

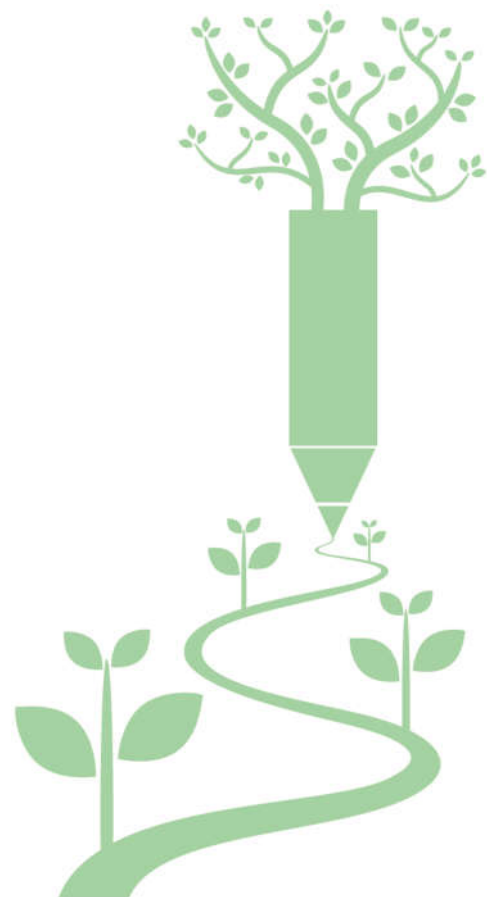


Green Bond Framework
for
Industrial and Commercial Bank of China

August 2021

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Purpose

This Green Bond Framework (the “**Framework**”) has been developed to demonstrate how Industrial and Commercial Bank of China (“**ICBC**” or the “**Bank**”) will issue Green Bonds to fund new and existing projects with environmental benefits.

Green Bonds issued under this Framework will finance existing and new projects that are aligned with the *Green Bond Principles 2021* (the “**GBP**”) issued by International Capital Market Association (the “**ICMA**”) and the *Green Bond Endorsed Projects Catalogue* (2021 Edition) issued jointly by the People’s Bank of China (PBoC), the National Development and Reform Commission (NDRC) and the China Securities Regulatory Commission (CSRC) (the “**China Green Bond Project Catalogue**”).

In addition, Green Bonds issued by ICBC under this Framework can further be certified by the Climate Bond Initiative (“**CBI**”) in accordance with the Climate Bonds Standard (“**CBS**”).

Assertions from the Management

For each Green Bond issued, ICBC asserts that it will adopt (i) Use of Proceeds, (ii) Project Evaluation and Selection, (iii) Management of Proceeds, and (iv) Reporting, as set out in this Framework.

Background

ICBC was established on January 1st 1984. On October 28th, 2005, the Bank was wholly restructured to a joint-stock limited company. On October 27th, 2006, ICBC was successfully listed on both Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited on the same day.


Through its continuous endeavor and stable development, ICBC has developed into the leading bank in the world, possessing an excellent customer base, a diversified business structure, strong innovation capabilities and market competitiveness. The Bank regards service as the very foundation to seek further development and adheres to creating value through services while providing a comprehensive range of financial products and services to 9.20 million corporate customers and 690 million personal customers. ICBC has been consciously integrating the social responsibilities with its development strategy and operation management activities, and gaining wide recognition in the aspects of supporting pandemic containment, promoting inclusive finance, backing poverty alleviation and rural revitalization, developing green finance and participating in public welfare undertakings.


ICBC always keeps in mind its underlying mission of serving the real economy with its principal business, and along with the real economy it prospers, suffers and grows. Taking a risk-based approach and never overstepping the bottom line, ICBC constantly enhances its capability of controlling and mitigating risks. Besides, the Bank remains steadfast in understanding and following the business rules of commercial banks to strive to be a century-old bank. ICBC also stays committed to seeking progress with innovation while maintaining stability, continuously enhances the key development strategies, actively develops the FinTech and accelerates the digital transformation. The Bank unswervingly delivers specialized services, and pioneers a specialized business model, thus making it “a craftsman in large banking”.


Ranking first in the Top 1000 World Banks by *The Banker* magazine, first in the Global 2000 by *Forbes*, and first in the list of commercial banks of the Global 500 in *Fortune* for nine


consecutive years, ICBC also took the first place among the Top 500 Banking Brands of Brand Finance for five years in a row.

