

## Second-Party Opinion

# Green Bond Framework for Industrial and Commercial Bank of China



## Evaluation Summary

Sustainalytics is of the opinion that the Green Bond Framework for Industrial and Commercial Bank of China (ICBC) is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Renewable Energy, Clean Transportation, Energy Efficiency, and Sustainable Water and Wastewater Management – are aligned with those recognized by the Green Bond Principles 2021. Sustainalytics considers that investments in the eligible categories are expected to contribute to a low-carbon economy, primarily in China, and advance the UN Sustainable Development Goals, specifically SDG 6, 7, 9, and 11.



**PROJECT EVALUATION / SELECTION** ICBC's Green Bond Working Group will oversee the internal process for evaluating and selecting projects. The Green Bond Working Group is comprised of representatives from ICBC's Asset & Liability Management Department, Credit and Investment Management Department, Corporate Banking Department and Modern Finance Research Institute and other relevant departments. ICBC's risk management mechanism applies to all allocation decisions made under the Framework. Sustainalytics considers the risk management system to be adequate and the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** ICBC's Asset & Liability Management Department will oversee the processes for management of proceeds. The green bond proceeds will be deposited in ICBC's general funding account and earmarked for allocation. This process will be tracked using a green bond register. Pending allocation, unallocated proceeds will be held in accordance with ICBC's liquidity management policy in money market instruments and green bonds issued by non-financial enterprises. The Bank intends to reach full allocation within 12 months of each issuance. This is in line with market practice.



**REPORTING** ICBC intends to report on the allocation and impact of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the aggregate amount of proceeds allocated to eligible projects, the balance of unallocated proceeds, geographical distribution, and project examples and details where feasible. In addition, ICBC is committed to reporting on relevant impact metrics. Sustainalytics views ICBC's allocation and impact reporting as aligned with market practice.

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**Evaluation date** August 24, 2021

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**Issuer Location** Beijing, China

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# Green Bond Framework for Industrial and Commercial Bank of China

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## Introduction

Industrial and Commercial Bank of China (“ICBC”, the “Bank”, or the “Issuer”) is a banking services provider headquartered in Beijing, China. The Bank was established in 1989 and offers deposits, loans, fund underwriting, foreign currency settlement and other services to individuals, enterprises and others.

ICBC has developed the Green Bond Framework of Industrial and Commercial Bank of China (the “Framework”) under which it intends to issue green bonds and use the proceeds to finance or refinance, in whole or in part, existing or future projects that are expected to contribute to a low-carbon economy, primarily in China. The Framework defines eligibility criteria in four green areas:

1. Renewable Energy
2. Clean Transportation
3. Energy Efficiency
4. Sustainable Water and Wastewater Management

ICBC engaged Sustainalytics to review the Green Bond Framework for ICBC, dated August 2021, and provide this Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).<sup>1</sup> The Framework has been published in a separate document.<sup>2</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>3</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.9.2, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of ICBC’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. ICBC representatives have confirmed (1) they understand it is the sole responsibility of ICBC to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

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<sup>1</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

<sup>2</sup> The Green Bond Framework for ICBC is available on Industrial and Commercial Bank of China’s website at [www.icbc-ltd.com](http://www.icbc-ltd.com).

<sup>3</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

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Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and ICBC.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that ICBC has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Green Bond Framework for ICBC

Sustainalytics is of the opinion that the Green Bond Framework for Industrial and Commercial Bank of China is credible, impactful and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories – Renewable Energy, Clean Transportation, Energy Efficiency, Sustainable Water and Wastewater Management – are aligned with those recognized by the GBP. Sustainalytics notes that investments in the eligible categories is expected to contribute to a low-carbon economy, primarily in China.
  - ICBC has disclosed to Sustainalytics that only CAPEX will be financed and/or refinanced under the Framework.
  - Under the Renewable Energy category, ICBC intends to invest in solar, wind, tidal, large hydropower, biomass, energy generation and transmission projects according to the following eligibility criteria:
    - Hydropower projects are limited to those with lifecycle emissions below 100 gCO<sub>2</sub>e/kWh or power density above 5 W/m<sup>2</sup>. ICBC has confirmed to Sustainalytics that for all new hydropower projects, an environmental and social impact assessment will be carried out by a credible external body. Additionally, the Bank has confirmed to Sustainalytics that: (i) ICBC will ensure that there is no significant risk or expected negative impact identified by the environmental impact assessment and (ii) ICBC will not invest in any projects with significant controversy.
    - Biomass projects are limited to those with life-cycle emissions below 100 gCO<sub>2</sub>e/kWh. ICBC has confirmed to Sustainalytics that feedstock is limited to agricultural residues.
    - Sustainalytics considers the above eligibility criteria in line with market practice.
  - Within the Clean Transportation category, ICBC may invest in zero direct emission transportation assets, systems, infrastructure and components including metro, rail, tram, bus rapid transit systems and electric vehicles. Regarding the manufacturing of components, ICBC has confirmed to Sustainalytics that financing will be limited to specialized parts that are dedicated towards zero direct-emission transportation applications. In addition, in case of

