

Industrial Bank Co., Ltd.

Type of Engagement: Annual Review

Date: May 06, 2021

Engagement Team:

Begum Gursoy, begum.gursoy@sustainalytics.com, (+31) 20 205 0082

Mina Jang, mina.jang@sustainalytics.com, (+31) 20 205 00 44

Introduction

In 2018, Industrial Bank Co., Ltd. (Industrial Bank) issued the green bond aimed at financing eligible green projects, particularly in the areas of renewable energy and low carbon transportation. In 2021, Industrial Bank engaged Sustainalytics to review the projects funded through the issued green bond 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. (the "Framework").¹

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2018 based on whether the projects:

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.

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

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Renewable Energy	<ul style="list-style-type: none"> • Generation and transmission of energy from following sources: <ul style="list-style-type: none"> ○ Solar ○ Onshore wind ○ Tidal ○ Biomass ○ Hydropower 	<ul style="list-style-type: none"> • kWh of power generated from renewable energy • Amount of CO₂ or standard coal equivalent avoided
Low Carbon and Low Emission Transportation	<ul style="list-style-type: none"> • Electric public transportation assets, systems, infrastructure, components and services, examples include: <ul style="list-style-type: none"> ○ Rail ○ Tram ○ Metro ○ Bus Rapid Transit ○ Systems (BTR) electric vehicles and hydrogen vehicles 	<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 passenger 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 The Green Bond Framework for Industrial Bank Co., Ltd. (November 2018 version) is available at: https://download.cib.com.cn/netbank/download/cn/notice/20181121_en_1.pdf

Issuing Entity’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, amounts allocated, 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,² nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Industrial Bank’s Green Bond, 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 bond were fully allocated as of December 31, 2019.

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 in 2018 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
Reporting Criteria	Verification of the projects funded by the green bond in 2018 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 KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

² 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.

Appendix

Appendix 1: Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Environmental Impact Reported by Eligibility Criteria ³	Net Bond Proceeds Allocation (USD in million) ⁴
Renewable Energy	Two onshore wind power projects: <ul style="list-style-type: none"> • CO₂ emissions Eq. avoided (tons/year): 54,736.22 • SO₂ Emission Eq. avoided (tons/year): 14.17 • NO_x Emission Eq. avoided (tons/year): 18.39 	34.06
Low Carbon and Low Emission Transportation	Three electrified metro projects: <ul style="list-style-type: none"> • CO₂ Emission Eq. avoided (tons/year): 7,922.47 	909.87

³ While Industrial Bank discloses the impact matrix both at the project and its share level in its Impact Report 2021, Sustainalytics notes that this reporting provides impact matrix at the Industrial Bank's share level.

⁴ Exchange rate applied: USD/RMB = 0.1441

Disclaimer

Copyright ©2021 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.

5th Green Bond Pioneer Awards

Climate Bonds Initiative

Largest Verifier for Certified
Climate Bonds of 2019

awarded to Sustainalytics



More information conference.climatebonds.net/awards



GlobalCapital
SRI Awards

Named

2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider



**The
Green Bond
Principles**