

Infrastructure

Credit for green credentials

Green finance is an important focus for ICBC. Kevin Xu explains to **Tim McCready** how the bank is active in global sustainable financial governance, learning from international practical experience, and contributing financial power to serve the sustainable development of the economy, society and environment.

Herald: ICBC's attention to environmental, social, and governance (ESG) factors is growing. How is this affecting the bank's involvement in international infrastructure projects?

Kevin Xu: ICBC has fully integrated ESG and green financial management into its investment and financing processes. Our head office has formulated green investment and financing policies for 16 sectors and nearly 50 industries, including infrastructure construction, and has positioned key areas such as green transportation, clean energy, energy conservation and environmental protection as active or moderate entry into the industry. Environmental, climate and social risks arising from the credit granting process have been brought under classified management. Differentiated credit policies have been implemented in domains such as economic capital occupation, authorisation, pricing, scale, and a "one-vote veto system" is used for environmental protection. Green management requirements are extended to a wide range of investment and financing businesses lines such as bonds, wealth management, leasing. ICBC New Zealand follows head office's approach and has been actively involved in local infrastructure projects. More than NZ\$300 million in loan commitments has been provided to support NZ renewable energy, sustainable projects in the past 12 months.

Herald: What factors do you take into account when integrating ESG factors into investment decisions?

Xu: We pay close attention to hazards and related risks that financing customers and related parties may bring to the environment and society in construction, production, and business activities. This includes energy consumption, pollution, land, health, safety, resettlement, ecological



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protection, environmental and social issues related to climate change. ICBC implemented the "one-vote veto for environmental protection" for the entire investment and financing business process. The customer credit risk rating has embedded ESG factors. Environmental risk factors are included in the customer rating model, including corporate environmental credit rating and

green credit classification index. For corporates that are environmentally unqualified or unfriendly, the rating model will prescribe a limit to the customer's credit rating. The customer rating model covers governance risk factors, and incorporates corporate governance and corporate management indicators, including corporate governance structure, shareholder control, and related party transactions. The inclusion of negative environmental events in the rating and early warning monitoring system, including factors such as environmental violations. Our head office also clearly requires relationship managers to prudently evaluate the environmental and social risks of customers during the due diligence process and has introduced relevant supporting policies and systems.

Herald: What else does the bank take into consideration for infrastructure projects?

Xu: We also consider credit risks, market risks, country risks and other related factors that may affect investment safety and returns. ICBC implements a unified credit risk appetite for all types of credit risk exposures across the bank, and implements full-process management of credit risk, covering the entire process from customer investigation, credit rating, loan evaluation, loan review and approval, loan issuance to post-loan monitoring. For cross-border investment and financing, we also need to pay attention to the country risk of the country or region where the counterparty is located. ICBC uses a series of management tools to manage and control country risk, including country risk assessment and ratings, country risk limits, country risk exposure statistics and monitoring, and stress testing, etc. Anti-Money Laundering is also the

Yangjiang Nanpeng offshore wind farm



ICBC approved a loan of RMB 1.6 billion yuan for the Yangjiang Nanpeng Island offshore wind farm project.

The 401.5MW project features 73 wind turbines and is the first single large capacity offshore wind power project in China. It is also the first offshore wind power project in Guangdong Province that is more

than 10 kilometres away from the coastline and more than 10 metres deep.

Completed at the end of last year, the offshore wind farm can generate 1.015 billion kWh of annual on-grid power. This is expected to save 311,500 tons of standard coal and reduce carbon dioxide emissions by 828,800 tons every year.

focus of our attention in handling investment and financing business. We strictly abide by relevant Anti-Money Laundering laws and regulations and steadily promote customer identification governance and high-risk areas management.

Herald: What impact has the pandemic had on ICBC's infrastructure projects?

Xu: The outbreak of the pandemic and its prolonged duration have had varying degrees of impact on many industries, including infrastructure, and some projects are facing a certain degree of difficulties in supply chain operation and capital turnover. ICBC actively fulfils its responsibilities

as a corporate citizen by coordinating the prevention and control of the pandemic, financial security, and operation and management, and actively carrying out special activities to ensure the sustainability of the supply chain of large enterprises and the uninterrupted capital chain of small and medium-sized enterprises. In the global fight against the pandemic, we will fulfil our responsibility, demonstrate our care and concern, and protect our beautiful home together.

● Kevin Xu is Team Head, Corporate & Institutional Banking at ICBC New Zealand. ICBC is a sponsor of the Herald's Infrastructure report.

Dubai solar thermal power plant

ICBC is the lead arranger for the construction of one of the world's largest and most advanced solar thermal power plants.

The 700MW concentrated solar power and 250MW solar photovoltaic power station in Dubai has been jointly invested by Dubai Electricity and Water Authority (DEWA), ACWA and Silk Road Fund.

With a total investment of US\$4.3 billion, the project is the largest new energy project financing in the world and has been highly recognised by the market. As the lead bank, ICBC arranged a US\$2.5b senior syndicated loan with members from China, Europe and the UAE.

Concentrated power systems generate solar power by focusing a large area of sunlight into a small area.

The light is converted to heat, which is stored in molten salt to supply electricity on demand during the day and through the night.

This method of power generation makes up for the instability of solar power generation and the impact on power grids and ensure the stability of power supply.

The power plant is an important project under Dubai's clean energy strategy and is expected to provide clean power to more than 270,000 households in Dubai every year, with zero emissions of carbon and pollutants.

The power plant will reduce carbon dioxide emissions by 1.6 million tons and will create 4000 direct jobs and more than 10,000 indirect jobs, providing local employment and economic development.



Baodi district solid waste power generation

With the increasing volume of municipal solid waste in Baodi District, Tianjin, China, the capacity of the original landfill site was not able to meet the needs of the community. To solve this problem, Tianjin Quantai Domestic Waste Treatment launched a domestic waste incineration power generation project.

ICBC granted a loan of RMB255 million yuan to assist with construction. The project began operations in December 2020 and has changed the method of domestic waste treatment from landfill to incineration. It is preventing the pollution of domestic waste into the soil and underground water sources and reducing reliance on fossil fuel-based power and heat sources and CO2 emissions by using waste as a resource for power generation.