green buildings certified by recognized standards. Among the green building certifications listed, we note that Chinese Green Building Evaluation Label and BEAM Plus will likely be the most frequently used. Although IB has confirmed that the upcoming issuance includes only buildings with a 3-star rating under the Chinese Green Building Evaluation Label, buildings with a 2-star rating will also be eligible under the category. However, buildings with a 2-star rating are less promising in terms of energy efficiency than buildings with a 3-star rating, which align with the CBI criteria. IB also plans to recognize other internationally accepted certifications like LEED Gold and BEAM Plus Gold or higher. However, relying solely on these certifications without setting specific energy efficiency benchmarks for new buildings could lead to varying energy performance levels, given the point-based system used by these certifications.

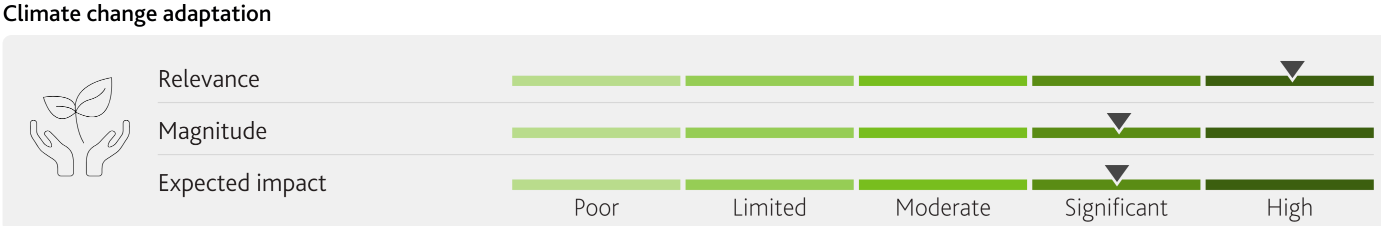
Sustainable water and wastewater management



Projects in this category are highly relevant in addressing the water-related risks facing China, including water scarcity, water pollution and frequent flooding. These risks are exacerbated by rising population and climate change, which underscores the need to enhance water quality and water use efficiency, and flood management infrastructure.

The magnitude of this category is significant because most of the projects in this category are expected to yield beneficial environmental outcomes by enhancing water conservation, minimizing pollution and promoting flood resilience. For sewage treatment projects, IB has shared that a monitoring and contingency plan will be required to minimize methane leakage and most of the produced biogas will be used or safely flared in the unlikely event of equipment failure — this approach is largely in line with EU Taxonomy requirements. Projects under this category will also comply with national regulations and standards, for example, the treated wastewater is expected to comply with relevant discharge standards. IB further confirmed that no large-scale projects will be financed under this category. However, the broad definitions of water recycling and collection, and flood mitigation projects limit our visibility into the expected impact of such projects.

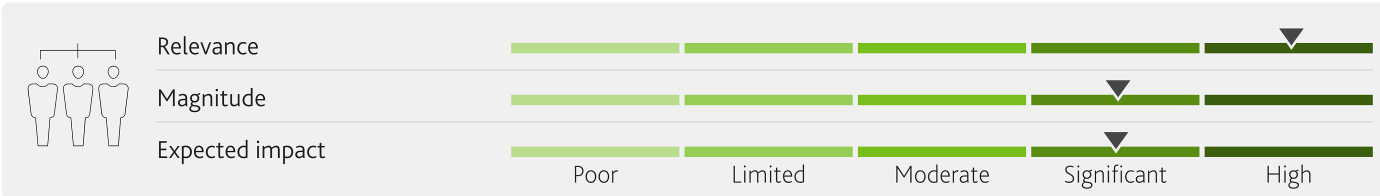
Climate change adaptation



Projects under this category are highly relevant to efforts to foster climate resilience of infrastructure amid rising climate change risks. China is known to be prone to natural disasters, including floods, typhoons, droughts, storm surges and heat waves. With climate change intensifying, the frequency and intensity of natural disasters faced by China will continue to increase; for example, the probability of super typhoons and intense rainfall is increasing, thus raising the risk of riverine and flash floods[7]. Against this backdrop, the Ministry of Ecology and Environment of the People's Republic of China issued the "National Strategy for Adaptation to Climate Change 2035" to strengthen climate change adaptation measures within the wider economy[8].

