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2017 Annual Green Bond Report

Industrial and Commercial Bank of China Limited



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ICBC Annual Green Bond Report 2017





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ICBC Annual Green Bond Report
Industrial and Commercial Bank of China Limited

2017

Introduction

Background

Industrial and Commercial Bank of China (short as “ICBC” or “the Bank” hereinafter) has been consciously integrating the social responsibilities into its development strategy, operation and management activities, gaining wide social recognition in the aspects of supporting targeted poverty relief, protecting environment and resources, participating in social and public welfare undertakings, and promoting inclusive finance.

ICBC has built its Corporate Social Responsibility Model on six dimensions, namely Value Creator, Brand Bank, Green Bank, Integrity Bank, Harmonious Bank and Charity Bank, based on which the Bank has been making constant efforts to facilitate many important initiatives such as targeted poverty relief, supply-chain reform, Belt and Road initiative, and green finance.

ICBC was the first Chinese commercial bank to join the UN Global Compact in 2012 and joined the United Nations Environment Programme Finance Initiative (“UNEP FI”) in 2014. In China, ICBC is a member of the standing council of Green Finance Committee established under China Financial Forum. ICBC has been an active advocate of green finance both nationally and internationally as a social and environmental commitment.

The Green Bonds issued by ICBC will be a further elaboration of the Bank’s consistent green strategy and will also facilitate China’s ecological progress. These Green Bonds will further boost ICBC as a Group in its development strategies related to sustainability and climate change. ICBC Green Bond Framework will be a further step in supporting ICBC investors to meet their objectives in the fast-growing green economy.

ICBC has built its Corporate Social Responsibility Model on six dimensions

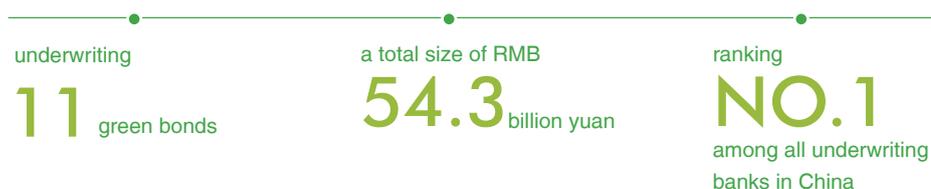


Green Finance Practice

ICBC actively implements green finance by cultivating the green bond market and advancing the green credit progress.

Green Bonds

as an active response to the national initiative of energy saving and emission reduction to protect the environment, ICBC tapped the green bond market by issuing the first “Belt and Road” climate bond



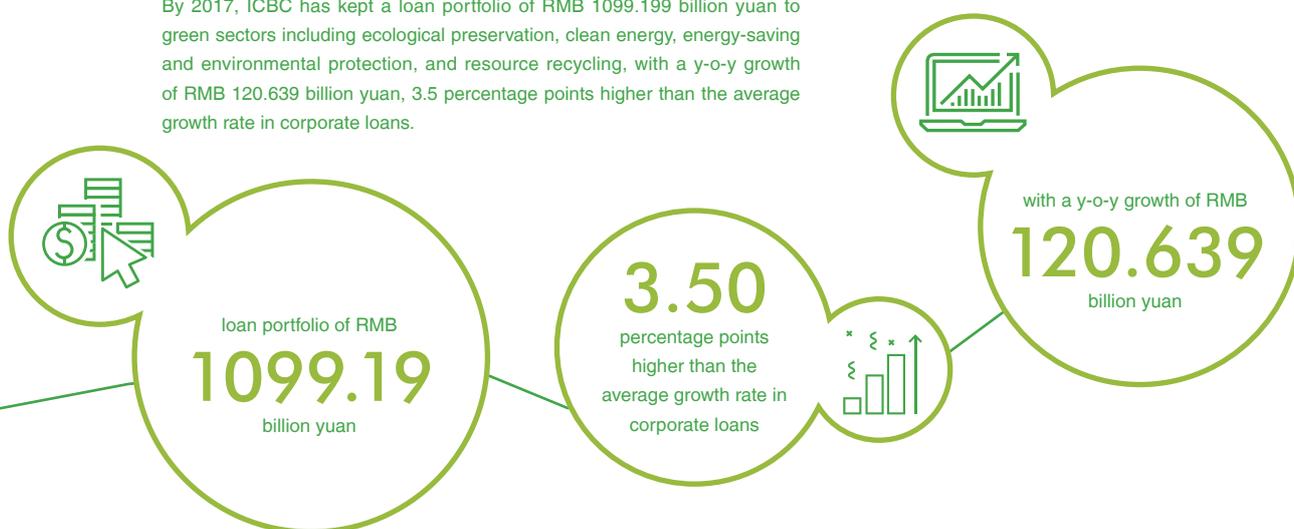
ICBC has been awarded the “**Outstanding Underwriter in 2017**” for Green Bonds Composite Index Issuances by China Central Depository & Clearing Co., LTD.