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- providing loans to manufacturing facilities, financing will be limited to facilities that are dedicated towards the production of equipment and components for zero direct-emission transportation. Sustainalytics notes that ICBC excludes assets used for the transportation of fossil fuel and mining products. This is in line with market practice.
- As part of the Energy Efficiency category, ICBC intends to invest in energy-efficient equipment, products or technology, including energy-efficient lighting, chillers, smart grids and electricity storage (battery and pumped hydro). Sustainalytics notes the following:
    - ICBC has confirmed that products and technology under this category will be electric or non-motorized; this is in line with market practice.
    - For investment in energy-efficient products or technologies, ICBC is targeting projects that result in at least 30% energy efficiency improvement. Sustainalytics views positively the Framework's inclusion of a defined energy efficiency threshold for the installations of energy-efficient systems, equipment and technologies.
  - Under the Sustainable Water and Wastewater management category, ICBC may invest in water collection and treatment systems and facilities that improve water quality or water efficiency through the collection, treatment, recycling or reuse of water and wastewater. ICBC has confirmed to Sustainalytics that the Bank excludes treatment of waste from fossil fuel operations under the Framework. This is in line with market practice.
  - Project Evaluation and Selection:
    - ICBC has established a Green Bond Working Group comprised of representatives from various Bank departments, including Asset & Liability Management Department, Credit and Investment Management Department, Corporate Banking Department, the Modern Finance Research Institute and other departments. The Working Group will meet annually to ensure the selected projects are in line with the Framework's eligibility criteria, facilitate reporting and managing future updates to the Framework. Sustainalytics considers this process to be in line with market practice.
    - ICBC has in place a risk management mechanism that incorporates environmental and social risk factors in its risk assessment procedure and applies to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional detail, see Section 2.
  - Management of Proceeds:
    - The proceeds of the green bond will be deposited in the Bank's general funding account and tracked using a separate Green Bond Register. ICBC's Asset & Liability Management Department will be responsible for overseeing this process. In the event that proceeds cannot be fully allocated immediately after issuance, unallocated proceeds will be held in accordance with the Bank's liquidity management policy. The remaining unallocated proceeds will be handled in a manner compliant with relevant green bond standards of the issuing location and may be held in instruments including money market instruments or green bonds issued by non-financial enterprises. ICBC intends to reach full allocation within 12 months after issuance.
    - Based on the disclosure on management process and allocation timeframe, Sustainalytics considers this process to be in line with market practice.
  - Reporting:
    - ICBC intends to report on the allocation and impact of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the allocated amounts per category, balance of unallocated proceeds, geographical distribution and project examples.
    - In addition, subject to the nature of eligible green assets and availability of information, ICBC is committed to reporting on relevant impact metrics, including the amount of power generated from renewable energy in kWh, GHG avoided in tCO<sub>2</sub>e, length of new tracks built in kilometers, number of passengers, number of electric vehicles purchased, energy saved per year in kWh, percentage of energy efficiency achieved, amount of water saved, and amount of wastewater treated.

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- Based on the commitment to both impact and allocation reporting, Sustainalytics considers this process to be in line with market practice.

### **Alignment with Green Bond Principles 2021**

Sustainalytics has determined that the Green Bond Framework for ICBC aligns with the four core components of the GBP. For detailed information, please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

## **Section 2: Sustainability Strategy of ICBC**

### **Contribution of framework to ICBC's sustainability strategy**

ICBC is committed to promoting green finance through its business value of "green financing serving the real economy".<sup>4</sup> In conjunction with its business value, the Bank set up a Green Finance Committee which aims to contribute to the development of green finance products.