The projects will likely have a significant magnitude toward climate change adaptation efforts. Some example projects to be financed under this category include extreme weather and climate early warning systems, which are in line with the CBI criteria. The bank has also confirmed that large-scale infrastructure will not be eligible under this category. However, it is difficult to ascertain the full extent of impact without an exhaustive list of projects, including detailed information about each project.

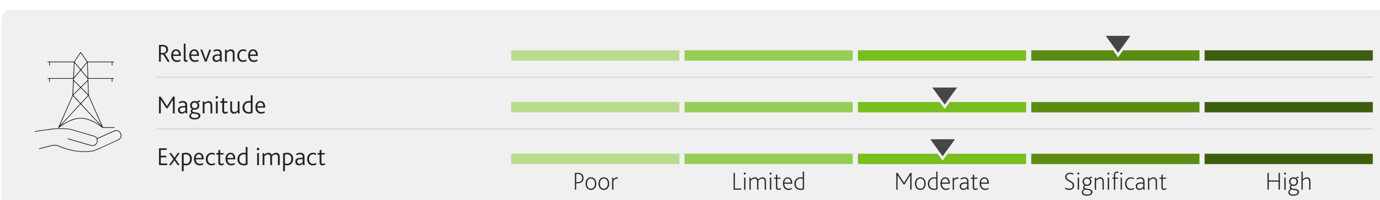
Indirect employment generation through the provision of loans to small and micro enterprises (SMEs)



The projects in this category have high relevance. Small and medium-sized enterprises form the economic bedrock in China because they collectively contributed 50% of tax revenue, 60% of GDP, 70% of technological innovation and 80% of urban employment of China in 2022[9]. Despite the important role small and medium-sized enterprises play in the economy, they face substantial challenges in securing financing in China, with the most constraints experienced by small and micro businesses. Projects under this category also align with the Chinese government's initiatives to support the development of micro, small and medium enterprises, as demonstrated by the government's commitments made in the 14th Five-Year Plan to enhance the regulatory and commercial climate for these entities.

The magnitude of this category is significant as the financed projects are expected to make a positive contribution to improving financial access for the target population, including small and micro enterprises and innovative enterprises, all of which follow definitions set by relevant government entities. Although the definitions are rather broad and may not represent the most vulnerable groups, facilitating financial accessibility for these small, micro and innovative enterprises is likely to contribute positively to employment generation and technological innovation. IB has shared that they have been working on building an integrated service network by expanding their physical presence through adding more bank outlets, as well as digitalizing inclusive financial products. The publicly documented average of interest rate for small and micro enterprise loans was 3.87% by 2023 per IB's annual report and falls within the lower range compared with rates reported by market peers, suggesting a higher likelihood that the financed projects will be reasonably priced.

Affordable basic infrastructure



The projects to be financed under this category have a significant relevance to China's national circumstances, although financing basic infrastructure may not be the most pressing sustainability issue for a commercial bank. The need to enhance basic infrastructure in China's rural and underdeveloped regions persists despite the significant strides made. The key areas of further development include the safety and reliability of rural drinking water provision and electricity transmission network, along with enhancements to waste and wastewater infrastructure and transportation systems. The inclusion of rural development in China's 14th Five-Year Plan underlines the significance of these initiatives.

The magnitude of the financed projects is likely to be moderate. The projects are likely to address issues associated with insufficient and substandard infrastructure in rural and underdeveloped regions in China. IB confirmed that large-scale construction such as roads and bridges will not be eligible under this category. Although there is no detailed definition of the target population, IB has communicated that it will prioritize allocating funds to more critical assets taking into consideration, for example, per capita income and the region, to ensure maximum impact. However, we lack detailed information about individual projects, which limits our ability to fully evaluate the expected impact. There is also uncertainty around project quality and affordability because IB has limited influence over project implementation as a financier.

ESG risk management

We have not applied a negative adjustment for ESG risk management to the expected impact score. IB has implemented differentiated ESG credit policies and risk control strategy in key industries and regions. Special ESG credit grant policies are implemented for 23 industries, such as agriculture, forestry, thermal power, hydropower, nuclear power, PV power generation, chemical industry, coal chemistry, coal, mining, ship-making, textile and sewage treatment. During the credit grant process, customers will be classified into four categories based on the relevant ESG risk assessment criteria and managed using differentiated strategies in line with the risk classification. The bank issued the Credit Grant Policy of the Industrial Bank (2022) and the Notice of the Industrial Bank on Issuing ESG-related Credit Policy with the aim to strengthening the credit approval process for high energy-consuming and high-emission industries.