ICBC has been an active investor in green bonds with a portfolio balance of RMB
20.19 billion yuan

Green Credit

ICBC has deepened the five major concepts for national development featuring “innovative, coordinated, green, open development that delivers benefits to all”, and followed the overall plan to seek economic, political, cultural, social and ecological progress. Green credit building, as an important long-term strategy for the Bank, has been advanced in all aspects including credit policies, administrative procedures, credit business innovation, and the Bank’s own green performance, in order to provide active support for green sectors, strengthen controls on environmental and social risks, and advocate low carbon operations, to realize the all-round improvement in economic, social and ecological benefits.

By 2017, ICBC has kept a loan portfolio of RMB 1099.199 billion yuan to green sectors including ecological preservation, clean energy, energy-saving and environmental protection, and resource recycling, with a y-o-y growth of RMB 120.639 billion yuan, 3.5 percentage points higher than the average growth rate in corporate loans.



Green Bonds Issued by ICBC by the end of 2017

On September 28th 2017, ICBC issued through Luxembourg Branch the first “Belt and Road” climate bonds (hereinafter short as “the Green Bonds”), receiving warm recognition and oversubscription by the international investors. The Bonds include three tranches with a total volume of over USD 2.15 billion dollars.



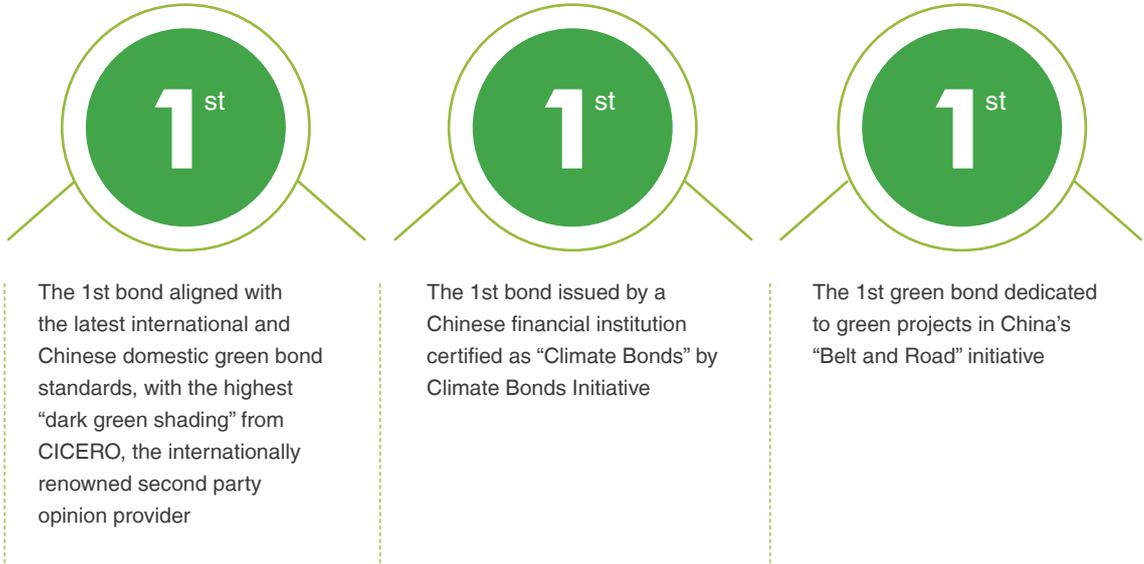
a total volume of over USD

2.15 billion dollars

ICBC Green Bonds Issued by the end of 2017

Issuer rating	A1 / A / A (Moody's/S&P/Fitch)		
Issue rating	A1 (Moody's)		
Issue type	senior unsecured bonds		
Issue format	Reg S		
ISIN	XS1691909334	XS1692890343	XS1691909177
Tranche	EUR 3Y FRN	USD 3Y FRN	USD 5Y FXD
Size	EUR 1,100,000,000	USD 450,000,000	USD 400,000,000
Use of proceeds	To finance or refinance “Eligible Green Assets” in accordance with certain prescribed eligibility criteria as described under the ICBC Green Bond Framework, including renewable energy, low carbon and low emission transportation, energy efficiency and sustainable water and wastewater management in countries and regions along the “Belt and Road” initiative.		
Second opinion provider	CICERO Center for International Climate Research (“CICERO”). The ICBC Green Bond Framework obtained a Dark Green shading rating from CICERO, which is the highest level by CICERO’s standard.		
External review opinion provider	Zhongcai Green Financing Consultants Ltd. (“Zhongcai Green Financing”). Zhongcai Green Financing issued an external review assessment report for the ICBC Green Bond Framework against Chinese standards.		
CBI certification	The Bond obtained the Climate Bonds Initiative Certification by Climate Bonds Initiative (CBI) on 26 September 2017.		
Listing venue	Luxembourg Stock Exchange LGX		

Awards



The Green Bonds also mark the largest single issuance in EUR tranche by a Chinese financial institution as of September 2018 when the Report was prepared.



5 awards have been received, namely:

2017 Best ESG Deal¹

by FinanceAsia

2017 Best SRI Bond²

by IFR Asia

2017 Regional and Deals Award: Best Green Bond³

