Green Finance Framework for Industrial Bank Co., Ltd. Hong Kong Branch

September 2021

Table of Content

[Purpose 2](#_Toc82079514)

[Background 2](#_Toc82079515)

[Framework Overview 3](#_Toc82079516)

[1. Use of Proceeds 3](#_Toc82079517)

[2. Process for Asset Evaluation and Selection 4](#_Toc82079518)

[I. Preliminary Screening 4](#_Toc82079519)

[II. Review and Approval 4](#_Toc82079520)

[III. Update and Maintenance 4](#_Toc82079521)

[3. Management of Proceeds 4](#_Toc82079522)

[I. Planning for Use of Proceeds 4](#_Toc82079523)

[II. Management of Separate Ledger 5](#_Toc82079524)

[4. Reporting 5](#_Toc82079525)

[Maintenance and Update of the Framework 6](#_Toc82079526)

# Purpose

This Green Finance Framework (the “Green Finance Framework”) has been developed to demonstrate how Industrial Bank Co., Ltd. Hong Kong Branch (“IBHK” or the “Bank”) will issue offshore Green Deposits or Green Certificate of Deposit (Green CD) to finance and/or refinance new and existing eligible green asset to aligned with the Green Loan Principles (“GLP”) published by Asia Pacific Loan Market Association (APLMA), Loan Market Association (LMA) and Loan Syndications and Trading Association (LSTA).

# Background

Founded in August 1988 and Headquartered in Fuzhou, Fujian Province, with a registered capital of RMB20.774 billion. Industrial Bank (“IB”) is one of the first batch of joint-stock commercial banks approved by the State Council and the People's Bank of China, and the first Equator Bank in China. On February 5, 2007, IB was listed on the Shanghai Stock Exchange (Stock Code: 601166). IB has become a national joint-stock commercial bank with sound governance, distinctive characteristics, great strength and quality service, staying stably among Global Top 50 Banks.

IB has evolved and advanced its corporate governance philosophy from "shareholders' interests foremost" to "giving consideration to the interests of stakeholders", and to "harmonious unification of economy, society and environment and sustainable development of bank".

IB was the first commercial bank in China to fully embrace equator principle. As of the end of 2020, IB had achieved a green financing balance of RMB 1.1558 trillion and accumulatively provided the green financing of RMB 2.8598 trillion for 29,829 corporate clients.

Industrial Bank (A joint stock company incorporated in P.R.C. with limited liability), Hong Kong Branch was established as IB’s first overseas branch in 2014 with CBIRC’s approval obtained in September 2012. The establishment of the Hong Kong Branch was an important step to implement IB’s overseas business expansion strategy. The main businesses of the Hong Kong Branch include Corporate Banking business, Financial Markets business, Financial Institutions Business and Private Banking business, and IBHK’s customers cover large-scale Chinese enterprises in Hong Kong, multinational companies, industry-leading enterprises, Hong Kong blue-chip enterprises, together with other financial peers such as foreign banks, fund, insurance, securities, trust and asset management companies in Hong Kong. As of the end of 2020, IBHK’s total assets were HKD 210.1billion.

# Framework Overview

IBHK has established this Green Finance Framework under which it plans to finance and refinance, in whole or in part, eligible green assets as defined below (“Eligible Green Assets”):

## Use of Proceeds

Alignment with GLP, the Eligible Green Asset Categories for IBHK includes:

* Renewable Energy
* Energy Efficiency
* Clean Transportation
* Sustainable Water and Wastewater Management
* Environmentally Sustainable Management of Living Natural Resources and Land Use
* Green Buildings

In any case, the Eligible Green Assets shall exclude the below (“Exclusionary List”):

* Fossil fuel related assets, as well as infrastructure or rolling stock assets used for the transportation of fossil fuel and related products;
* Hydropower plants whose installed capacity are over 20MW;
* Nuclear and nuclear related assets;
* Biomass which is suitable for food source;
* Activity considered as illegal under host country laws or regulations or international conventions and agreements, or subject to international bans; Production or trade in weapons and munitions;
* Production or trade in tobacco, alcoholic beverages (excluding beer and wine);
* Gambling, casinos and equivalent enterprises;
* Production or trade in radioactive materials;
* Production or activities involving harmful or exploitative forms of forced labor or harmful child labor;
* Commercial logging operations for use in primary tropical moist forest;
* Production or trade in wood or other forestry products other than from sustainably managed forests;
* Palm oil related projects.

## 2. Process for Asset Evaluation and Selection

### I. Preliminary Screening

IBHK shall carry responsibility for a preliminary screening of potential assets in accordance with the criteria and standards set out in IB’s internal regulations. Green Finance Product Managers, who will conduct detail works of the screening, shall receive specific trainings from IB’s Headquarters periodically.

### II. Review and Approval

IBHK will form an eligible green asset list according to the “Eligible Green Asset” categories as described in this Green Finance Framework.

### III. Update and Maintenance

IBHK shall review the Eligible Green Asset list on a periodically basis and determine if any changes are necessary, which may include changes in value of Eligible Green Assets due to asset amortization, prepayment or sales or changes in eligibility due to other reasons. IBHK shall make updates to the Eligible Green Asset List, including replacement, deletion, or addition of projects, based on the review to maintain the eligibility of the Use of Proceeds.

## 3. Management of Proceeds

### I. Planning for Use of Proceeds

Prior to the issuance of a Green Deposit or Green CD, IB shall evaluate the recent and pipeline capital spending and develop a preliminary Eligible Green Asset List in accordance with the procedures as described in the Asset Evaluation and Selection section to ensure that the Green Deposit or Green CD proceeds can be allocated to the Eligible Green Assets in a timely manner. IBHK will achieve a level of allocation for the Eligible Green Assets which matches or exceeds the balance of Proceeds from Green Deposit or Green CD.

### II. Management of Separate Ledger

IBHK shall establish a separate “Green Deposit Ledger” or “Green CD Ledger” (the “Ledger”) to record the source and allocation of proceeds to ensure that all net proceeds of the Green Deposit or Green CD are used to finance Eligible Green Asset. If a Green Asset no longer meets the criteria set out in the Eligible Green Asset Category tables, it will be removed. The proceeds of each IB Green Deposit or Green CD will be deposited in the general funding account and “earmarked” pending allocation.

The Ledger will contain, for each Green Deposit or Green CD issued, information including:

(1) Details of Green Deposit or CD: Contract number(deposit), ISIN(CD), date of issuance, maturity date, amount of issuance, currency, interest rate, specific theme (if any), etc.

(2) Fund allocation to Eligible Green Assets, including:

Names of borrowers

Asset descriptions/Loan purpose

Asset categories

* Currency
* Release date(s)
* Repayment date(s)
* Other necessary information

The unallocated proceed may be paced in cash, or money market instruments with market liquidity until they are allocated to Eligible Green Assets. It will not be invested in energy intensive, highly polluting nor greenhouse gas intensive projects and will subject to the Exclusionary List.

## 4. Reporting

IBHK intends to engage a qualified independent third party to give second party opinion or pre-issuance certification. This Green Finance Framework and certification or assessment report will be available on its public website.

IBHK will consider to publish a Green Deposit or Green CD report which could contain information on allocation and environmental impact on a yearly basis on its public website as long as Green Deposit or Green CD is outstanding.

# Maintenance and Update of the Framework

IBHK shall review and update this framework in a timely manner based on consideration of IBHK’s recent and pipeline capital spending, environmental and social policy and external standards. Date of updates and major changes shall be disclosed in this section:

|  |  |
| --- | --- |
| Date | Major Update(s) |
| September 2021 | * First version of Green Finance Framework launched |