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Special Report on Green Finance

Industrial and Commercial
Bank of China Limited



Preface

At present, protecting the environment, coping with climate change and promoting sustainable development have become common challenges confronting the world. In 2015, the United Nations formally adopted the Sustainable Development Goals (SDG), aiming at solving social, economic and environmental problems in an integrated way from 2015 to 2030. In the same year, the Paris Agreement was adopted at the United Nations Climate Change Conference in Paris, with a view to providing an action basis for the global response to climate change after 2020.

As China is entering the critical period of adjustment of economic structure and transformation of development mode, the CPC Central Committee has clearly defined “greening” as one of the goals of economic transformation. The Report of the 19th CPC National Congress puts forward that it is important to develop China into a great modern socialist country which is beautiful, and points out that we should “ensure harmony between human and nature”, “develop green finance, and promote green development”, and provide financial support for the building of a beautiful China. In 2016, seven ministries and commissions, including the People’s Bank of China (PBOC) and the National Development and Reform Commission, jointly issued the Guidelines on Building a Green Financial System. It is the first national green finance policy in the world and points out the direction for China’s financial institutions to develop green finance.

As the largest commercial bank in the world, Industrial and Commercial Bank of China (ICBC) has always adhered to the business philosophy of promoting the development of real economy with green finance, deeply planted green development in the cultivation of corporate culture, and incorporated green operation into all business lines

of ICBC. It stands firm in fulfilling its economic and social responsibilities, and is committed to making integrated advances in economic, social and ecological benefits. By putting in place innovative green finance projects, ICBC presented the corporate image of actively performing social responsibilities as a large bank following the core value of “Integrity Leads to Prosperity”.

As the forerunner and leader of green finance, ICBC takes the responsibility and mission of driving global green development, while continuing to promote its own green development. In 2018, it issued two green Belt and Road bonds, valued at USD2.33 billion in total, which are used to support green projects along the Belt and Road. Referring to and complying with the framework of the Task Force on Climate-related Financial Disclosures (TCFD), ICBC, in conjunction with nine Chinese financial institutions and four British financial institutions, set up a pilot working group for environmental information disclosure, to advance the green transformation of the real economy by paying attention to, analyzing and studying environmental information.

In advancing the pilot work and research, we have gradually come to realize that environmental information of financial institutions includes information related to the impact of financial institutions’ operation on the environment, the impact of investment and financing on the environment and the impact of environment on opportunities and risks facing financial institutions. This special report describes ICBC’s practice and achievements in the area of green finance in 2018. In the future, ICBC will take the building of a beautiful China as its mission and continue to explore new ways of promoting green ecological advancement with financial strength, so as to contribute to the sustainable development of the world.



Environment Society Governance

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ICBC Chairman's Statement



Chairman Chen Siqing, ICBC

In the course of the evolution of human civilization, a beautiful and harmonious living environment has always been the desire of the people. At present, protecting the environment, coping with climate change and safeguarding energy and resource have become the tasks facing all countries. China's ecological civilization has entered a critical window period that requires serious efforts to get through, which is a major strategic judgment made by President Xi Jinping taking into account the overall economic, political, social and environmental development. While making efforts to transit China's economy from a phase of rapid growth to a stage of high-quality development, we must also do better in the prevention and control of pollution and environmental governance. The people's needs for a beautiful environment has also constituted an important part of the principal contradiction facing Chinese society.

Under this background, green finance, through capital supply and resource allocation, bridges economic behavior, resource utilization and environmental protection. It is an important innovation made by human beings in the pursuit of sustainable development. In 2016, the G20 (the Group of 20) Summit was held in Hangzhou, China. The PBOC and the Bank of England jointly established the G20 green finance research group (later renamed as the G20 sustainable finance study group), and formally put the topic of green finance on the G20 agenda. It helped attract widespread attention

on green finance from governments, enterprises, financial institutions and third party organizations. In 2017, Chinese President Xi Jinping pointed out that we should “speed up reform of the system for developing an ecological civilization, and build a beautiful China”, and regard the “development of green finance” as an important way to promote green economic development. It demonstrates China’s determination and conviction in improving the environment and achieving sustainable development, and consolidates the strategic position of green finance in the building of an ecological civilization. Under this guidance, the concept of sustainable development has been deeply rooted in the hearts of the people. It has become a consensus that we all should help build the foundation of ecological civilization and take the road of green development together.

As the largest commercial bank in the world, ICBC has long regarded the building of “a Chinese-leading, world-class green financial institution” as its development strategy. It has incorporated green finance throughout all aspects of financial services, operation and management, stood firm in performing its economic and social responsibilities, and advocated green low-carbon operation. It is committed to making integrated advances in economic, social and ecological benefits, and aims at becoming the pioneer and leader among financial institutions to achieve sustainable development.

In China, ICBC actively develops green finance to support the real economy, and drives the development of green industry by issuing green credit, green bonds and other financial products. It continuously improves its green performance and promotes the sustainable transformation of its customers. It carries out forward-looking research, adopted new green financial instruments and methods, and contributes to the building of a beautiful China with blue sky, green land, lucid waters and lush mountains.

Internationally, ICBC strongly supports the initiative of green Belt and Road, and provides financial support for environmental protection, poverty reduction and improvement of the people’s livelihood in countries and regions along the Belt and Road. It actively participates in global environmental governance, and maintains close cooperation with the United Nations Environment Programme, the World Bank, the World Wide Fund for Nature, the International Finance Corporation and other institutions. It continuously tightened requirements on itself, as the leader of Chinese financial institutes to push the China-UK environmental information disclosure programme .

Going forward, ICBC will continue to uphold the concept of green development, adopt new service modes, and promote China’s industrial restructuring while continuously promoting its own green transformation. It will help raise public awareness of green development while strengthening its own awareness of energy conservation and emission reduction. It will continue to participate in the global governance of green finance by offering its practical experience and achievements, on the premise of constantly improving its ability to practice green finance.

Green indicates a benign balance between economic growth and environmental protection. Green development is an achievement stem from generations of hard work in global governance and the most valuable asset for our future generations. As an important driving force for the sustainable development of the global economy, green finance has great potential for future development. It is the key to the building of a community of shared responsibilities, interests and future. I am confident that global financial institutions, including ICBC, will strengthen the green transformation, take their responsibilities, deepen exchanges and cooperation, and make new contributions to the sustainable development of the global economy.

ICBC President's Statement



President Gu Shu, ICBC

Chinese President Xi Jinping pointed out that, “what we are doing today to protect the environment will benefit generations to come.” Under the background that ensuring ecological security and promoting sustainable development have become a global consensus, green finance, as a bridge to guide social capital to green investment, is not only the source of promoting green economic transformation and cultivating new drivers of growth, but also an important development direction for financial industry.

For a long time, ICBC has actively practiced the concept of green finance, continuously explored and innovated, and spared no effort to support the building of an ecological civilization. In 2018, the balance of green credit of ICBC reached USD1,237,758 million, an increase of 12.6% over the beginning of the year, which was 6.6 percentage points higher than that of the domestic corporate loans over the same period of the previous year. It successfully issued green Belt and Road bonds abroad, valued at USD2.33 billion in total. It released the first ESG index in China based on the evaluation of domestic institutions, providing an advanced tool for the banking industry to quantify and manage environmental risks.

With green development becoming a national strategy, China is playing an increasingly important role in global sustainable governance. Against this backdrop, we have been keenly aware of the expectations from our country and the international community, our investors and shareholders. Environmental information disclosure is the basis for the development of green finance and the building of an ecological civilization. It is also a major task that needs long-term persistence. ICBC has made some basic and exploratory attempts and has been widely recognized around the world.

At the 9th China-UK Economic and Financial Dialogue held on December 15, 2017, the two governments encouraged Chinese and British financial institutions to jointly conduct pilot disclosure of environmental information. Guided by the Green Finance Committee (GFC) of China Society for Finance and Banking, ICBC led nine Chinese financial institutions, including ICBC, Industrial Bank, Bank of Huzhou, Bank of Jiangsu, E Fund, China Asset Management Company, PICC Property and Casualty Co., Ltd., Ping An Group and AVIC Trust, to set up a pilot working group with four financial institutions from the UK, to jointly push forward the disclosure of environmental information. With more than one year of unremitting efforts, the working group has developed the Plan for Pilot Disclosure of Environmental Information of Chinese and British Financial Institutions, issued a three-phase action plan, and established the Target Framework for Environmental Information Disclosure of Chinese Financial Institutions, clarifying the qualitative information and quantitative indicators for disclosure. At the third China-UK Green Finance Conference held on November 30, 2018, ICBC, on behalf of Chinese institutions, jointly released the Report on the Progress of Pilot Disclosure of Climate and Environmental Information of Chinese and British Financial Institutions in 2018 with the UK, revealing the progress and achievements made in pilot work.

2019 marks the first year of disclosing environmental information. The Special Report on Green Finance issued by ICBC covers environmental data and green performance derived from ICBC's own development process. It has accumulated practical experience and made useful exploration for further disclosure of environmental information of Chinese and British financial institutions. It is hoped that this special report released by ICBC meet the criteria of all readers. At the same time, we expect more Chinese financial institutions to take part in this work and contribute to the building of a beautiful, harmonious and green world.





01

Strategy and Governance

- ① Strategy
- ② Governance



Strategy

As a large listed bank with international influence, ICBC is deeply aware of the far-reaching impact of resource and environment on economic and social development. Act on this understanding, it has made active efforts to meet international standards, and advocated the concept of sustainable development in the international community. In 2012, ICBC became China's first commercial bank joining the United Nations Global Compact. In 2015, it joined the United Nations Environment Programme Financial Initiative (UNEP FI) . In 2016, it joined the framework of the Task Force on Climate-related Financial Disclosure(TCFD), becoming the first financial institution in China to join such organization .The same year,ICBC joined the Statement by Financial Institutions on Energy Efficiency.