Rationale of ICBC Green Bond Framework

 **ICBC Business Philosophy:** Protecting the ecological environment and addressing climate change have become a common challenge for the world at present. A board consensus has been formed in the international community. The Chinese government has announced its strategic goals of achieving carbon emissions peak by 2030 and carbon neutrality by 2060, and has dedicated a session to green development in the 14th Five-Year Plan. As a global systemically important bank, ICBC has always adhered to the business philosophy of promoting the development of the real economy with green finance. The Bank actively practiced the concept of sustainable development, deeply rooted green development in its corporate management, and insisted on integrating the concept of green development into its financial services and its own operations. Being committed to fulfil its economic and social responsibilities, ICBC is dedicated to protecting the environment, growing the economy, creating jobs and removing poverty all at the same time through financial means.

 **Strategic Governance Structure:** ICBC has made its strategic goal to develop into a world-leading green bank with good international reputation. In 2007, ICBC took the lead in China to clarify the development philosophy of “Green Credit” and vigorously promote the development of green finance in a top-down manner. As the forerunner and leader of green finance, ICBC has always adhered to the business philosophy of promoting the development of the real economy with green finance. The Bank resolutely implemented the arrangements for advancing ecological civilization and responding to climate change, fully leveraged the important role of green finance in transitioning to the green and low-carbon production and lifestyle, and regarded green finance as a key strategy for long-term pursuit. With strategic guidance, policy support, reform & innovation, and global service comprising a four-wheel drive, ICBC comprehensively promoted the formation of a green finance system, to improve economic, social, and ecological benefits simultaneously.

 **Long-Term Management Mechanism:** ICBC has actively absorbed advanced concepts from around the world and formed a green finance strategic advancing mechanism under the overall leadership of the Green Finance Committee of the head office, with 23 departments collaborating and dividing the work, domestic and overseas branches proactively innovating and all staff participating in the process. On this basis, ICBC has continuously increased its support in differentiated policy and incorporated the concept of green development into every aspect of financial services and operation management to ensure the effective implementation of the green finance strategy and promote the development of the real economy with green finance.

 **Green Business and Activities:** Over the years, ICBC has established a comprehensive green finance service system through multiple channels, and covering products including green loans, green bonds, industrial funds, asset securitization, trusts and leasing. For many years, the total scale of green credit in ICBC has remained the first place in China banking industry, with growth rates consistently higher than the average level of all loans. Green Loans were invested in areas including energy conservation and environmental protection, clean production, clean energy, protection of ecological environment, green infrastructure upgrading and green services. Meanwhile, the Bank accelerated the pace of transition to a low-carbon investment and financing structure, and continuously increased the proportion of renewable energy projects in the energy financing portfolio. In addition to green credit, ICBC also provided a full range of other green products and services, including bond investment, asset management, and lease financing. As a leader in green finance in China banking industry, the Bank actively guided social capital to invest in green areas.

🌍 Global Exchange and Cooperation: ICBC proactively engaged in international governance for sustainable development and promoted global green and low-carbon development through platforms such as *Belt and Road Inter-bank Regular Cooperation* (“BRBR”), *United Nations Environment Programme Finance Initiative* (“UNEP FI”), and *Green Investment Principles* (“GIP”) for the Belt and Road. Relying on BRBR, ICBC carried out international exchange and cooperation on green finance, adopted the BRBR guidelines document, prepared for the establishment of the BRBR Green Finance Working Group, and continuously promoted the work of BRBR on green finance; ICBC also actively participated in the activities of UNEP FI; Striving to put into practice the United Nations Principles for Responsible Banking (“UNPRB”), ICBC actively spoke out on topics such as carbon neutrality, climate change and social responsibility; The Bank solidly promoted the implementation of the framework of the *Task Force on Climate related Financial Disclosure* (“TCFD”) as well. Whilst in China, ICBC is a member of the standing council of *Green Finance Committee* (“GFC”) established under the China Financial Forum. In 2018, ICBC assisted GFC and the City of London to jointly draft the GIP for the Belt and Road, and became the first signatory; ICBC joined hands with the pilot institutions to formulate the “UK-China Climate and Environmental Information Disclosure target framework”, to encourage the pilot institutions to carry out climate-related financial information disclosure practices, and to push forward stress testing and quantitative research; The Bank also jointly released the Green Finance (Investment) Index. ICBC has been an active advocate of green finance both nationally and internationally as a social and environmental commitment.