At the end of 2020, ICBC has granted RMB 1.85 trillion (USD 284.62 billion) of green credit in the areas of energy savings, environmental protection, clean energy, and infrastructure upgrades.<sup>4</sup> Of the total loans given to the power generation industry, 35% were provided for wind and solar power projects.<sup>4</sup> To support China's pollution control and ecological restoration measure, the Bank invested RMB 8 billion (USD 1.23 billion) in the national green development fund during 2020.<sup>4</sup> The Bank will be financing the ecological restoration of the right bank area of the Ba River, which upon completion will have restored an area of 3.23 km<sup>2</sup>. ICBC will be financing this project for 15 years with a total investment of RMB 2 billion (USD 307.69 million) to improve local environment and ecological development.<sup>4</sup>

Sustainalytics is of the opinion that the Green Bond Framework for ICBC is aligned with the Bank's overall sustainability initiatives and will further ICBC's actions on its key environmental priorities. Sustainalytics recognizes the importance of the above-outlined ambitions and encourages ICBC to develop quantifiable and time-bound sustainability targets, as well as a companywide sustainability strategy, to strengthen its sustainability performance.

### **Well positioned to address common environmental and social risks associated with the projects**

While Sustainalytics recognizes that the net proceeds from the bonds and loans issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact, Sustainalytics is aware that eligible projects financed under the Framework could lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational health and safety, community relations, land-use change and biodiversity loss associated with infrastructure development. Furthermore, banks are exposed to risks of financing environmentally and socially harmful businesses while offering lending services.

Sustainalytics is of the opinion that ICBC is able to manage and/or mitigate potential risks through implementation of the following:

- According to China's Environmental Impact Assessment Act<sup>5</sup>, companies must perform an environmental risk assessment for all construction, reconstruction, expansion or refurbishment projects during the initial phase of project design and feasibility analysis. The same Chinese law also mandates that companies undergo an independent and certified environmental impact assessment by an external agency to avoid a potential conflict of interest, including the interest of local communities.
- To regulate community relations and social risks, the Bank engages in communication with the stakeholders in matters concerning green credit and risk management. The Bank has interviewed

<sup>4</sup> ICBC, "Corporate Social Responsibility Report", (2020), at: <http://v.icbc.com.cn/userfiles/Resources/ICBCLTD/download/2021/2020shzrEN202103.pdf>

<sup>5</sup> Law of the People's Republic of China on Environmental Impact Assessment, at: <https://www.waizi.org.cn/law/11686.html>

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customers, investors, shareholders, suppliers, peers and members of the public to identify key topics for its sustainable development strategies.<sup>6</sup> The Bank also meets the Chinese government's mandatory risk disclosure requirements and additionally discloses voluntary information to its investors and stakeholders.

- ICBC has a risk management committee, which continually improves the Bank's risk management framework and issues early warnings of risks. Additionally, the Bank issued the revised requirements for administrative measures for due diligence of credit business for general corporate customers in 2020, which requires that corporate credit customer managers should regard environmental and social risks as an important part of the due diligence process.<sup>7</sup>
- In 2019, ICBC joined the United Nations Global Investors of Sustainable Development (UN GSID) initiative.<sup>7</sup> As part of this initiative, all members pledged to take actions to promote global investment and financing for sustainable development. The Bank is also a signatory to the Principles for Responsible Banking of the United Nations Environment Programme Financial Initiative. Following the Principles for Responsible Banking, the Bank must: (i) conduct impact analysis on socio-economic and environmental impacts of its activities, (ii) set at least two targets addressing the most material impacts aligned with the SDGs and Paris Climate Agreement, and (iii) publicly report on its progress.<sup>8</sup>
- For eligible green assets under the Framework, ICBC excludes all activities, assets, products and technologies that are associated with fossil fuel and nuclear technology.

Based on these policies, principles and assessments, Sustainalytics is of the opinion that ICBC has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All four use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused on two where the impact is specifically relevant in the local context.

#### The Importance of financing renewable energy generation

China currently has a total installed renewable energy capacity of 895 GW.<sup>9</sup> As of 2021, renewable sources make up 42.4% of the total capacity and the country has set a target for renewable power to account for over half of total installed capacity by 2025. China is headed towards a low-carbon economy and aims to achieve carbon neutrality by 2060. From 2021 until 2025, China aims to reduce energy intensity by 13.5% and carbon intensity by 18%.<sup>10</sup> To move towards sustainable power generation in 2020, China generated an additional 136 GW of wind and solar energy.<sup>11</sup> In 2018, Chinese carbon emissions from energy generation amounted to almost 10 gigatons of CO<sub>2</sub>.<sup>12</sup> In the same year, 23.5% of particulate matter came from power generation.<sup>13</sup> The development of low-carbon electricity may decrease the carbon intensity and reduce absolute GHG emissions. In 2019, fossil fuels accounted for 67.9% of the power generation in China. Between 2019 and 2020, renewable energy output rose by 8.4% and steady growth is expected in the