Coherence

We have not applied a negative adjustment for coherence to the expected impact score. The projects to be financed under the framework align with IB's sustainability strategy. IB followed and implemented China’s dual carbon goals, and has adopted the“ Climate Neutral Now” Initiative under the United Nations Framework Convention on Climate Change. IB has formulated its carbon neutrality goals and phased schedules to orderly reduce carbon emissions. IB has also started the carbon finance business, focusing on key areas in carbon reduction and pollution mitigation such as clean energy, energy conservation and environmental protection, and carbon reduction technology to support China's transition into a low-carbon economy.

Appendix 1 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The eight eligible categories included in IB's framework are likely to contribute to seven of the UN SDGs, namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 6: Clean Water and Sanitation	Sustainable Water and Wastewater Management	6.4: Increase water-use efficiency across all sectors and ensure sustainable supply of freshwater to reduce water scarcity
	Affordable basic infrastructure	6.1: Achieve universal and equitable access to safe and affordable drinking water for all
GOAL 7: Affordable and Clean Energy	Renewable Energy	7.2: Increase substantially the share of renewable energy in the global energy mix
GOAL 8: Decent Work and Economic Growth	Indirect Employment Generation through the Provision of Loans to Small and Micro Enterprises *("SMEs")*	8.3: Promote policies that support productivity, job creation, entrepreneurship, innovation, and encourage the growth of SMEs
GOAL 9: Industry, Innovation and Infrastructure	Affordable basic infrastructure	9.1: Develop sustainable infrastructure to support economic development and human well-being, focusing on equitable access
	Emerging Low Carbon Technologies	9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with all countries taking action
GOAL 11: Sustainable Cities and Communities	Low Carbon and Low Emission Transportation	11.2: Provide access to safe, affordable, accessible and sustainable transport systems for all
	Green Buildings	11.6: Reduce the adverse per capita environmental impact of cities, with special attention to air quality and waste management
GOAL 12: Responsible Consumption and Production	Sustainable Water and Wastewater Management	12.4: Achieve environmental management of chemicals and all wastes, and reduce their release to air, water and soil
GOAL 13: Climate Action	Climate Change Adaptation	13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
	Emerging Low Carbon Technologies	13.2: Integrate climate change measures into national policies, strategies and planning

The UN SDGs mapping in this SPO considers the eligible project categories and associated sustainability objectives/benefits documented in the bank's financing framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance and the UN SDG targets and indicators.

Appendix 2 - Summary of eligible categories in IB's framework

Eligible Categories	Description	Sustainability Objective	Impact Reporting Metrics
Renewable Energy	Loans or other types of financings to support: » Generation and transmission of renewable energy » Construction, operation, and maintenance of facilities or infrastructure related to renewable energy and transmission of renewable energy » Manufacture of components of renewable energy technology » Scope of renewable energy includes: - Solar, - Onshore and offshore wind, - Tidal, - Biomass from agricultural wastes or kitchen wastes for municipal wastes (emissions from facilities producing liquid biofuel, solid and gaseous biomass for heating and co-generation<16.0gCO2e/MJ and emission from facilities producing biofuel for transport<18.8gCO2e/MJ), and - Hydropower (run-of-river hydropower and no artificial reservoir; power density above 5 W/m2 or lifecycle GHG emissions below 100g CO2e/ kWh)(less than 20MW)	Climate change mitigation	» Annual renewable energy generation (kWh / MWh for electricity) (GJ for other energy) » Annual GHG emissions reduced/avoided (tonnes of CO_2 equivalent) » Capacity of renewable energy plant(s) constructed or rehabilitated (MW)
Emerging Low-Carbon Technologies	Loans or other types of financing to support: » Emerging Low-Carbon Technologies, including carbon capture, utilisation and storage - Transportation of captured CO2 (Leakage/tonne of CO2 transported is below 0.5% and pipeline leads all CO2 to an eligible permanent sequestration site) - Permanent Sequestration of captured CO2 (with appropriate leakage detection systems are implemented during operations, and complies with ISO 27914:2017 for geological storage of CO2 in third countries) - Research, development and innovation for direct air capture of CO2 technologies, products or other solutions (result in overall net GHG emissions reductions once commercialised)	Climate change mitigation	» Annual GHG emissions reduced/avoided (tonnes of CO_2 equivalent)
Low Carbon and Low Emission Transportation	Loans or other types of financing to support: » Construction, maintenance, research and development of zero direct emission transportation facilities and infrastructure » Manufacture of key assets, systems, and components dedicated to zero direct emission vehicles. Example includes power batteries » Construction and development of facilities and infrastructure dedicated to the charging of electricity and alternative fuels. Example includes charging stations. » Scope of clean transportation includes: - Electric or green hydrogen-powered vehicles, - Electric rail transportation projects, including railway, rail trams, and metros, - Bus rapid transit systems (BRT) » Excluding any infrastructure or rail transportation projects used for the transportation of fossil fuel and mining products	Climate change mitigation Pollution prevention and control	» Annual GHG emissions reduced/avoided (tonnes of CO_2 equivalent) » Length of new tracks or dedicated lanes built (km), applicable to Rail Tram, Metro and Bus Rapid Transit Systems » No. of passengers transported, applicable to Rail Tram, Metro and Bus Rapid Transit Systems » No. of vehicles purchased, built or served, applicable to EVs and hydrogen vehicles » No. of EVs charging stations and hydrogen refueling stations built
Green Buildings	Loans or other types of financing to support: » Zero carbon building that meets the technical criteria specified in the Technical standard for nearly zero energy buildings » Green buildings that have or expected to receive regional, national, or international certifications, including: - Chinese Green Building Evaluation Label – 2 Star or above; or - U.S. Leadership in Energy and Environmental Design (LEED) – Gold or above; or - Hong Kong Green Building Council BEAM Plus Standards – Gold or above	Climate change adaptation Natural resource conservation	» Types of green building scheme and certification level » Annual GHG emissions reduced/avoided (tCO_2 equivalent) » Expected energy savings (KWh) per square meter