ICBC creatively established the green finance system in line with China's and its own conditions, drawing lessons from the Equator Principles and the social risk management system. During the reporting period, ICBC actively practiced the vision of innovative, coordinated, green, open, and share development and the five-sphere integrated plan of coordinated economic, political, cultural, social and ecological advancement, and actively contributed to a model of modernization with humans developing in harmony with nature through its own financial practice.



Strategic Goal


Developing into a world-leading green bank with good international reputation.



Strategic Thinking

Integrating the concept of green development into the overall strategy and building a green finance strategy system suitable for ICBC.

Fostering green values, raising awareness of sustainable development, and developing green culture recognized at home and abroad and by all employees of the Head Office and branches.



Comprehensively promoting green finance from the aspects of policy, system, management process, business innovation and performance.

Launching new green finance products and enhancing the ability to provide green finance services in an all-round way.

Continuously innovating methods and tools to strengthen environmental and climate risk management.



Implementation Path



Ensuring preservation and innovation and highlighting characteristics.

ICBC will innovate with reference to the best practices in green finance at home and abroad and in accordance with China's and ICBC's conditions, constantly enrich the implications and essence of green finance, and determine the development path of green finance with its own characteristics, according to China's overall plans and regulatory requirements for building an ecological civilization.




Strengthening top-level design and taking all factors into consideration.

ICBC will improve the long-acting mechanism of green finance development in a top-down manner, carry out management of the annual, medium and long-term objectives concerning green finance, coordinate the relationship among sustainability, security and profitability, and achieve the organic unity of economic and social benefits, and short-term and long-term interests.



Implementing whole-process management and one-vote veto system.

ICBC will embed the requirements on green finance in front, middle and back-office business processes, explore to include environmental and social risk factors in customer (project) risk assessment system, strengthen monitoring, identification, mitigation and control of environmental and social risk indicators, and exercise green finance one-vote veto system throughout the whole process.



Working in cooperation with a due division of labor and ensuring participation of all employees.

ICBC will improve the working mechanism of leading management and coordinated advancement, form an architecture of mutual cooperation and participation of all institutions and business lines of ICBC, incorporate green finance into daily operation, fully arouse the enthusiasm, initiative and creativity of employees to participate in, stand firmly and work tirelessly to ensure that green finance development achieves desired results.

2

Governance

In line with the best social responsibility practices in the world, ICBC continuously explores the sustainable development path for enterprises, strengthens organizational guarantee for green finance from the perspective of governance structure, and highlights the coordinated leadership of green finance by the Board of Directors and the Senior Management. The Strategy Committee, the Audit Committee and the Compensation Committee of the Board of Directors are respectively responsible for approving and supervising ICBC's green finance development strategy, auditing ICBC's environmental and social risks, evaluating Senior Management members' implementation of green finance and incorporating the implementation results into their performance assessment. The Senior Management is responsible for establishing ICBC's green finance development strategy and long and medium-term objectives. The Credit Risk Committee is responsible for formulating ICBC's green credit policy and managing green credit risks. The green bond task force is responsible for work relating to ICBC's issuance of green bonds. All business departments concerned shall, under the leadership of the Credit and Investment Management Department, carry out green finance related work within their respective terms of reference.

The Strategy Committee of the Board of Directors shall supervise and evaluate the implementation of ICBC's green finance strategy.



Board of Directors

The Board of Directors is responsible for approving the Group's green finance development strategy, the annual, long and medium-term goals of implementing the green finance strategy, and the green finance goals and development reports submitted by the Senior Management.

The Audit Committee of the Board of Directors shall conduct special audits on the environmental and social risks of projects selected by employing third-party auditing institutions and entrusting the Internal Audit Bureau.

The Compensation Committee of the Board of Directors is responsible for appropriately embodying the implementation of green finance in the performance assessment results of the Senior Management.

It is also responsible for approving policies and procedures for implementing green finance development strategy.



Senior Management

The Senior Management is responsible for formulating ICBC's green finance development strategy, determining the annual, long and medium-term objectives of implementing green finance strategy, and approving important policies, institutional products and management measures for implementing green finance (credit).

It shall clarify the responsibilities of green finance development, coordinate and promote relevant work, allocate resource to implement green finance development strategy, and supervise the implementation of green finance strategy.

It shall report to the Board of Directors on the implementation of green finance development strategy on an annual basis.

The Credit and Investment Management Department is responsible for taking the lead in management of green finance work.



Relevant departments

Relevant departments shall implement policies and rules, innovate products and manage risks.

Relevant business departments are responsible for the green finance work within their respective terms of reference.

A benign mechanism shall be established whereby the departments in charge are responsible for coordination and supervision, and other departments participate in actively.





02

Policy and Process

- ① Policy and System
- ② Process Management



Policy and System

In 2018, ICBC focused on strengthening top-level design, continuously improved climate and environment-related policies and systems, and provided basic guarantee and positive guidance for the sustainable and steady development of green finance.



ICBC issued the Opinions on Comprehensively Strengthening Green Finance Building to clarify ICBC's priorities on developing green finance.

As building an ecological civilization has become a national strategy and a new regulatory requirement, ICBC issued the Opinions on Comprehensively Strengthening Green Finance Building in 2018, which deepen the understanding of the importance of green finance building, clarify the objectives and basic principles, and streamline the priorities and measures for developing green finance with greater efforts. The Opinions set out seven priorities and 25 measures, including continuously promoting the green adjustment of investment and financing structure, enhancing management of investment and financing environments and social risks, actively carrying out green finance innovation, comprehensively improving self-performance, earnestly implementing regulatory requirements, and strengthening organizational guarantee and daily management for green finance development, which lay a solid foundation for strengthening green finance building in all respects, building a world-leading green bank and achieving the sustainable development of investment and financing.



ICBC revised and issued the Industrial (Green) Credit Policy to promote the green adjustment of credit structure.

Since 2003, ICBC has revised and issued the Industrial (Green) Credit Policy year by year to meet the requirements of green credit policies for various industries. Specifically, in terms of industrial investment orientation, ICBC gave higher industry positioning to green industries such as ecological protection, clean energy, energy conservation and environmental protection, and circular economy, established the relationship between industry orientation and economic capital, encouraged and guided ICBC to actively support credit business in the field of green economy; in terms of specific industry policies, ICBC paid close attention to technique, energy consumption, technology, environmental protection and other key indicators that could reflect the

core competitiveness and risk status of an enterprise, and defined them as one of the core elements in the Industry Credit Policy.



ICBC formulated special policies to support business development in key areas of green credit

Since 2009, ICBC has actively fostered the green credit market in line with China's industrial and environmental protection policies. It has formulated and issued the Guidelines on Credits for Energy Saving Fields and the Opinions on Prioritizing Credit Support for Key Fields of Advanced Manufacturing, guiding ICBC to actively cultivate emerging green credit markets such as energy saving, emission reduction and circular economy, and achieved good results.

In 2018, ICBC issued the Opinions on Expanding Green Bond Underwriting Business for Corporate Customers, further promoted the development of green bond underwriting business for corporate customers, and did a good job in monitoring the usage of funds raised, so as to ensure it complies with relevant policies and regulatory requirements on green bonds. The Opinions on Expanding Environmental Protection Industry were issued, clarifying the key areas of financial services for green economy.



ICBC adopted international standards and guidelines and continuously improved classified management of green credit.

With reference to the Equator Principles and IFC Performance Standards and Guidelines, ICBC issued the Administrative Measures for Green Credit Classification in 2014, which divide ICBC's domestic corporate loan customers and projects into four grades and 12 categories according to the impact of loans on the environment, and embed them in ICBC's internal asset management system to achieve reasonable quantitative management of customers' environmental and social risks.



ICBC promoted green financing to serve China's three strategic underpinning belts.

ICBC actively implemented the national plan for three strategic underpinning belts, formulated and issued guidelines for credits extended to boost the Belt and Road Initiative, the development of the Beijing-Tianjin-Hebei region and the Yangtze Economic Belt, respectively, of which such green industries as clean energy, green transportation, energy saving and environmental protection are the key areas of financing. In line with the above guidelines, ICBC seized strategic opportunities, cultivated new drivers of credit growth, and realized healthy and sustainable development of credit business. ICBC also issued the Administrative Measures for Risks in Going Global Cross-border Financing Business, requiring relevant overseas institutions to comply with local policies, regulations, regulatory requirements and international practices, and strengthen environmental and social risk management with respect to the Belt and Road and Going Global business.



Process Management

In accordance with advanced international theories, best practices, and the latest domestic regulatory requirements, taking into account the actual situation, ICBC formulated the Group's Comprehensive Risk Management Rules and the Administrative Measures for Risk Appetite, and developed the 2018-2020 Risk Management Plan, setting out the objectives and tasks of future risk management. ICBC strengthened crisis management, completed the annual renewal of recovery and resolution plans, and improved stress testing methods. It took the main responsibilities for risk prevention and control, and improved the comprehensive risk management system.



Strictly observing the bottom line of environmental and social risk compliance.

The enterprises (projects) financed by ICBC shall comply with the laws, regulations and regulatory requirements of host countries (regions) on environmental protection, land, health and safety, strictly abide by constraints on local ecological protection, environmental quality and the utilization of resources. In 2018, ICBC issued the Risk Prompt on Financing Involved in Environmental Protection Supervision and Policy Adjustment, requiring all branches to raise environmental protection standards for customers from key industries and regions, strictly implement the “one-vote veto system for environmental protection”, observe the bottom line of environmental and social risk compliance, and strengthen risk management and control over high-risk customers.



Strictly carrying out whole-process green credit management.