by The Asset

2017 Bond of the Year for Innovation in Use of Proceeds⁴

by Environmental Finance

2017 Asia Pacific Green / SRI Bond Deal of the Year⁵

by GlobalCapital



1. <https://www.financeasia.com/News/441270.winners-emfinanceasiaems-achievement-awards-part-2.aspx>

2. <http://www.ifrasia.com/sri-bond/21320981.article>

3. <https://www.theasset.com/awards/regional-deals-2017-fixed-income>

4. <https://www.environmental-finance.com/content/awards/green-bond-awards-2018/winners/award-for-innovation-use-of-proceeds-icbc.html>

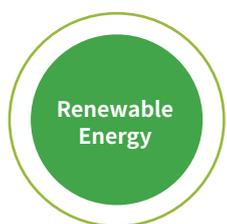
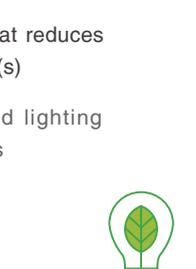
5. <https://www.globalcapital.com/article/b19tcwdcbq2ks/sri-award-winners-2018-revealed>

Management of Proceeds

Use of Proceeds

ICBC has developed the Green Bond Framework (hereinafter short as “the Framework”) under which it plans to issue green bonds, to finance and refinance, in whole or in part, eligible green assets promoting the transition to low-carbon and sustainable economy with clear environmental sustainability and climate change benefits. The eligible green asset categories are described with examples below.

“Eligible Green Asset Categories “for ICBC ----- Description and Examples -----

 <p>Renewable Energy</p>	<ul style="list-style-type: none"> • Generation and transmission of energy from renewable energy sources. <p>— Renewable energy sources include offshore and onshore wind, solar, tidal, hydropower subject to conditions, biomass and geothermal</p>	
 <p>Low Carbon and Low Emission Transportation</p>	<ul style="list-style-type: none"> • Low energy or emission transportation assets, systems, infrastructure, components and services excluding any infrastructure or rolling stock assets used for the transportation of fossil fuel products <p>— Examples include Rail Tram, Metro, Bus Rapid Transit Systems, Electric Vehicles</p>	
 <p>Energy Efficiency</p>	<ul style="list-style-type: none"> • Development of products or technology and their implementation that reduces energy consumption of underlying asset, technology, product or system(s) <p>— Examples include LED lights, improved chillers, improved lighting technology, and reduced power usage in manufacturing operations • Improved efficiency in the delivery of bulk energy services <p>— Examples include district heating/ cooling systems, smart grids, and transmission and distribution of energy that results in reduced energy losses</p> </p>	
 <p>Sustainable Water and Wastewater Management</p>	<ul style="list-style-type: none"> • Water collection, treatment, recycling, re-use, technologies and related infrastructure <p>— Examples include water pipes and collection facilities to collect water/rainwater, dams, treatment plant facilities</p>	
 <p>Exclusion</p>	<ul style="list-style-type: none"> • For the avoidance of doubt, in any case, the Eligible Green Assets shall exclude below: <p>— fossil fuel related assets Large scale hydropower plants Nuclear and nuclear-related assets</p>	

Note: Assets in all eligible categories shall at least reach the threshold of relevant official standards of environmental impacts recognized in the local jurisdictions. In case of no official standards locally recognized, corresponding international standards shall apply.