Sustainable Water and Wastewater Management	Loans or other types of financing to support: » Construction, operation and maintenance of sustainable water and wastewater management related facilities and infrastructure - Examples include: wastewater pipe and treatment plant facilities, water recycling systems, and water / rainwater collection pipes and facilities » Construction, operation, maintenance and reinforcement of sustainable urban drainage systems, river training and ecological management projects, and water conservancy projects for flooding mitigation - Examples include: urban drainage systems, dams, levees and other forms of flooding mitigation facilities	Pollution prevention and control	» Amount of water saved / recycled (m^3) » Amount of wastewater treated (m^3)
Climate Change Adaptation	Loans or other types of financing to support: » Design, construction, maintenance and operation of infrastructure, buildings and installations for combating climate change and extreme weather and climate events: sea level rise, extreme rainstorms, tropical cyclones, drought and heat - Examples include: extreme weather and climate early warning systems	Climate change adaptation	» Number and type of adaptation and resilience measures or systems installed
Indirect Employment Generation through the Provision of Loans to Small and Micro Enterprises ("SMEs")	Loans to small and micro enterprises and innovative enterprises to promote inclusive finance Target Population: - Small and micro enterprises - Innovative enterprises	Support small and micro businesses and alleviate unemployment	» Number of loans disbursed to qualified SMEs » Number of employment opportunities created
Affordable Basic Infrastructure	Facilities to provide affordable basic amenities e.g., clean drinking water, underground sewers, sanitation, transportation, energy transmission) for underdeveloped, targeted rural areas Target Population: - People in underdeveloped and rural areas	Facilitate the access to affordable basic amenities in underdeveloped and rural areas	» Number of new/upgraded infrastructure facilities » Number of beneficiaries with access to water connections

Endnotes

1 Point-in-time assessment is applicable only on the date of assignment or update.

2 China Electricity Council: 2023-2024 National Electricity Supply and Demand Analysis and Forecast Report (in Chinese), 30 January 2024.

3 International Energy Agency (IEA): Net Zero Roadmap: A Global Pathway to Keep the 1.5 °C Goal in Reach, September 2023.

4 China's State Council: China's policies and actions to address climate change (in Chinese), 27 October 2021.

5 World Resources Institute: How China Can Cut its Road Transportation Emissions by 95%, 12 July 2022.

6 IEA: An Energy Sector Roadmap to Carbon Neutrality in China, September 2021.

7 Global Facility for Disaster Reduction and Recovery: Natural Disaster Challenges in China: Key Trends and Insights, August 2020.

8 Ministry of Ecology and Environment of the People's Republic of China: National Strategy for Adaptation to Climate Change 2035 (in Chinese), May 2022.

9 OECD iLibrary: Financing SMEs and Entrepreneurs 2024: An OECD Scorecard, 13 Mar 2024.

REPORT NUMBER 1412478

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