<sup>6</sup> ICBC, "Corporate Social Responsibility Report", (2020), at: <http://v.icbc.com.cn/userfiles/Resources/ICBCLTD/download/2021/2020shzrEN202103.pdf>

<sup>7</sup> ICBC, "Special Report on Green Finance", (2019), at: <http://v.icbc.com.cn/userfiles/Resources/ICBCLTD/download/2020/lvseEN20201116.pdf>

<sup>8</sup> UNEP FI, "About the Principles", at: <https://www.unepfi.org/banking/bankingprinciples/more-about-the-principles/>

<sup>9</sup> Renew.biz, "China dominates installed renewable energy capacity", at: <https://renews.biz/69346/china-dominates-installed-renewable-energy-capacity/>

<sup>10</sup> Hill + Knowlton Strategies, "China's 14th Five-Year Plan (2021-2025) Report" (2021), at: <https://www.hkstrategies.com/en/chinas-14th-five-year-plan-2021-2025-report/>

<sup>11</sup> IRENA, "World Adds Record New Renewable Energy Capacity in 2020" (2021), at: <https://www.irena.org/newsroom/pressreleases/2021/Apr/World-Adds-Record-New-Renewable-Energy-Capacity-in-2020>

<sup>12</sup> Samantha, W., "CO<sub>2</sub> emissions in China 2001-2019" (2021), at: <https://www.statista.com/statistics/239093/co2-emissions-in-china/>

<sup>13</sup> Ling, T., "Air pollution emissions from Chinese power plants based on the continuous emission monitoring systems network" (2020), at: <https://www.nature.com/articles/s41597-020-00665-1>

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coming years.<sup>14</sup> Despite the growth, coal accounted for 64.7% of electricity production, following an increase of 1.85% between 2018 and 2019, contrasting with investments to increase the share of renewables in China's energy mix.<sup>15</sup>

Based on the above, Sustainalytics notes that by financing electricity generation from renewable sources, ICBC could further assist China in meeting its renewable energy added capacity targets and reduce its GHG emissions.

### Importance of supporting clean transportation practices in China

Emissions from the transportation sector accounted for more than 24% of global CO<sub>2</sub> emissions in 2016 and are expected to grow at a faster rate than that of any other sector, which poses a major challenge to reducing emissions in line with the Paris Agreement.<sup>16</sup> In China, the transportation sector accounts for 9% of CO<sub>2</sub> emissions. As of 2014, the transportation sector was the third-largest source of China's energy-related emissions.<sup>17</sup> In 2019, 84.1% of China's transportation emissions came from road traffic, which includes freight transport and private vehicles.<sup>18</sup> China aims to achieve carbon neutrality by 2060, having made significant strides in improving the overall efficiency of vehicles. However, such efficiency gains have been offset by increased travel volumes. Decarbonizing the transportation sector to meet global and Chinese climate targets requires placing the electrification of vehicles and the use of clean fuel sources as priorities to achieving higher energy efficiency, GHG emissions reduction and air quality improvements.

Sustainalytics notes that the projects financed under the Framework, such as those aiming to promote electric or hydrogen-powered transportation assets, could assist China in establishing a low-carbon transportation system.

### Alignment with and contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The ICBC green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons

<sup>14</sup> Argus, "China's 2020 renewable energy output rises", (2021) at: <https://www.argusmedia.com/en/news/2182487-chinas-2020-renewable-energy-output-rises>

<sup>15</sup> BP, "Statistical Review of World Energy 2020", (2020), at: <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2020-full-report.pdf>

<sup>16</sup> WRI, "Everything you need to know about the fastest growing source of global emissions: transport", (2019), available at: <https://www.wri.org/blog/2019/10/everything-you-need-know-about-fastest-growing-source-global-emissions-transport>

<sup>17</sup> Sebastian, I., "Decarbonising Transport in China", at: <https://www.changing-transport.org/project-kick-off-china-component-ndc-transport-initiative-for-asia/>

<sup>18</sup> Beijing Review, "Decarbonizing China's transportation sector" (2021), at: [http://www.bjreview.com/Opinion/Voice/202103/t20210304\\_800238327.html](http://www.bjreview.com/Opinion/Voice/202103/t20210304_800238327.html)

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Energy Efficiency	9. Industry, Innovation and Infrastructure	9. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.4 By 2030 substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity

### Conclusion

ICBC has developed the Green Bond Framework for ICBC under which it may issue green bonds and use the proceeds to finance or refinance renewable energy, clean transportation, energy efficiency, and sustainable water and wastewater management projects. Sustainalytics considers that the projects funded by the green bond proceeds are expected to contribute to a low-carbon economy, primarily in China.