🌱 Risk Management Mechanism: ICBC continued to strengthen the management of investment and financing risks in environmentally sensitive areas, embedded the environmental, social and climate risk assessment requirements into the entire investment and financing business approval and management process, in which ICBC implements the green one-vote veto system throughout the entire process. The Bank continuously improved the risk management mechanism, conducted special green credit audits, strengthened green credit assessment, and comprehensively improved environmental (climate) and social risk management. Meanwhile, ICBC is proactively pushing forward the research in green finance, including conducting stress testing on the impact of environmental risk on commercial banks’ credit risk, which provides a tool for global financial institutions to study environmental risks. On the other hand, ICBC developed ESG Green Finance Rating and Green Index products to establish a scientific evaluation system, which is the first of its kind among China’s domestic commercial banks, and has been well-received by global investors.

🏢 Corporate Social Responsibility: “Excellence for you - excellence services to customers, maximum returns to shareholders, real success for our people, great contribution to society” is not only a social responsibility objective of ICBC, but also the solemn commitment made to various stakeholders. The Bank is committed to serving common interests of various stakeholders in economic and social development, promoting sustainable economic development and social progress, developing core values such as “Integrity, Humanity, Prudence, Innovation and Excellence”, and maximizing comprehensive value to economy, environment and society.

📄 Reporting Transparency: ICBC prepares social responsibility reports annually with reference to the Global Reporting Initiative (“GRI”)’s Sustainability Reporting Standards (GRI Standards), the Ten United Nations Global Compact (UNGC) Principle and the ISO26000” Social Responsibility Guideline (2010)”, and obtains independent third-party assurance reports. Starting from 2019, the Bank prepared the Special Report on Green Finance (the “Special Report”) with reference to the TCFD recommendations to showcase its practices and successes in optimizing its green finance system, innovating green financial products and services, and enhancing its green performance on an annual basis. While in 2021, as the only

Chinese financial institution in the core working group of the UNPRB, ICBC elaborated on its efforts to integrate environmental and climate considerations into its strategic governance, business processes, investment and financing decisions in the Special Report with reference to UNPRB.

Recognition Received: ICBC gained extensive social recognition by its good performance in social responsibility fulfillment and green finance strategy promotion. The Bank were awarded such as the “Annual Best Practice for Achieving SDGs” by the Global Compact Network China, the “Best Green Commercial Bank in China” by the *Asiamoney*, the “Best Green Bond Award in China” by the *FinanceAsia*, the Outstanding Underwriter Award for the constituent securities of the China Bond Green Index by the China Central Depository & Clearing (“CCDC”), and the SGCX-ESG50 Index Enterprise. Meanwhile, ICBC was selected as a constituent stock of the Hang Seng Sustainability Index. By the end of 2020, the Bank’s green bonds issued previously have cumulatively won 10 international awards, including IFR Asia, The Asset and Environmental Finance.

The issuance of Green Bonds is a further elaboration of the Bank’s consistent sustainability strategy, and will assist in achieving the common goal of carbon emissions peak and carbon neutrality by maximizing the value of shareholders, stakeholders and social responsibility. This will further boost ICBC as a Group in its strategies related to sustainable development and combating climate change. This Framework is a further step in supporting ICBC’s investors to meet their objectives in the fast-growing green economy.

United Nations Sustainable Development Goals (“UNSDGs”)

On 25 September 2015, at the United Nations Sustainable Development Summit, 193 member states formally adopted 17 UNSDGs to transform the world, with a purpose to move towards a sustainable development path by addressing the problems in the economic, social and ecological dimensions of sustainable development, in an integrated manner between 2015 and 2030.



The Green Bonds issued by ICBC contribute to the following UNSDGs:

- Goal 6: Clean Water and Sanitation
- Goal 7: Affordable and Clean Energy
- Goal 9: Industry, Innovation and Infrastructure
- Goal 11: Sustainable Cities and Communities

Framework Overview



ICBC established the Framework under which the Bank plans to finance or refinance, in whole or in part, **Eligible Green Assets** as defined below:

1. Use of Proceeds

The proceeds of each ICBC Green Bond will be used to finance or refinance Eligible Green Assets that promote environmental protection, sustainable economic development, and combating climate change.



The Eligible Green Assets consist of **Eligible Green Asset Categories** from the various business units of ICBC.