According to environmental and social risk compliance requirements, ICBC specified actions and points of attention in each area in consideration of the characteristics of customers or projects, and strengthened whole-process management of environmental and social risks in investment and financing.

ICBC regarded environmental and social risk investigation as an important part of due

diligence, comprehensively evaluated the willingness, ability and historical records of customers in management of environment and social risks, and preliminarily classified environmental and social risks for customers or projects.

In reviewing and approving credits, ICBC regarded customers' environmental and social risks as an important part in reviewing reports, and developed a standardized list of environmental and social risk compliance documents and review highlights. According to the nature and severity of environmental and social risks of customers or projects, ICBC put forward loan schemes and determined reasonable and effective prerequisites and management requirements.

In signing contracts, ICBC formulated the terms and conditions of the environmental and social risk management contracts in strict compliance with relevant requirements of its Notice on Improving the Text of Credit Business Format Contract, and urged customers to strengthen the management of environmental and social risks.

In granting funds, ICBC verified the implementation of the preconditions for financing one by one, and paid attention to whether the customers had violated laws or regulations or whether there were negative public opinions in terms of environmental protection, land, health and safe production. ICBC will terminate fund appropriation in a timely manner if any major potential risks are identified.

In post-lending management, ICBC strengthened post-investment (lending) monitoring, early warning and periodic onsite inspection, regularly conducted onsite inspection over customers operate in environmentally sensitive industries in strict compliance with the Head Office's post-lending management measures and relevant requirements on green finance management, and fully understood the status of enterprises' compliance with environmental protection laws and regulations.

Due diligence



Regarding environmental and social risk investigation as an important part of due diligence

Review and approval



Regarding customers' environmental and social risks as an important part in reviewing reports

Contract signing



Requiring customers to strengthen environmental and social risks management

Fund appropriation



Verifying the implementation of preconditions for financing one by one

Post-lending management



Strictly implementing post-lending management measures and relevant requirements on green finance



Strengthening the ability to quantify risks and incorporating environmental factors into customer rating and the customer credit rating monitoring system

Considering environmental factors when rating customers

The results of corporate customer rating are an important basis for credit risk management decision-making regarding customer access management, credit approval, post-lending management, capital measurement, provision set-aside, performance assessment, etc.



In customer level restriction, customers' environmental protection behavior, safe production standards, green credit classification and other factors are taken into account.

Considering environmental factors when monitoring customer rating

When major environmental protection or safety incidents occur, the customer involved shall be re-rated within one month. ICBC reinforced assessment and resource allocation of green credit, and regularly monitored customers whose green credit classification marks exceed the specified level. For these customers, the system will downgrade their rating and issue a prompt for re-rating.



Sewage interception project around the Erhai Lake (Phase II) financed by ICBC Yunnan Branch



Strengthening prevention and control of risks for financing enterprises with backward production capacity

Eliminating backward production capacity is an important measure to resolve the problem of excess capacity and promote industrial upgrading in China. ICBC paid close attention to changes in national policies, and took advantages of relevant measures such as industrial credit policy and shift management of key industries to continuously improve its working mechanism. It tightened financing for customers with backward production capacity that should be eliminated, effectively promoted the prevention of backward production capacity risks, and achieved remarkable results. As at the end of December 2018, loans to five industries with excess capacity, such as steel, dropped by RMB8.4 billion from the beginning of the year.



Conducting self-assessment regarding green credit and fully developing green credit

Since 2014, the China Banking Regulatory Commission (CBRC) has regularly carried out self-evaluation regarding green credit on an annual basis, with evaluation results as an important basis for the follow-up “green bank rating”. In order to meet the regulatory requirements of the CBRC on green credit evaluation, in 2018, the Head Office organized 20 relevant departments to carry out self-evaluation of ICBC’s green credit work in

2017. For unqualified indicators and areas of weakness found in the self-evaluation, ICBC studied and put forward rectification and improvement measures. In 2019, ICBC completed self-evaluation of its green credit work in 2018. The results show that ICBC’s green credit work was advanced solidly and steadily, and its green credit structure was further improved. In the 2018 green bank evaluation campaign held by the China Banking Association, ICBC won the title of excellent bank in the overall evaluation of green banks.



ICBC won the title of

excellent bank

in the overall evaluation
of green banks.



A clean energy project financed by ICBC Guangxi Branch



Conducting stress testing on the impact of environmental risk on commercial banks' credit risk



Under the guidance of the GFC, ICBC has conducted stress testing on the impact of environmental risk on commercial banks' credit risk ever since 2015. The results were officially released on the London Stock Exchange during the G20 Green Finance Summit held in London in March 2016, filling the gap of China's commercial banks in the field of environmental risk quantification and transmission mechanism research. It also provides a tool for global financial institutions to study environmental risks. ICBC worked with a number of institutions at home and abroad, including Beijing Environment Exchange, Trucost of S&P, China Lianhe Equator Environmental Impact Assessment Co., Ltd., Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), and Risk Management Solutions (RMS), to conduct stress testing in multiple industries and fields, which made it well positioned to stay ahead of the world.

Stress factors	Study object	Released on	Partners
Policy	Thermal power	March 2016	Nil
	Cement	March 2016	Nil
	Electrolytic aluminum	March 2017	Trucost
	Steel	September 2017	China Lianhe Equator Environmental Impact Assessment Co., Ltd.
Climate	Drought	March 2018	GIZ, RMS
Price	Carbon trading	May 2019	Beijing Environment Exchange



Developing ESG green rating tools and index products

At the International Symposium on Environmental Risk Analysis held in July 2017, ICBC officially released the ESG Green Rating and Green Index Research Report, which was completed in cooperation with CSI Research Institute and Trucost. This study combines CSI Research Institute's understanding of

the index building methods and ICBC's customer advantages, fully considers the dimension of the Chinese context and the characteristics of enterprises, and has established an evaluation system with scientific methods and highly reliable data. This evaluation system is the first of its kind among Chinese commercial banks. It has not only filled up the gap of Chinese banking industry in the research field of environmental risk quantification and

transmission mechanism, but also has played a leading role in the global banking industry for researching on green finance and environmental risk quantification. In order to assist with the development and application of ESG rating and index project, ICBC also developed the Industry Credit Risk Management System and the ICBC Index Management System, which will further improve the quality of enterprise environment data. In December 2018, the "CSI 180 ESG Index" jointly developed by ICBC and CSI was formally launched. Based on ICBC's ESG green rating, the index leveraged the extensive data accumulated by ICBC for a long period, and effectively improved the accuracy and effectiveness of ESG rating.



In December 2018

the "CSI 180 ESG Index"

jointly developed by ICBC and

CSI was formally launched.







03

Green Products

- ① Green Credit
- ② Green Bond

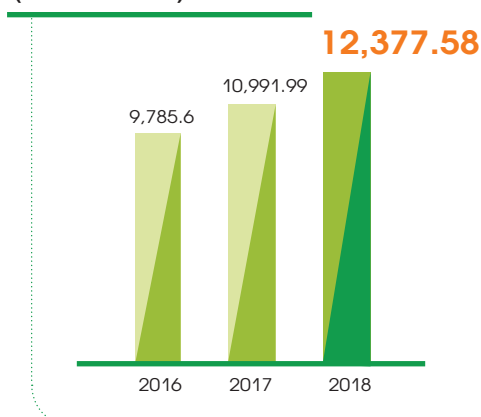


Green Credit

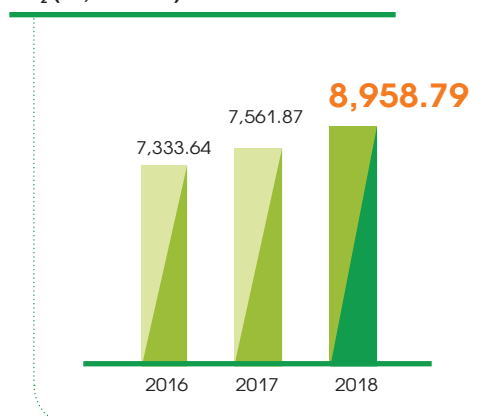
In recent years, ICBC has continued to practice the concept of green credit, contributed to the building of an ecological civilization, and made great achievements in developing green credit, supporting green development and the real economy, and leading global green practice through green intellectual achievements.

The green economy is the major destination of ICBC's investment and financing support. ICBC reasonably balanced the relationship among social benefits, economic benefits and financing risks, gave priority to high-quality customers, key projects and high-quality projects in such green economic fields as ecological protection, clean energy, energy conservation and environmental protection, green transportation, green building, circular economy and low-carbon economy, and gradually expanded their proportion in its overall investment and financing.

**Domestic green credit balance
(RMB100 million)**



**Equivalent to reduced emission of
CO₂ (10,000 tons)**





Domestic green credit balance
increased by 12.61%

over the previous year.
Around **6.6** percentage points
higher than the growth of domestic
corporate loan balance in the
same period.

Green credit scale

In 2018, ICBC actively implemented national industrial policies and regulatory requirements, and continuously increased credits in the green field. As a result, the scale of green credits has steadily expanded. As of the end of 2018, the balance of ICBC's domestic green credits granted to energy conservation and environmental protection projects such as ecological protection, clean energy, and resource recycling reached RMB1,237,758 million, an increase of RMB138,559 million or 12.61% over the beginning of the year, around 6.6 percentage points higher than the growth of domestic corporate loan balance in the same period.

Note: The statistics of green credit are based on the Notice on the Submission of Green Credit Statistics issued by the CBRC in 2013.



Green adjustment of investment and financing structure

The balance of loans granted to clean energy such as hydropower, wind power and solar power accounted for more than 60% of the total amount of loans. As viewed from the growth, 77% of the increased electricity loans in the past three years were used in clean energy; thermal power loans were mainly used to create more cost-efficiency large-scale coal-fired power projects and natural gas power projects while closing some small thermal power units with low efficiency, with the purpose of reducing coal consumption, and improving energy efficiency and environment.