Project Evaluation and Selection



Prior to the issuance

The Green Bond Working Group will review all proposed Eligible Green Assets



Eligibility criteria is reviewed in compliance with the ICBC Green Bond Framework



Approval is granted for each "Eligible Green Asset"



an "eligible green asset list" is formed (each "Eligible Green Asset", collectively the "Eligible Green Asset Lists")

In the Green Bond Working Group, representatives shall be nominated if they have environmental experience and knowledge. The experts with environmental experience and knowledge enjoy a veto power to the final decision on the selection. The assets vetoed by them shall be excluded from the Eligible Green Asset List.

Annually, the Green Bond Working Group will review the allocation of the proceeds to the Eligible Green Asset List and determine if any changes are necessary (for example, if a project has amortized, been prepaid, sold or otherwise become ineligible) and facilitate ongoing reporting. The Green Bond Working Group will decide any necessary update of the Eligible Green Asset List (such as replacement, deletion, or addition of projects) to maintain the eligibility of the Use of Proceeds.

Management of Proceeds

The proceeds of the Green Bonds issuance have been fully deposited by ICBC Luxembourg Branch in the general funding accounts of ICBC Head Office in an "earmarking" approach, who established the Green Bond "allocation register" to record the allocation of Green Bond proceeds.

External Assurance

External Assurance

Standards	Certifier	Assurance (Abstracts from Reports)
		 <p>“Based on an overall assessment of the activities that will be financed by the green bond and the governance of the framework, ICBC’s Green Bond Framework is awarded the Dark Green shading.”</p>
		<p>“We conclude that:</p> <ol style="list-style-type: none"> 1.The use of proceeds and applied projects listed out in ICBC’s Green Bond Framework complies with the Green Bond Principles 2017 issued by International Capital Market Association 2.It also complies with Guidelines for Establishing the Green Financial System(Yinfa2016DocNo.228) 3.No findings showed that it does not comply with Green Bond Categories 2015 issued by the People’s Bank of China”
		<p>“...on 26 September 2017, the Climate Bond Standards Board approved the certification of the proposed inaugural Climate Bonds to be issued by the Applicant’s EMTN Programme (the bond), as per the application documents and verification report provided by Industrial and Commercial Bank of China Ltd. Luxembourg Branch.”</p>

Allocation of Proceeds

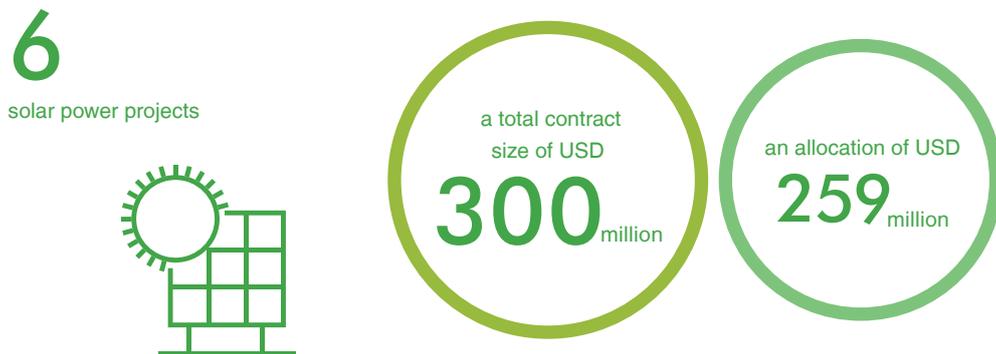
Allocation Overview

The total funding of USD 2.15 billion raised by the Green Bonds were fully allocated to refinance renewable energy and low carbon low emission transportation projects with an overview below:



Breakdown by Sector and Geography

The Eligible Green Assets fall into the categories of wind power, solar power and railway transportation, including



The breakdown by projects is provided below

Category		Ref.	Location	Amount Allocated (USD in mio)
Renewable energy	Wind power	Project 1	Jiuquan, Gansu, PRC	1.13
		Project 2	Nantong, Jiangsu, PRC	0.95
		Project 3	Hami, Xinjiang, PRC	0.89
		Project 4	Hami, Xinjiang, PRC	0.74
	Sub-total			3.17
	Solar power	Project 5	Taizhou, Jiangsu, PRC	0.58
		Project 6	Suqian, Jiangsu, PRC	0.57
		Project 7	Ouarzazate, Morocco	1.32
		Project 8	Saraburi, Thailand	0.05
		Project 9	Saraburi, Thailand	0.03
Project 10		Saraburi, Thailand	0.04	
Sub-total			2.59	
Low-carbon and low-emission transportation	Railway transportation	Project 11	Yongzhou-Guilin-Liuzhou, PRC	4.80
		Project 12	Lanzhou-Chongqing, PRC	10.41
	Sub-total			15.21
Total				21.50

Major Environmental Accident or Breach

There have been no environmental defaults, breaches or alerts in the Eligible Green Assets selected as UoP by the end of 2017.

