

## Industrial Bank Co., Ltd.

**Type of Engagement:** Annual Review

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### Introduction

In November 2018, Industrial Bank Co., Ltd. (“Industrial Bank”) issued green bonds aimed at financing green projects. In April 2020, Industrial Bank engaged Sustainalytics to review the projects funded through the issued green bonds 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.

### Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2019 based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Green Bond Framework for Industrial Bank Co., Ltd.; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Green Bond Framework for Industrial Bank Co., Ltd.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs, as outlined in the Green Bond Framework for Industrial Bank Co., Ltd.

**Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs**

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Generation and transmission of energy from following sources:               <ul style="list-style-type: none"> <li>○ Solar</li> <li>○ Onshore wind</li> <li>○ Tidal</li> <li>○ Biomass</li> <li>○ Hydropower</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• kWh of power generated from renewable energy</li> <li>• Amount of CO2 or standard coal equivalent avoided</li> </ul>
<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>• Implementation, construction and corresponding development that enhance energy efficiency of underlying technology, product, asset or system, and achieve a minimum energy efficiency improvement of 20%</li> </ul>	<ul style="list-style-type: none"> <li>• kWh of energy saved per year</li> <li>• Percentage energy efficiency achieved</li> </ul>
<b>Low Carbon and Low Emission Transportation</b>	<ul style="list-style-type: none"> <li>• Electric public transportation assets, systems, infrastructure, components and services, examples include:               <ul style="list-style-type: none"> <li>○ Rail</li> <li>○ Tram</li> <li>○ Metro</li> <li>○ Bus Rapid Transit</li> </ul> </li> <li>• Systems (BTR) electric vehicles and hydrogen vehicles</li> </ul>	<ul style="list-style-type: none"> <li>• Amount of CO2 or standard coal equivalent avoided</li> <li>• Km of tracks or dedicated lanes built (applicable to Rail Tram, Metro and Bus Rapid Transit Systems)</li> <li>• No. of passenger transported (applicable to Rail Tram, Metro and Bus Rapid Transit Systems)</li> <li>• Amount of vehicles built or served (applicable to electric</li> </ul>

		vehicles and hydrogen vehicles)
<b>Sustainable Water and Wastewater Management</b>	<ul style="list-style-type: none"> <li>• Sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation, examples include:                             <ul style="list-style-type: none"> <li>○ Water/rainwater collection pipes and facilities</li> <li>○ Clean/drinking water pipe and treatment facilities</li> <li>○ Wastewater treatment plant facilities, Water recycling systems</li> <li>○ Urban drainage systems</li> <li>○ Dam, levees and other forms of flooding mitigation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Amount of water saved /recycled</li> <li>• Amount of wastewater treated</li> </ul>

**Industrial Bank’s Responsibility**

Industrial Bank is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact.

**Independence and Quality Control**

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, 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 employees and review of documentation to confirm the conformance with the Green Bond Framework for Industrial Bank Co., Ltd.

Sustainalytics has relied on the information and the facts presented by Industrial Bank with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct 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 over the assessment of the review.

**Conclusion**

Based on the limited assurance procedures conducted,<sup>1</sup> nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed bonds projects, funded through proceeds of Industrial Bank’s Green Bonds, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Green Bond Framework for Industrial Bank Co., Ltd. Industrial Bank has disclosed to Sustainalytics that the proceeds of the green bonds were fully allocated as of December 31, 2019.

<sup>1</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	Verification of the projects funded by the green bonds in 2019 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Green Bond Framework for Industrial Bank Co., Ltd. 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 green bonds in 2019 to determine if impact of projects was reported in line with the KPIs outlined in the Green Bond Framework for Industrial Bank Co., Ltd. and above in Table 1. For a list of selected KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

## Appendix 1: Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Environmental Impact Reported by Eligibility Criteria
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Annual power output from all renewable energy projects is reported as 200.92 GWh</li> <li>• Amount of CO2 emissions equivalent avoided is reported as 180,300.00 (tons/year) from all renewable energy projects, whereas Industrial Bank’s share is reported as 58,896.90 (tons/year)<sup>2</sup></li> </ul>
<b>Low Carbon and Low Emission Transportation</b>	<ul style="list-style-type: none"> <li>• Amount of CO2 emissions equivalent avoided is reported as 180,628.70 (tons/year) from all low carbon and low emission transportation projects, whereas Industrial Bank’s share is reported as 7,902.04 (tons/year)<sup>3</sup></li> <li>• Length of tracks for all projects under this use of proceeds is reported as 89,38 Km</li> <li>• Number of passengers for all projects under this use of proceeds is reported as by 2020 – 651.24 (million/year), and by 2045 – 1,345.64 (million/year)</li> </ul>

<sup>2</sup> Sustainalytics notes that Industrial Bank provides environmental impact reporting that presents total environmental impacts achieved at both project level and Industrial Bank share level for projects which it co-finances with other entities.

<sup>3</sup> Idem

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## Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world’s leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics “Best SRI or Green Bond Research or Ratings Firm” and in 2018 and 2019, named Sustainalytics the “Most Impressive Second Party Opinion Provider. The firm was recognized as the “Largest External Reviewer” by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the “Largest Approved Verifier for Certified Climate Bonds” by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

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