The balance of clean energy
loans accounted for more than
60% of the total balance
of loans to the power industry.



77% of the increased
electricity loans in the past
three years were used
in clean energy



ICBC strengthened restructuring of environmentally sensitive industries and customers. Environmental sensitive industries and industries with excess capacity should be the focus of investment and financing restructuring of ICBC, and the total amount and proportion of investment and financing should be reasonably controlled. In order to actively meet the requirement of de-capacity, effectively resolve the problem of excess capacity in industries such as steel and coal, and promote industrial restructuring, transformation and upgrading, in 2018, ICBC implemented shift management over five industries with excess capacity, including steel, and actively put differentiated credit policy into practice. It increased support for leading enterprises with advanced technology and equipment, competitive products and market share. It satisfied the reasonable fund demands of backbone enterprises in respects of acquisition and reorganization, technological transformation, energy saving and emission reduction, going global and daily operation, and actively promoted the resolution of the problem of excess capacity through financial means, so as to advance the transformation and upgrading of the industry. At the end of December 2018, loans granted to five industries with excess capacity, such as steel, dropped by RMB8.4 billion from the beginning of the year.



Green credit assessment and incentive

Launch the statistical identification of "energy saving and environmental protection project and service"

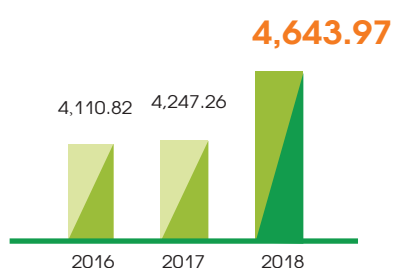
Improve the functions of green credit statistics system

On the one hand, ICBC enhanced green credit assessment and resource allocation. In the reporting period, ICBC adjusted the quantitative indicators of green credit, incorporated them into the quarterly performance assessment index system of branches, and further improved the performance assessment and incentive and restraint mechanism for green credit work. On the other hand, ICBC improved the level of IT-based green credit management. In 2014, ICBC launched a statistical identification of "energy saving and environmental protection project and service" in the credit management system (including eight sub-indicators such as classification of energy saving and environmental protection projects and services and achievements in energy saving and emission reduction). In the reporting period, ICBC sorted out and verified the classification and statistical data quality of green credits of corporate customer project loans, further improved the quality of relevant basic data and upgraded the functions of the green credit statistics system.

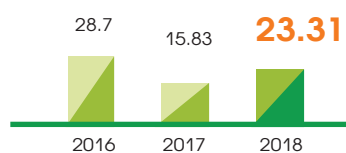
Green credit environment performance

According to the regulatory statistics reporting rules and energy saving and emission reduction calculation guidelines set out in the Notice on the Submission of Green Credit Statistics (Y.J.B.F. [2013] No. 185) issued by the CBRC, and based on the approval documents, feasibility reports and environmental assessment reports on green credit projects, in 2018, ICBC achieved outstanding green credit environment performance. ICBC's green credit reduced emission of 89,587,900 tons CO₂ equivalent, up 13,969,200 tons or 18.47% over the year beginning. It reduced emission of standard coal of 46,439,700 tons, up 3,967,100 tons over the year beginning; it saved 42,904,200 tons of water, up 10,039,700 tons over the year beginning.

Equivalent to reduced emission of standard coal (10,000 tons)



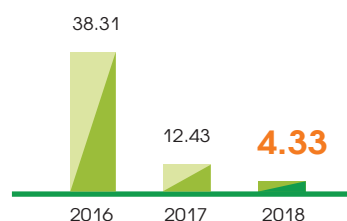
Equivalent to reduced emission of COD (10,000 tons)



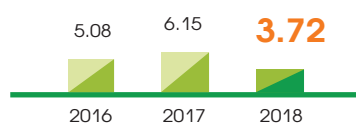
Equivalent to reduced emission of ammonia nitrogen (10,000 tons)



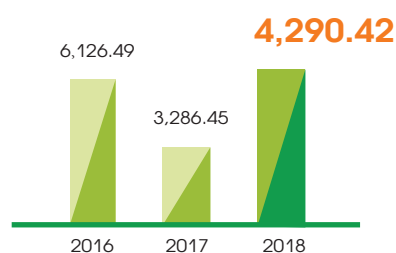
Equivalent to reduced emission of sulfur dioxide (10,000 tons)



Equivalent to reduced emission of nitric oxides (10,000 tons)



Equivalent to water saved (10,000 tons)



Dedicated in promoting the green adjustment of investment and financing structure

Guided by the principle of pursuing development through innovation, ICBC fully implemented the green finance concept, and supported domestic and foreign projects in the fields of clean energy, environmental protection, energy saving and emission reduction, and circular economy, in order to advance the efficient, sustainable and sound development.



Developing green energy to create a better ecological environment

Offshore wind power project



With a total investment of GBP 2.6 billion

Moray offshore wind power project in the UK

The 950 MW offshore wind power project in Moray East of the UK had a total investment of GBP2.6 billion, including project loans of GBP2.1 billion. ICBC co-organized a syndicate with BBVA Bank of Spain, Santander Bank, Commerzbank, Calyon Bank, Societe Generale, Natexis Banques Populaires, ING Bank, Mizuho Bank and Sumitomo Mitsui Banking Corporation, etc. The project is a typical case of multi-country cooperation in developing large-scale green energy projects. It uses the most advanced technology and equipment to make full and effective use of local green energy. The project was awarded the “Best Electricity Project of the Year in Europe” by the Project Finance International of Thomson Reuters.



The project was awarded the “Best Electricity Project of the Year in Europe” by the Project Finance International of Thomson Reuters.



Driving energy saving and emission reduction by
multilateral financial cooperation



Reduce carbon dioxide emissions by
156,000 tons per year

Benban photovoltaic power station project in Egypt

The project is a key national-level renewable energy project in Egypt, which is a part of the Egypt Benban Photovoltaic Park. After the completion of the park, it will provide energy for 80,000 households and reduce carbon dioxide emissions by 156,000 tons per year. At the same time, the project fully adopts the World Bank's standards on environment, health, safety and social responsibility. ICBC and the European Bank for Reconstruction and Development (EBRD) provided USD140 million parallel loans for Egypt's 120 MW photovoltaic project. ICBC and EBRD each undertook 50% of the loans, and the loans provided by ICBC were insured by MIGA under the World Bank. This project is operated in a new mode and its financing structure is complex. It is a typical project of cooperation among multilateral financial institutions, and also the first non-recourse project financing organized by a Chinese commercial bank in Egypt.

The international award of "Best Multilateral Project of the Year" conferred
by the Project Finance International of Thomson Reuters

The international award of the "Best Project in Middle East and North
Africa" conferred by IJ Global

The international award of "Project Financing Transactions" conferred
by Bonds, Loans & Sukuk



Photo credit: IFC.



Developing low carbon energy to drive green development

The project has a total investment of USD4.3 billion

After completion, it will become the world's largest photothermal power station project with an average electricity rate of 7.3 cents/KWh

Photothermal power station project in Dubai

The project was jointly invested by the Dubai Electricity and Water Authority (DEWA), ACWA and Silk Road Fund, with a total investment of USD4.3 billion. ICBC, Bank of China, Standard Chartered Bank and other institutions provided a syndicated loan of USD2.5 billion for the construction of a 700 MW photothermal power station and a 250 MW photovoltaic power station. More than 10 institutions including Natix and UNB were also involved. This project is planned under the Dubai government's 2050 Clean Energy Strategy, which will become the world's largest photothermal power plant project in the world after completion. The integrated average electricity rate is 7.3 cents/KWh, the lowest among all photothermal power stations in the world. Dubai photothermal power stations are one of the key projects constructed by Chinese enterprises under the Belt and Road Initiative.




Picture quoted from the website of DEWA



Digital finance boosts ecological building of Xiongan

By the end of 2018, the platform had granted funds for more than 2,000 times

with an amount of more than RMB 130 million 

Digital Xiongan Ecological Chain Wisdom New Area Construction Project

ICBC Software Development Center integrated the research results of blockchain technology with business innovation, to provide high-quality financial services for government agencies and enterprises in Xiongan New Area. It launched several influential blockchain application products, such as the blockchain platform for managing Xiongan New Area construction funds, which have been highly affirmed by the Administrative Committee of Xiongan New Area, and got a head start in the fierce competition with other financial institutions. After the project was put into operation, some digital new area construction projects in Xiongan New Area, such as No. 9 plot of the first phase of “Millennium Xiulin” project, the second phase of the 100,000 Mu landscape & seedling forest project, the appropriation of land expropriation funds and the ecological treatment of Tanghe Sewage Reservoir were successfully put into use, to energetically support the efficient and transparent management of the full-cycle capital services of more than 300 enterprises and over 5,000 personnel involved in the construction of the New Area. By the end of 2018, the platform had granted funds for more than 2,000 times, amounting to over RMB130 million, and strongly supported the construction of Xiongan New Area through digital finance.



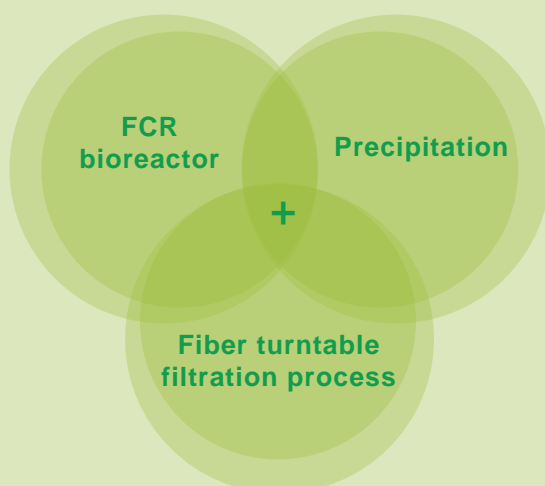


Innovating operation mode to promote water environment protection

The water output meets the national level A standard



30% of the water output after treatment is used as reclaimed water for local cleaning and greening.



