

Industrial Bank Co., Ltd.

Type of Engagement: Annual Review

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Engagement Team:

Arnab Deb, arnab.deb@sustainalytics.com

Prachi Shrivastava, prachi.shrivastava@morningstar.com

Introduction

In June 2021, Industrial Bank Co., Ltd. ("Industrial Bank") issued carbon neutrality themed green bonds aimed at financing renewable energy and low carbon transportation projects. In February 2022, Industrial Bank engaged Sustainalytics to review the projects funded through the issued 2021 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., version 2020.10 dated October 2020¹ (the "Framework").

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2021 green based on whether the projects and programmes:

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

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	Loans or other types of financings to support: • Generation, maintenance and transmission of renewable energy • Manufacture of components of renewable energy technology² • Scope of renewable energy includes: solar, onshore and offshore wind, tidal, biomass from agricultural wastes or kitchen wastes for municipal wastes, and hydropower (less than 20MW)	• kWh of power generated from renewable Energy • Amount of CO2 or standard coal equivalent avoided
Low Carbon and Low Emission Transportation	Loans or other types of financing to support: • Construction, operation, maintenance and corresponding services of electric or hydrogen-powered transportation assets, systems and infrastructure • Manufacture of electric transportation vehicles and components	• 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)

¹ The Framework is published on IB's website and is available at: https://download.cib.com.cn/netbank/download/en/20201029_en1.pdf

² Sustainalytics notes that the Issuer has indicated the any allocation of proceeds to the manufacturing of renewable energy components will be exclusively allocated to renewable energy technological components and any fossil fuel related technology is excluded.

	Examples include electric rail, tram, metro, bus rapid transit, electric vehicles and hydrogen vehicles	Amount of vehicles built or served (applicable to electric vehicles and hydrogen vehicles)
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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 Framework.

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,³ 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 Framework. Industrial Bank has disclosed to Sustainalytics that the proceeds of the green bond were fully allocated as of December 31, 2021.

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 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Framework 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 2021 to determine if impact of projects was reported in line with the KPIs outlined in the Framework and above in Table 1. For a list of KPIs and reported impact please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

³ 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	Project Number	Project Description	Project Region	Net Bond Proceeds Allocation (USD in million)	IB's share in the project	KPIs	Impact Reported
Renewable Energy ⁴	Project 1	Onshore Wind Power Project	Fujian, China	10.85	10.96%	Tons of coal equivalent (Tce) avoided per year (tons/year) ⁵	5,204.99
						CO ₂ emissions equivalent avoided (tons/year)	15,187.61
						SO ₂ emission equivalent avoided (tons/year)	2.01
						NO _x emission equivalent avoided (tons/year)	2.87
	Project 2	Offshore Wind Power Project ⁶	Fujian, China	7.82	0.48%	Tce avoided per year (tons/year)	2,570.95
						CO ₂ emissions equivalent avoided (tons/year)	7,282.76
						SO ₂ emission equivalent avoided (tons/year)	2.24
						NO _x emission equivalent avoided (tons/year)	2.16
	Project 3	Offshore Wind Power project	Shanghai, China	74.16	13.93%	Tce avoided per year (tons/year)	27,410.05
						CO ₂ emissions equivalent avoided (tons/year)	74,360.91
						SO ₂ emission equivalent avoided (tons/year)	22.91
						NO _x emission equivalent avoided (tons/year)	22.03
	Project 4	Manufacture of solar cell and relevant equipment	Jiangsu, China	52.81	64.05%	Manufacturing capacity per year	300 MW Copper Indium Gallium Diselenide Solar Cells (CIGS)

⁴ While Industrial Bank discloses the impact matrix both at the project and its share level in allocation data recorded for 2021, Sustainalytics notes that this reporting provides impact matrix at the Industrial Bank's share level.

⁵ Tce avoided is a new additional KPIs Industrial Bank reported to further strengthen the reporting criteria.

⁶ The project is under construction and the impact reported is estimated impact as provided by IB.

		for solar energy ^{7,8}					
	Project 5	Manufacture of solar cell and relevant equipment for solar energy ^{7,7,8}	Jiangsu, China	62.59	19.09%	Manufacturing capacity per year	5 GW monocrystalline silicon solar cells
Low Carbon and Low Emission Transportation ^{6,7}	Project 6	Electrified urban metro project ⁹	Fujian, China	177.63	4.17%	Length of track (km)	36.72
						Passengers transported by 2020 (million/year)	146.58
						Passengers transported by 2045 (million/year)	322.15
	Project 7	Electrified urban metro project	Guangdong, China	127.69	1.94%	Length of track (km)	71.30
						Passengers transported by 2020 (million/year)	179.69
						Passengers transported by 2045 (million/year)	500.85
	Project 8	Electrified urban metro project	Fujian, China	95.67	4.09%	Length of track (km)	26.27
						Passengers transported by 2020 (million/year)	110.23
						Passengers transported by 2045 (million/year)	274.85
	Project 9	Manufacture of batteries dedicated for EVs	Sichuan, China	312.97	50.00%	Manufacturing capacity per year	12 GW lithium EV power battery

⁷ Given the nature of impact indicators for this category, this reporting provides impact matrix at the project level.

⁸ Sustainalytics note that IB has confirmed that this project does not include any investments in fossil fuel-based technology.

⁹ The impact numbers reported for this project is at project level. It represents the combined impact of net proceeds allocated from 2018 and 2021 bond.

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