Eligible Green Asset Categories

Eligible Green Asset Categories	Eligibility Criteria	UNSDG Alignment ¹	Environmental Objectives ²
Renewable energy	<ul style="list-style-type: none"> • Generation and transmission of energy from renewable energy sources <ul style="list-style-type: none"> ○ Renewable energy sources include offshore and onshore wind, solar, tidal, large hydropower (lifecycle emissions below 100g CO₂e/kWh or power density above 5 W/m²), and biomass (lifecycle emissions below 100g CO₂e/kWh) 	 <p>Target 7: Ensure access to affordable, reliable, sustainable and modern energy for all</p>	Climate change mitigation
Clean transportation	<ul style="list-style-type: none"> • Construction, maintenance, research and development of zero direct emission (e.g. electric and hydrogen) transportation facilities excluding any infrastructure or rolling stock assets used for the transportation of fossil fuel or mining products <ul style="list-style-type: none"> ○ Examples include metro, rail tram, bus rapid transit 	 <p>Target 11: Make cities and human settlements inclusive, safe, resilient and</p>	Climate change mitigation and pollution prevention & control

¹ Partial alignment for demonstration only. Full mapping please refer to: <https://www.icmagroup.org/green-social-and-sustainability-bonds/mapping-to-the-sustainable-development-goals/>

² Partial alignment for demonstration only. Full mapping please refer to: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Project-Mapping-June-2021-100621.pdf>

	<p>systems, and electric vehicles</p> <ul style="list-style-type: none"> • Manufacture of key assets, systems, and components dedicated for zero direct emission vehicles and vessels 	sustainable	
Energy efficiency	<ul style="list-style-type: none"> • Products or technologies that increase energy efficiency and reduce at least 30% energy consumption of the related asset(s), technology(ies), product(s) or system(s) <ul style="list-style-type: none"> ○ Examples include LED lights, improved chillers, and improved lighting technologies • Improved efficiency in the delivery of bulk energy services <ul style="list-style-type: none"> ○ Examples include smart grids and energy storage 	 <p>Target 9: Build resilient infrastructure, promote sustainable industrialization and foster innovation</p>	Climate change mitigation
Sustainable water and wastewater management	<ul style="list-style-type: none"> • Water collection, treatment, recycling technologies and related infrastructure <ul style="list-style-type: none"> ○ Examples include water pipes and collection facilities to collect water or rainwater for recycling, and wastewater treatment plant facilities 	 <p>Target 6: Ensure availability and sustainable management of water and sanitation for all</p>	Pollution prevention & control

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

For the avoidance of doubt, in any case, the Eligible Green Assets shall exclude the assets that are involved in the following sectors or activates below:

- Fossil fuel related assets
- Nuclear and nuclear related assets
- Biomass/feedstock that
 - will be derived from sources that compete with food production
 - will be grown in areas with currently or previously high in biodiversity
 - will decrease carbon pools in soil

2. Project Evaluation and Selection

Eligible Green Assets will be from the various business units of ICBC globally, including its branches and subsidiaries.

They will then be reviewed by a dedicated Green Bond working group at ICBC Head Office (the “**Working Group**”) which comprises representatives of:

- Asset & Liability Management Department
- Credit and Investment Management Department
- Corporate Banking Department
- Modern Finance Research Institute
- Other departments if relevant

Prior to the issuance, the Green Bond Working Group will review all proposed Eligible Green Assets to determine their compliance with the ICBC Green Bond Framework for approval as “Eligible Green Asset” and form an eligible green asset list (each “Eligible Green Asset”, collectively the “Eligible Green Asset List”). For refinancing project, the Working Group will prioritize the most recent projects.

In the Working Group, representatives nominated shall include experts possessing environmental experience and knowledge, and 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 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 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.

3. Management of Proceeds

Prior to the issuance of a Green Bond, ICBC shall develop a preliminary Eligible Green Asset List in accordance with the procedures as described in the Project Evaluation and Selection section to ensure that the proceeds can be allocated to the Eligible Green Assets in a timely manner.

A Green Bond allocation register (the “**Register**”) will be established to record the allocation of Green Bond proceeds. The proceeds of each ICBC Green Bond will be deposited in the general funding accounts and “earmarked” pending allocation.