Tuanlin Sewage Treatment Plant project of Huadian Water Service Qinhuangdao Co., Ltd. in Beidaihe New Area

Tuanlin Sewage Treatment Plant in Beidaihe New Area intends to combine FCR bioreactor, precipitation and fiber turntable filtration process. The water output meets the national level A standard. After treatment, 30% of the water output is used as reclaimed water for local cleaning and greening. The project serves Beidaihe New Area of Qinhuangdao. It can effectively reduce the pollution pouring into the Bohai Sea and meanwhile serve as a proper destination for sludge, thus protecting the water environment of Beidaihe and Bohai Sea.

As urban infrastructure with the main purpose of serving society, the project not only provides an indispensable production condition for the production sector, but also a necessary living condition for local residents. ICBC Hebei Branch actively forged ahead to grant loans of RMB66 million to the first phase of Tuanlin Sewage Treatment Plant. By the end of 2018, RMB33.5 million had been funded. By supporting the construction of the sewage treatment plant, Hebei Branch has assisted in improving the ecological environment of Beidaihe New Area and achieved good ecological and social benefits.





Promoting shared green transport to realize low carbon emissions

ICBC Henan Branch granted loans of RMB1.7 billion for Zhengzhou Suburban Railway Project



Suburban railway project of Zhengzhou Metro Group Co., Ltd.

In 2018, ICBC Henan Branch granted loans of RMB1.7 billion for Zhengzhou suburban railway project, which effectively solved both the enterprise and the project's problem in accessing funds. The rail transit of this project is empowered by electricity, without causing pollutants such as carbon oxides, nitrogen oxides and sulfur smoke particles. It will play a positive role in reducing air pollution and improving urban environment. After the project is put into service, it will directly create 1,860 jobs, and convenient, fast and comfortable transportation facilities will effectively improve the transport status. At the same time, the service level of public transport in Zhengzhou will be improved. It is of great significance to strengthening the traffic links between the downtown areas of Zhengzhou and the southern airport area.





Using clean energy to boost regional development

Provide project financing of RMB 400 million



No. 1 and No. 4 projects of Dalad Photovoltaic Power Application Leading Base

In September 2018, ICBC Inner Mongolia Autonomous Region Branch provided financing support for two projects, namely, No. 1 and No. 4 projects of Dalad Photovoltaic Power Application Leading Base, which were invested and constructed by Narentai New Energy Co., Ltd. in Dalad Banner. By the end of the year, a total of RMB400 million had been provided for the above projects, and RMB300 million of financing will be granted in the near future. While utilizing local high-quality solar energy resources, the photovoltaic leading base can increase regional economic added value and environmental bearing capacity, which is of great significance to regional economic development. The Branch actively followed up, closely communicated and gave priority to the project, and ultimately achieved a win-win situation in upholding regional development strategy, supporting key green projects and improving the lending structure. It also drawn valuable lessons for its ensuing efforts in developing high-quality clean energy power projects such as photovoltaic power and wind power output base.





Promoting ecological governance and protecting urban water from the sources

The project will effectively solve urban inland standing water and repair damaged roads and bridges

Water ecosystem governance project of 100-li Yitong River in Changchun

Yitong River is the secondary tributary of Songhua River and the mother river of Changchun. In order to comprehensively renovate the whole basin of Yitong River and solve the problems surrounding the basin, water ecosystem governance, water ecological maintenance, flood control transformation, river-crossing roads and bridges, greening and other infrastructure and public services were all taken into consideration to design the PPP project of the 100-li Yitong River water ecosystem governance project in Changchun. ICBC Jilin Branch, as ICBC in charge and the correspondent bank, and China Development Bank, as the participating bank, granted a syndicated loan of RMB21.5 billion to the project. Among which, ICBC Jilin Branch undertakes to provide a total of RMB7.5 billion loans, and has so far granted RMB7.2 billion to the project. The project will effectively solve urban inland standing water, improve hygienic conditions of the city, repair damaged roads and bridges, and promote the construction of urban unblocked projects. Moreover, it is expected to effectively solve the current situation of water pollution in the Yitong River basin and protect the urban ecological environment in the future.





Building a green, beautiful capital so that its benefits are shared by all

The total investment of the three projects is about RMB1,321 million



Project of Beijing Environmental Sanitary Engineering Group Co., Ltd.

As a local state-owned enterprise in Beijing, Beijing Environmental Sanitary Engineering Group Co., Ltd. is the largest and most professional industrial group in the field of environmental sanitation in Beijing. It has been working on garbage collection, transportation and disposal, so as to ensure that Beijing functions well. In 2018, Beijing Environmental Sanitary Engineering Group Co., Ltd. applied to ICBC Beijing Branch for loans for its three projects, which are to guarantee the comprehensive treatment of domestic garbage, excrement and kitchen garbage in Dongcheng, Xicheng, Chaoyang, Changping and Pinggu districts, and the disposal of garbage leachate. The total investment of the three projects is RMB1,321 million and the construction period is 15 years. Beijing Branch actively responded to the call of protecting the environment, successfully assisted Beijing Environmental Sanitary Engineering Group Co., Ltd. to issue three-year offshore bonds of USD225 million, and provided financial support for its environmental protection projects, helped provide better treatment of domestic garbage in Dongcheng, Xicheng, Chaoyang, Changping and Pinggu districts of Beijing, and contributed its share to Beijing domestic garbage disposal.





Bank-government cooperation promotes regional sustainable development

Signing RMB100 billion worth of Strategic Cooperation Agreement on Clean Energy Development with the Development and Reform Commission of the Tibetan Autonomous Region



Supporting the autonomous region to build a national clean energy base, a “west-to-east power transmission” relay base and an energy base radiating South Asia



Strategic Cooperation Agreement on Clean Energy Development

Given the rich clean energy, such as water, light, heat and wind, in Tibet, ICBC Tibet Autonomous Region Branch has closely followed up the plan of building a national clean energy base, a “west-to-east power transmission” relay base and an energy base radiating South Asia, and actively supported clean energy projects such as hydroelectric power, wind power and photovoltaic power. By the end of 2018, the balance of loans to clean energy projects reached RMB5.62 billion, an increase of RMB1.24 billion or 28.3% over the year beginning, 20.2 percentage points higher than the average growth of total loans. On October 26, 2018, ICBC Tibet Autonomous Region Branch and the Development and Reform Commission of Tibetan Autonomous Region signed a Strategic Cooperation Agreement on Clean Energy Development, with a total financing of RMB100 billion. The signing of this strategic cooperation agreement laid the foundation for Tibet in building a national clean energy base, a “west-to-east power transmission” relay base and an energy base radiating South Asia in the future.

2

Green Bond

ICBC entered the field of bonds in 2007. Since then, after more than 10 years of accumulation, it has gained a leading edge in green strategy, policy system, processes, rules, talent cultivation, research and innovation, ranking first in many areas of the green bond market of China and the world.

2017



ICBC issued the first Belt and Road green climate bond worth USD 2.15 billion equivalent in Luxembourg.

On September 28, 2017, ICBC issued its first Belt and Road green climate bond worth USD2.15 billion equivalent in Luxembourg, which ranked first in terms of issuance criteria, issuance amount and investment theme. The green bond was awarded the “Best ESG Deal” of Finance



Asia, “SRI Bond” of IFR Asia, and “Best Green Bond” of The Asset in 2017, and the “Green Bond Fund Usage Innovation Award” of the Environmental Finance and the “Asia Pacific Green/SRI Bond Deal of the Year” of GlobalCapital in 2018, achieving good results. The experience we learned from this issuance in product positioning, bond design, road show and other aspects can serve as an important reference for Chinese issuers in issuing green bonds overseas.

2018



ICBC kept making innovations and breakthroughs in the field of green bonds


ICBC issued two Belt and Road green-themed bonds to boost the green bond market

On June 5, 2018, ICBC, through London Branch, issued Belt and Road green bonds in both USD and EUR, with an issuance amount of an equivalent of USD1.6 billion. The bonds were officially listed on the London Stock Exchange and were the largest of its kind. The issuance and listing of green bonds reflects the outcomes of the 2017 China-UK Economic and Financial Dialogue in respect of the Belt and Road Initiative, green finance and infrastructure and energy. The proceeds of the bonds will be used to support green asset projects such as clean transportation along the Belt and Road, land renewable energy and offshore wind energy. The offshore wind energy project, as a clean energy project in the UK, embodies the philosophy of ICBC that combines the implementation of its green finance commitments with in-depth exploration of local markets. The bonds continue to follow the green framework established by ICBC in 2017 and have obtained the “climate bond” certificate issued by the Climate Bond Initiative (CBI), which is in line with international and domestic best practices in green finance. The bonds were awarded the “Largest Emerging Market Certified Bond” by CBI in 2018.

On June 13, 2018, ICBC, through ICBC (Asia), issued Belt and Road green bonds in both USD and HKD, with an issuance amount of an equivalent of USD730 million, which were officially listed on the Stock Exchange of Hong Kong Limited. The bonds continue to follow the green framework established by ICBC in 2017, and meet the latest domestic and international standards for green bonds. Besides, the bonds were awarded the Pre-issuance Stage Certificate issued by Hong Kong Quality Assurance Authority (HKQAA). It is the first batch of green bonds issued by a financial institution and certified by the agencies of Government of the Hong Kong Special Administrative Region and also the first of its kind that is issued by a bank registered and licensed in Hong Kong.