The ICBC Green Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the ICBC Green Bond Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 9, and 11. Additionally, Sustainalytics is of the opinion that ICBC has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Industrial and Commercial Bank of China is well-positioned to issue green bonds and that the Green Bond Framework for ICBC is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021.



## Green Bond Framework for Industrial and Commercial Bank of China

### Appendices

#### Appendix 1: Green Bond / Green Bond Programme - External Review Form

##### Section 1. Basic Information

**Issuer name:** Industrial and Commercial Bank of China

**Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:** Green Bond Framework for ICBC

**Review provider's name:** Sustainalytics

**Completion date of this form:** August 24, 2021

**Publication date of review publication:**

##### Section 2. Review overview

###### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

###### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

###### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

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### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

#### 1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds – Renewable Energy, Clean Transportation, Energy Efficiency, and Sustainable Water and Wastewater Management – are aligned with those recognized by the Green Bond Principles 2021. Sustainalytics considers that investments in the eligible categories are expected to contribute to a low-carbon economy, primarily in China, and advance the UN Sustainable Development Goals, specifically SDG 6, 7, 9, and 11.

#### Use of proceeds categories as per GBP:

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Renewable energy  | <input checked="" type="checkbox"/> Energy efficiency  |
| <input type="checkbox"/> Pollution prevention and control   | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation  | <input checked="" type="checkbox"/> Clean transportation   |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                            | <input type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

If applicable please specify the environmental taxonomy, if other than GBP:

#### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

ICBC's Green Bond Working Group will oversee the internal process for evaluating and selecting projects. The Green Bond Working Group is comprised of representatives from ICBC's Asset & Liability Management Department, Credit and Investment Management Department, Corporate Banking Department and Modern Finance Research Institute and other relevant departments. ICBC's risk management mechanism applies to

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all allocation decisions made under the Framework. Sustainalytics considers the risk management system to be adequate and the project selection process in line with market practice.

### Evaluation and selection

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available       | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

### Information on Responsibilities and Accountability

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other ( <i>please specify</i> ):  |  |

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

ICBC's Asset & Liability Management Department will oversee the processes for management of proceeds. The green bond proceeds will be deposited in ICBC's general funding account and earmarked for allocation. This process will be tracked using a green bond register. Pending allocation, unallocated proceeds will be held in accordance with ICBC's liquidity management policy in money market instruments and green bonds issued by non-financial enterprises. The Bank intends to reach full allocation within 12 months of each issuance. This is in line with market practice.

### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner          |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other ( <i>please specify</i> ):   |

### Additional disclosure:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of                        |

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disbursements

- Disclosure of portfolio balance of unallocated proceeds
- Other (*please specify*):

### 4. REPORTING

Overall comment on section (if applicable):

ICBC intends to report on the allocation and impact of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the aggregate amount of proceeds allocated to eligible projects, the balance of unallocated proceeds, geographical distribution, and project examples and details where feasible. In addition, ICBC is committed to reporting on relevant impact metrics. Sustainalytics views ICBC's allocation and impact reporting as aligned with market practice.

#### Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (*please specify*):

#### Information reported:

- Allocated amounts
- Green Bond financed share of total investment
- Other (*please specify*): *balance of unallocated proceeds*

#### Frequency:

- Annual
- Semi-annual
- Other (*please specify*):

#### Impact reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (*please specify*):

#### Information reported (expected or ex-post):

- GHG Emissions / Savings
- Energy Savings
- Decrease in water use
- Other ESG indicators (*please specify*): *length of new tracks built in (kilometers), number of passengers,*

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amount of water saved, and amount of wastewater treated.

**Frequency**

- Annual  Semi-annual  
 Other (please specify):

**Means of Disclosure**

- Information published in financial report  Information published in sustainability report  
 Information published in ad hoc documents  Other (please specify):  
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)

[www.icbc-ltd.com](http://www.icbc-ltd.com)

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- Consultancy (incl. 2<sup>nd</sup> opinion)  Certification  
 Verification / Audit  Rating  
 Other (please specify):

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer’s adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer’s overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.

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- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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