The Register will contain, for each Green Bond issued, information including:

- 1) Details of Green Bond: currency, amount, ISIN, pricing date, maturity date, etc.
- 2) Details of Eligible Asset List: information including:
 - Eligible Green Asset Categories
 - Summary of details of projects financed such as amount, project description, age of the project, etc.
 - Amount of allocated proceeds on the projects
 - Other necessary information so that the aggregate of issuance proceeds allocated to the Eligible Green Assets is recorded at all times
 - Estimated environmental and social impact where applicable of the projects financed

Any balance of issuance proceeds not allocated to Eligible Green Assets will be held in accordance with ICBC’s sound and prudent liquidity management policy. The remaining unallocated proceeds will be handled as compliant with the relevant green bond standards of the issuing location, which includes to be temporarily invested in Green Bonds issued by non-financial enterprises, money market instruments with good credit rating and market liquidity in the domestic and international markets until they are allocated to Eligible Green Assets. The unallocated proceeds shall not be invested in highly polluting, high-carbon emission or resource-intensive projects.

4. Reporting

ICBC commits to publish a Green Bond Annual Report which will provide information on allocation and impacts on an annual basis, and provide timely updates shall there be any material changes to the projects allocated.

For Green Bonds issued in China domestic interbank bond market out of this framework, ICBC will also follow the requirements in the Chinese Green Bond Standards³, which include disclosure on the use of proceeds to the market on a quarterly basis. The Bank will disclose the annual report on the use of proceeds and special auditor’s report from the previous year, and the use of proceeds in the first quarter of the year by 30th April every year. The annual report on the use of proceeds from last year will also be reported to the PBoC.

1) Allocation Reporting

Information will be provided on amounts equal to the proceeds of the Green Bond issued and provide disclosure on the below aspects:

- (i) aggregate amount allocated to the various Eligible Green Asset Categories
- (ii) remaining balance of funds which have not yet been allocated
- (iii) geographical distribution of the proceeds (on country level)
- (iv) examples of Eligible Green Assets (subject to confidentiality disclosures)

Furthermore, ICBC will confirm that the use of proceeds of the Green Bond issuance conforms to the Framework.

2) Impact Reporting

ICBC will endeavor to report on the relevant environmental and social impacts by project and on a pro-rated basis according to the share of ICBC’s Green Bond financing where applicable resulting from Eligible Green Assets, and the relevant information on the methodology and assumptions used for impact evaluation.

Subject to the nature of Eligible Green Assets and availability of information, ICBC aims to include, but not limited to, the following potential impact indicators:

³ The China Green Bond Standards includes (i) the “Green Bonds Endorsed Projects Catalogue (2021 Edition)” jointly announced by the PBoC, NDRC and CSRC; (ii) the PBoC Announcement No. 39 [2015] for the “Issuances of green financial bonds in the interbank bond market”; and (iii) the PBoC Announcement No.29 [2018] for “Strengthening the supervision and management of green financial bonds during their duration”

Eligible Green Asset Categories	Potential Impact Indicators
Renewable energy	<ul style="list-style-type: none"> • KWh of power generated from renewable energy • Tonnes of CO₂ (or other GHG) avoided
Clean transportation	<ul style="list-style-type: none"> • Tonnes of CO₂ (or other GHG) avoided • Length of new tracks built (km) • No. of passenger • No. of electric vehicles purchased
Energy efficiency	<ul style="list-style-type: none"> • KWh of energy saved per year • Percentage energy efficiency achieved
Sustainable water and wastewater management	<ul style="list-style-type: none"> • Amount of water saved • Amount of waste water treated

The Green Bond Report(s) will be publicly available via annual updates on ICBC’s official global website www.icbc-ltd.com.

ICBC will also make disclosure through other channels where feasible, such as annual reports and corporate social responsibility reports, which will also be published on www.icbc-ltd.com.

External Review

ICBC has engaged Sustainalytics to act as an external reviewer of this Framework for GBP alignment and Beijing Zhongcai Green Financing Consultant Ltd. to act as an external reviewer of this Framework for the Chinese Green Bond Standards⁴. The Second Party Opinions and relevant assessment reports released by Sustainalytics and Beijing Zhongcai Green Financing Consultant Ltd. will be made publicly available on ICBC official global website www.icbc-ltd.com.

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

⁴ The China Green Bond Standards includes (i) the “Green Bonds Endorsed Projects Catalogue (2021 Edition)” jointly announced by the PBoC, NDRC and CSRC; (ii) the PBoC Announcement No. 39 [2015] for the “Issuances of green financial bonds in the interbank bond market”; and (iii) the PBoC Announcement No.29 [2018] for “Strengthening the supervision and management of green financial bonds during their duration”

Disclaimer

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