June 5, 2018

ICBC, through **London Branch**, issued Belt and Road green bonds in both USD and EUR

The final issuance amount is  equivalent to USD **1.6 billion**

June 13, 2018

ICBC, through **ICBC (Asia)**, issued Belt and Road green bonds in both USD and HKD

The final issuance amount is  equivalent to USD **730 million**

Actively underwriting green bonds to meet green financing demands

In 2018, ICBC underwrote 16 overseas green bonds in USD, EUR, HKD and CNY, with a total proceeds of USD6,741 million, contributing to the participation of Chinese issuers in the international green bond market.

In 2018, ICBC, on behalf of Chinese-based institutions, issued six green bonds as the lead underwriter, with a total proceeds of RMB65.51 billion, actively contributing to the development of China's green bond market. The proceeds of the green bonds underwritten by ICBC were mainly used in the construction of projects that meet the requirements on green environment and ecology, strongly supporting the development of green undertakings. Meanwhile, ICBC strengthened cooperation with relevant institutions in the interbank market to jointly push for further improvements in China's green financial system.

List of overseas green bonds underwritten by ICBC in 2018

Issuer	Currency	Trading amount (USD)
CGNPC International Limited	EUR	578,990,000
EDP Finance BV	EUR	688,818,000
China Everbright Bank/Hong Kong	USD	300,000,000
ICBC (Asia)	USD	200,000,000
ICBC (Asia)	HKD	331,279,000
ICBC (Asia)	USD	200,000,000
Beijing Capital PolarisInvestment Co., Ltd.	CNY	99,511,650
Agricultural Development Bank of China	EUR	572,885,000
Capital Environment Holdings Limited	USD	250,000,000
Beijing Capital Polaris Investment Co., Ltd.	USD	500,000,000
Industrial Bank Co., Ltd./Hong Kong	USD	600,000,000
ICBC London Branch	USD	500,000,000
ICBC London Branch	USD	500,000,000
ICBC London Branch	EUR	585,760,000
ICBC London Branch	EUR	495,652,000
Industrial Bank Co., Ltd./Hong Kong	EUR	338,367,000



In 2018, ICBC, on behalf of Chinese-based institutions, issued six green bonds as the lead underwriter, earning a total proceeds of RMB65.51 billion.

RMB 65.51 billion

Actively participating in green bond investment and providing financial support for green industry

By the end of 2018, the balance of RMB-dominated green bond investment in the banking book of the Head Office and branches of ICBC amounted to about RMB30.18 billion, covering all kinds of bonds issued by financial institutions and non-financial institutions; the balance of foreign currency green bond investment in the banking book of ICBC was about USD95.7 million, mainly focusing on the bonds issued by policy banks and commercial banks, in an effort to meet the fund needs for development of domestic and global green industry.

RMB-dominated green bonds in ICBC Head Office and branches



The investment balance was about RMB 30.18 billion

Foreign currency green bonds in ICBC



The investment balance was about USD 95.7 million

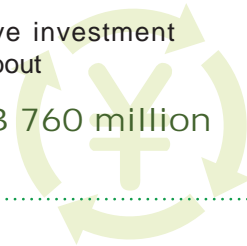
Continuing to properly engage in green bond trading and promoting market liquidity

By the end of 2018, ICBC had steadily carried out green bond trading in the interbank and over-the-counter bond markets, with a cumulative amount of about RMB760 million. This will enhance the activity of the green bond market, thus arousing the enthusiasm of institutions and individual investors in trading green bonds and guiding them to enhance green investment awareness.

By the end of 2018, ICBC had steadily carried out green bond trading in the interbank and over-the-counter bond markets

The cumulative investment balance was about

RMB 760 million



Being devoted to green bond innovation and improving the green financial product system

In 2018, ICBC successfully underwrote a number of new green bonds for customers in the interbank market, playing an excellent exemplary role. For example, on behalf of an electric power enterprise, ICBC successfully underwrote a green asset-backed note (ABN), which is the first clean

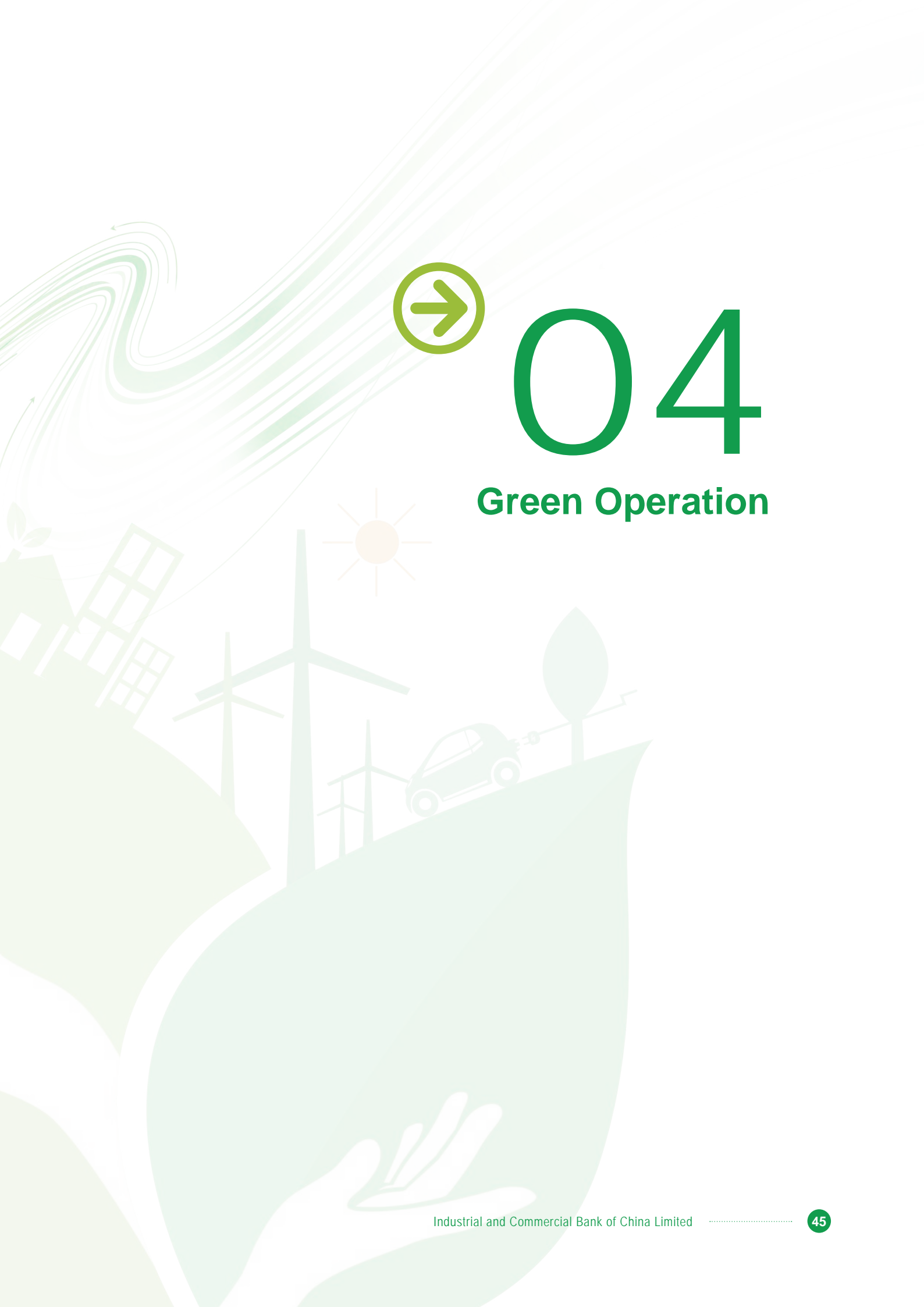
energy green ABN of an enterprise under the central government in the interbank market. Also, on behalf of a transportation group, ICBC underwrote a green debt financing instrument, which is the first bond in the interbank market directly used for purchasing clean energy buses.





04

Green Operation





ICBC has been practicing the concept of green operation, advocating green office, and continuously enriching the connotation of office information system. During operation, ICBC actively promotes paperless office, conducts research and promotes paperless meetings, strictly implements rules on car use, strengthens energy consumption control, advocates water conservation and other environmental protection measures, and achieves remarkable results.

Continuously launching new electronic channels and transaction functions to respond to the advocate for environmental protection and energy conservation

In 2018, ICBC deeply implemented and conveyed the concept of environmental protection and advocated low-carbon operation. For example, it continued to enhance the IT application of financial market business, and cut energy consumption by reducing documents printed on paper and business trips, etc. In addition to over-the-counter transactions required by regulators, non-cash transactions of personal customers can now fully be handled online. In 2018, agency settlement and sale of foreign exchange that were handled via electronic channels accounted for 21% of the total, four percentage points up compared to the previous year; personal transfer and remittance and wealth management product transactions that were

Personal transfer and remittance and wealth management product transactions that were conducted via online banking and mobile banking

accounted for more than 60% of the total

The amount of fund transactions accounted for more than 80% of the total

Online paper investment transactions

accounted for more than 99% of the total

conducted via online banking and mobile banking accounted for more than 60% of the total, and fund transactions accounted for 80% of the total. Almost all transactions related to paper precious metals, crude oil, futures and agricultural products were closed online, accounting for more than 99% of the total amount of transactions. Meanwhile, ICBC accelerated research on and the development of the e-trading platform for corporate customers in financial market and the settlement and sale of foreign exchange function of the corporate mobile banking, further enhanced the ability of electronic channels to serve its customers, and continued to improve the green financial service system.