Environmental Impacts

The green bonds issued helped to reduce a total CO2 emission of **4,186,135 tons** per year, including **2,720,437 tons** per year for renewable energy assets and **1,465,998 tons** per year for low-carbon and low-emission transportation.

Renewable energy

Category		Ref.	Installed Capacity (MW)	Power Generation per year (MWh)	GHG Emission Avoided per year (ton)
 Renewable energy	 Wind power	Project 1	400	920,000	752,100
		Project 2	300	740,000	604,950
		Project 3	200	478,800	391,419
		Project 4	200	400,000	327,000
	 Solar power	Project 5	80	92,800	75,864
		Project 6	100	116,500	95,239
		Project 7	200	730,000	450,045
		Project 8	9.5	15,842	8,563
		Project 9	9.6	16,130	8,718
		Project 10	7.2	12,099	6,540
Total			1,506.3	3,522,171	2,720,437

Note: The impacts of renewable energy projects have applied the EIB Carbon Footprint Methodology⁶
http://www.eib.org/attachments/strategies/eib_project_carbon_footprint_methodologies_en.pdf

Low-carbon low-emission transportation

Category	Ref.	Allocated Amount (mio in USD)	Tracks Built or Renovated (km)	No. of Shipped Passengers/ tons of Cargo per year	GHG Emission Avoided per year (ton)
 Low-carbon and low-emission transportation	Project 11	480	361.3	11.793 mio passengers 1,270 trillion tons of cargo	818,798
	Project 12	1,041	813.9	Put into use since Sept. 29, 2017, and transported 1.872 mio passengers and 6.37 mio tons of cargo	647,200
Total		1,521	1,175.2		1,465,998

Note: The impacts of low-carbon low-emission transportation have applied the index for railway sector in PRC in IEA-UIC Energy and CO2 Railway Handbook[https://uic.org/IMG/pdf/handbook_iea-uic_2017_web3.pdf] as well as the EIB Carbon Footprint Methodology.

Examples of Eligible Assets



Example 1: Project 2 (renewable energy – wind power)

It is an offshore wind power project located 23 km away from the coastline of Jiangsu Province in P. R. China. The wind turbine has a total capacity of 300 MW with 75 units (4 MW per unit). The annual power output is 7,400,000 MWh, running at full capacity equaling to 2467 hours for GEAH (Generating Equipment Availability Hours) annually. Each year, reduction can be made by 605,000 tons in CO₂ emission, and by 92,000 tons in lime ash emission, and 24000 tons in soot emission. 2.197,000 m³ of water can be saved. Environmental impacts are therefore significant.



The annual power output is

740,000 M_{kWh}

Each year, reduction can be made by

605,000 tons

in CO₂ emission

92,000 tons

in lime ash emission

24000 tons

in soot emission.



Example 2: Project 11 (low carbon and low emission transportation)

It is a railway transportation project with the main line of 350.85 km in length and full line running for 361.30 km. It is a level 1 railway line powered fully by electricity, designed for a running speed of 200 km/h. The project can shorten the travel time from Guilin to Liuzhou from more than 2 hours to 1 hour only, with a yearly transportation capacity of 11,793,000 passengers and 12,700,000 tons of cargo. Each year, the CO₂ emission can be reduced by 819,000 tons. This project can effectively provide a fast transportation solution with a big capacity to the surrounding region, and ease the transportation pressure. It plays an important role in boosting the fast development in local economy to strengthen its competitiveness in the Asia-Pacific regional market.



Each year, the CO₂ emission can be reduced by

819,000 tons

a yearly transportation capacity of

11,793,000 passengers

12,700,000 tons of cargo

Disclosure and Reporting

ICBC has engaged CICERO to act as an external reviewer of this Green Bond Framework for GBP alignment and Zhongcai Green Financing Consultants Ltd. to act as an external reviewer of this Green Bond Framework for Chinese domestic standards. The Second Party Opinions by CICERO and Zhongcai Green Financing Consultants Ltd. are publicly available on ICBC official global website www.icbc-ltd.com.

ICBC will engage an independent third party to provide assurance on its Annual Green Bond Report which will provide information on allocation and impacts.