Creatively promoting the development of smart banking to convey the concept of green financial services to customers

In light of the e-ICBC 3.0 strategy, ICBC pushed forward the intelligent transformation of traditional financial services, and established an open, cooperative and win-win financial service ecosystem. ICBC strengthened infrastructure, and significantly enhanced the platform as the underpinning. During the reporting period, ICBC's online transactions accounted for 97.7% of the total amount of transactions, effectively promoting physical outlets to achieve energy conservation and emission reduction, and reduce operational consumption. ICBC provided customers with annual statements of accounts, specifically counted the number of transactions conducted by customers via ICBC Mobile, and estimated the amount of carbon emissions saved based on traveling, outlet manpower, voucher printing and other costs. With these data, it disseminated the concept of energy conservation and environmental protection to its stakeholders.

ICBC's online banking business accounted for 97.7% of total



Building an open, cooperative and win-win financial service ecosystem



Table 1 Greenhouse Gas Emissions and Natural Resource Consumption Caused by ICBC's Operation

Environmental indicator	Sub-item	Unit	2018	2017	2016
Direct greenhouse gas emission	Oil consumption of official cars (Head Office)	Liter	76,699	86,109	86,532
	Water consumption in offices (Head Office)	Ton	172,377	170,196	156,324
Indirect greenhouse gas emission	Power consumption in offices (Head Office)	KWh	18,394,080	19,408,280	19,867,300
	Paper consumption in offices (Head Office)	one million pieces	8.72	8.73	7.71
Environmental protection measures	Proportion of domestic e-banking business volume	%	97.7	94.86	92
	Voluntary afforestation fee of the Head Office	RMB10,000	6.6	6.6	—
	Green food enterprises settled in ICBC Mall	Number	—	943	—
	IT application in procurement file management	—	—	Among 28 categories of centralized procurement file, 21 of them in online electronic form	—
	Other environmental protection measures	—	Developing new modes of energy saving and emission reduction	Developing new modes of energy saving and emission reduction	—
		—	Paperless counter operation	Paperless counter operation	—
		—	Promoting responsible procurement	Promoting responsible procurement	—
		—	awareness of green operation	—	—

Figure 1 Greenhouse Gas Emissions of ICBC's Institutions in Beijing
(Unit: Tons)

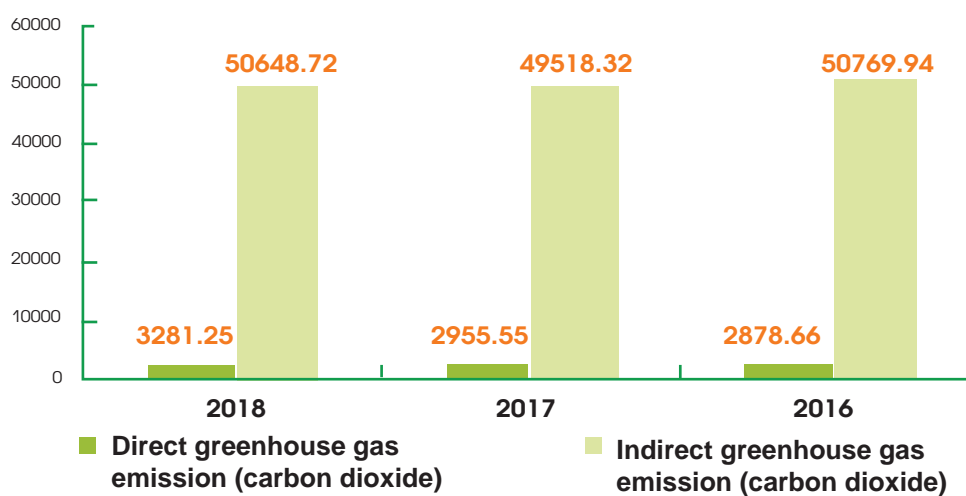


Table 2 Statistics of Waste from Business Activities of ICBC's Beijing-based Institutions

Item	2018	2017	2016
Microcomputer (host)	524	642	1541
Display	320	304	1331
Laptop	158	496	749
Printer	195	148	251
Server	0	28	3
Others	82	37	118

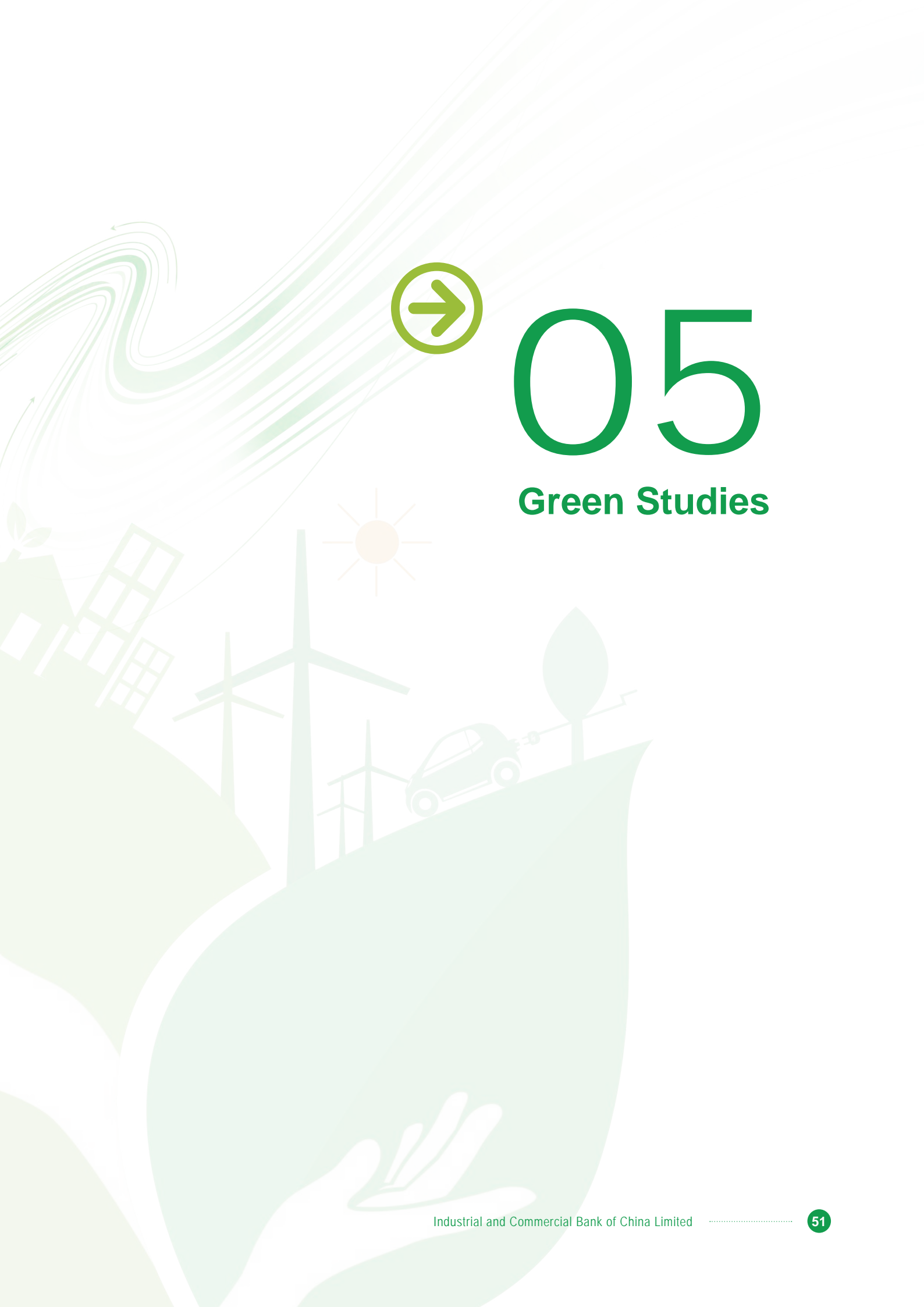
Note: ICBC's Beijing-based institutions include the Head Office, the Business Research and Development Center and the Software Development Center.





05

Green Studies





Green
Environmental protection
Finance



Assuming important duties as a member of the Green Finance Committee of China Society for Finance and Banking

ICBC is the deputy director unit of Green Finance Committee (GFC) of China Society for Finance and Banking, and is also among the first member units joining the GFC. Since ICBC joined the GFC, it has spared no effort to support the work of the GFC and taken the initiative to undertake various tasks. Under the guidance of the GFC, ICBC completed a number of global leading researches, including stress testing and ESG index, thus making sure that China stays ahead in the area of environmental risk analysis. ICBC cooperated with other members of the GFC to jointly complete the first series of books relating to global green finance. Covering topics such as international green finance, Chinese green finance, environmental risk analysis and management, the books provide the first systematic theoretical research and case analysis concerning green finance. As a member of the Green Finance Working Group (the predecessor of GFC), ICBC, together with other members, jointly put forward 14 proposals to improve China's green finance system, most of which have been adopted by policy-makers and built into the Guidelines on Building a Green Financial System issued by seven ministries and commissions, including the PBOC and the National Development and Reform Commission in 2016. Within the framework of China-UK green finance cooperation, ICBC organized China's pilot financial institutions to conduct environmental information disclosure, and effectively promoted international cooperation regarding green finance, demonstrating its ability and willingness to undertake responsibilities as a global leading bank and the largest state-owned commercial bank in China.

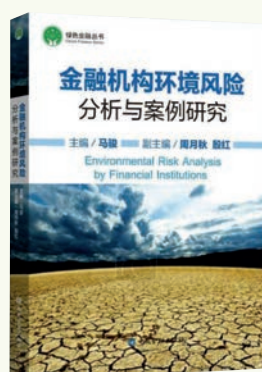
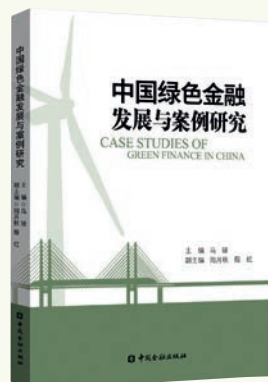


Studying the building of a strategy system for green finance of commercial banks

In 2015, ICBC studied the building of a strategy system for green finance. Based on comprehensive analysis of green finance strategies, rules, methods and products of international and domestic leading commercial banks, ICBC put forward the overall framework for China's commercial banks to build their own strategic systems for green finance. This study is foresighted, and provides reference for the establishment of a strategic framework for green finance by Chinese commercial banks.



Writing green finance-themed monograph, which was highly recognized by the industry



ICBC, in conjunction with the GFC and other institutions, jointly compiled the Case Studies of Green Finance in China (Version 2016), the Case Studies of International Green Finance (Version 2017), and the Environmental Risk Analysis by Financial Institutions (Version 2018). The Case Studies of Green Finance in China was awarded the “Book of the Year” by China Business Network. The Case Studies of International Green Finance was selected as one of the “Top 10 Financial Books in 2017” by the China Banking Development Forum. The Environmental Risk Analysis by Financial Institutions was highly recognized by regulatory authorities and regarded as an important achievement made by the G20 sustainable finance study group. The three case studies analyze and sort out the typical cases of green finance in China and the world, introduce the environmental risk analysis theories, models and methods, and contribute to the building of green finance capacity in China and other countries. ICBC has also prepared the China Green Finance Development Research Report with China Renmin University. Gu Shu, President of ICBC, and Liu Wei, President of China Renmin University, served as senior academic advisors of the report. This report brings together the wisdom of the banking industry and academia. It is not only a comprehensive summary of the latest developments in China’s green finance, but also an in-depth analysis of hotspots and issues of focus, providing important references for policy-making departments, financial institutions, enterprises, and the academia.



Taking the lead in environmental information disclosure pilot and actively participating in the setting of global standards for green finance

As the concept of green finance is more embraced by the people, the disclosure of environmental information of financial institutions has drawn more attention. At the 9th China-UK Economic and Financial Dialogue held on December 15, 2017, the two governments encouraged Chinese and British financial institutions to jointly conduct pilot disclosure of environmental information. As the Chinese institution in charge, ICBC organized other Chinese pilot institutions

to jointly carry out pilot work with the UK. ICBC took the lead in conducting pilot disclosure of environmental information. It not only blazed a trail for domestic financial institutions in disclosing such information, but also provided practical support for international peers.



Since 2018, ICBC has organized Chinese pilot institutions to conduct in-depth research on the framework, principles and practices of international climate and environmental information disclosure, developed the Plan for Environmental Information Disclosure pilot of Chinese Financial Institutions considering China's conditions, and issued a three-phase action plan. It developed the Target Framework for Environmental Information Disclosure of Chinese Financial Institutions, clarifying the qualitative information and quantitative indicators for disclosure. It urged all pilot institutions to carry out environmental information disclosure independently based on the pilot action plans and target framework. On November 30, 2018, ICBC, on behalf of China's pilot institutions, jointly released the Report on the Progress of Pilot Disclosure of Climate and Environmental Information of Chinese and British Financial Institutions in 2018 (available on www.greenfinance.org.cn/displaynews.php?id=2381) with the UK, revealing the progress and achievements made in pilot work to date. Pilot institutions from China and the UK introduced their improvements made in environmental information disclosure in the form of case study.





Joining the UNEP FI core task force to deeply participate in global governance

In April 2018, the United Nations Environment Programme Financial Initiative (UNEP FI), entrusted by UNEP, announced the launch of the Principles for Responsible Banking. ICBC, as the only Chinese bank invited by UNEP FI, joined the core task force together with other 27 banks worldwide for the drafting of the Principles. The Draft Principles for Responsible Banking were already published worldwide at the UNEP FI Global Roundtable held in Paris, France on November 26, 2018, and will formally become effective in September 2019. Then, the Principles, together with the Principles for Responsible Investment (PRI) and the Principles for Sustainable Insurance (PSI), will become an important reference for the financial industry to fulfill the 2030 Sustainable Development Goals of the UN and the Paris Climate Agreement.

In the formulation of the principles, ICBC actively publicized the latest improvements made by China's banking industry in green finance. ICBC's studies on ESG rating and green index have been included in the "Implementation Guidance" of the Principles as excellent cases, fully demonstrating the image of ICBC as a large responsible bank in the fields of sustainable development and green finance.



Developing the Belt and Road green finance (investment) index

Green development is an important principle under the Belt and Road Initiative. How to proceed with green investment and green development under the Belt and Road Initiative is an important subject that all parties involved need to work together to solve. In response to this, ICBC and the Oxford Economics formed a research group to develop the Belt and Road green finance (investment) index based on extensive data of sample countries along the Belt and Road. As one of the major achievements made at the 2nd Belt and Road Forum, the index is important in the following senses: first, it will provide a set of assessment methods and quantitative tools to measure the green development level and capacity of the countries along the Belt and Road in a rule-based manner, help investors explore green investment opportunities and promote international cooperation; second, the indicators set by the index have a big coefficient of variation, indicating that the index is highly sensitive and distinctive, and can better distinguish the level of green economic and financial development in different countries; third, it pools the collective wisdom of the Belt and Road regular interbank cooperation mechanism, with ICBC, ICBC Standard Bank and EBRD providing advanced experience and rich case studies of green finance, the Oxford team contributing its share of academic vision and research methods, the Export-Import Bank of China, the Mizuho Bank, the Commerzbank, the UniCredit Bank, the Calyon Bank, the ING Bank, etc. providing feedback and suggestions. The index was formally released in 2019.



Completing the “Study of Green Finance Policy on Advancing the Green Development of the Belt and Road”

Since 2018, ICBC Urban Finance Research Institute and Tsinghua University have jointly conducted the “Study of Green Finance Policy on Advancing the Green Development of the Belt and Road”. The mid-term results of this study have been published at the 2018 Global Climate Conference COP24. This report has won the top prize of the Green Finance Paper Contest sponsored by GFC and CFA in 2019. Based on the comprehensive analysis of the experience accumulated by international organizations, governments and financial institutions in their long-term pursuit of green finance, this report has refined and generalized such experience, and specially analyzed and illustrated those that can be used as a reference for countries along the Belt and Road in developing green finance, and put forward targeted policy recommendations from different perspectives.



In terms of international exchanges and cooperation, ICBC is committed to building itself into an international leading green bank, by drawing on advanced international experience, advocating and actively adopting international standards for sustainable development.

In 2012, ICBC was the first among Chinese commercial banks to join the UN Global Compact. In 2014, it joined the UNEP FI. Besides, ICBC has maintained sound communication and interaction with domestic and foreign financial institutions, academic institutions and NGO organizations.







06

Awards and Honors





Caixin Media
Caixin - SGCX ESG50 Index Enterprise



Global Compact Network China
Best practice of the year in
“realizing sustainable development goals”



Caijing
Evergreen Award for “Green Sustainable Development”



Asiamoney (Hong Kong)
Best Green Commercial Bank in China



FinanceAsia (Hong Kong)
Award for Best Green Bond in China

Jointly conferred by four ministries and commissions,
including the Ministry of Environmental Protection



Leading Enterprise in Energy Conservation during
the 11th Five-year Plan Period



Most Responsible Financial Institution



Most Respectable Enterprise in China



Low-carbon Role Model in China



Green Finance Award for Chinese Listed Companies



Award for Leading Environmentally Responsible
Chinese Listed Financial Company



Leading Enterprise in Realizing Sustainable
Development Goals

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Feedback Table

Thank you for reading the *Special Report on Green Finance*. In order to better meet your reading needs, provide you and all stakeholders with more valuable information, effectively implement ICBC's philosophy of green operation, and fulfill our responsibility and mission of promoting green transformation of the real economy with green finance, we earnestly hope that you can make valuable comment on the report and provide it to us by:

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1. Your overall comment on this report

Excellent ☐ Good ☐ Average ☐ Poor ☐

2. Which of the following stakeholders you belong to?

Government ☐ Regulator ☐ Shareholder or investor ☐
Partner ☐ Staff ☐ Others ☐

3. To what extent do you think this report can meet your reading needs?

Very ☐ Good ☐ Average ☐ Poor ☐

4. How clear, accurate and complete do you think the information, data and indicators disclosed in this report ?

High ☐ Relatively high ☐ Average ☐ Low ☐

5. To what extent do you think this report can effectively demonstrate the environmental and social influence and contributions of ICBC's green finance work?

Very ☐ Good ☐ Average ☐ Poor ☐

6. To what extent do you think the layout and design of this report are suitable for reading?

Very ☐ Good ☐ Average ☐ Poor ☐

7. Your suggestions on ICBC's green finance work and this report

Notes to the Report

Scope of the report:

Organization scope: This report covers the whole Group, focusing on the Industrial and Commercial Bank of China Limited.

Time frame: January 1-December 31, 2018, and some contents are beyond this time frame.

Principles for report preparation:

This report refers to the Recommendations of the Task Force on Climate-related Financial Disclosure issued by the TCFD of the United Nations Financial Stability Board, the environment-related principles of the UN Global Compact, and the SDG of the UN, and meets the Green Credit Guidelines issued by the CBRC, the Guidelines for Environmental Information Disclosure of Listed Companies on Shanghai Stock Exchange issued by Shanghai Stock Exchange, the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange of Hong Kong Limited and other relevant opinions and guidelines.

Data:

Data used in this report is mainly from 2018, most of which is excerpted from the statistical data of ICBC's internal systems and branches. Unless otherwise provided, figures involved in this report shall be in RMB.

Format:

This report is released in hard and soft copies. The soft copy is available on the website of ICBC. This report is published in Chinese and English. In the case of discrepancy between the two versions, the Chinese version shall prevail.

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