



Green Finance and ESG Information Disclosure of China Construction Bank

Beijing, China
June 30, 2022

Disclaimer

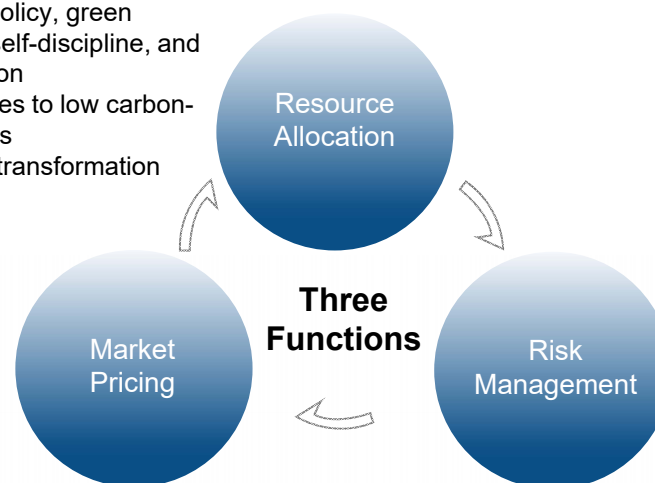


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What the financial sector could do?

“Three Functions” and “Five Pillars”

- Through credit policy, green rating, industry self-discipline, and product innovation
- Allocate resources to low carbon-emission projects
- Facilitate green transformation projects



- Jul 16, 2021, China Carbon Emission Trade Exchange (CCETE) opened.
- As of Jun 27, 2022, accumulated CEA transaction volume was 193 million tons, ie RMB 8.5 billion.
- Aims at proper pricing of carbon emission.

- By controlling environment and climate risk, stress testing, to enhance the overall climate risk management in financial sector

Green Finance Standard

Financial regulation and disclosure

Incentive and restraints

Products and market

International cooperation

Five Pillars

Green Finance in China

Overall Green Business Development:

- As of the end of 2021, green loan balance denominated in RMB and foreign currencies amounted to RMB 16 trillion, up by 33 % yoy. Top 1 in the world in terms of size.
- Green bond issuance within China exceeded RMB 600 billion, up by 180% yoy, with a balance of 1.1 trillion. Also among the tops in world.

Green Finance Standard System: unified, international, clear and feasible.

- *Green bond project table*
- *Environmental information disclosure guidelines for financial institutions*
- *Environment equity financing tools, Carbon financial products*
- **Common Ground Taxonomy Table**, jointly issued by China and EU

Progress in Environmental Disclosure of Financial Institutions. Environment information reports from certain financial institution in green finance reform and innovation trial district.

Incentives and Restraints Mechanism: Carbon emission reduction supporting tools, dedicated relending for clean and efficient use of coal

Green Finance in CCB

As of the end of 2021, the balances of green loans were RMB1.96 trillion, an increase of 35.61% yoy. This number has recently exceeded RMB 2 trillion.

In 2021, the Bank issued ESG-themed bonds abroad:

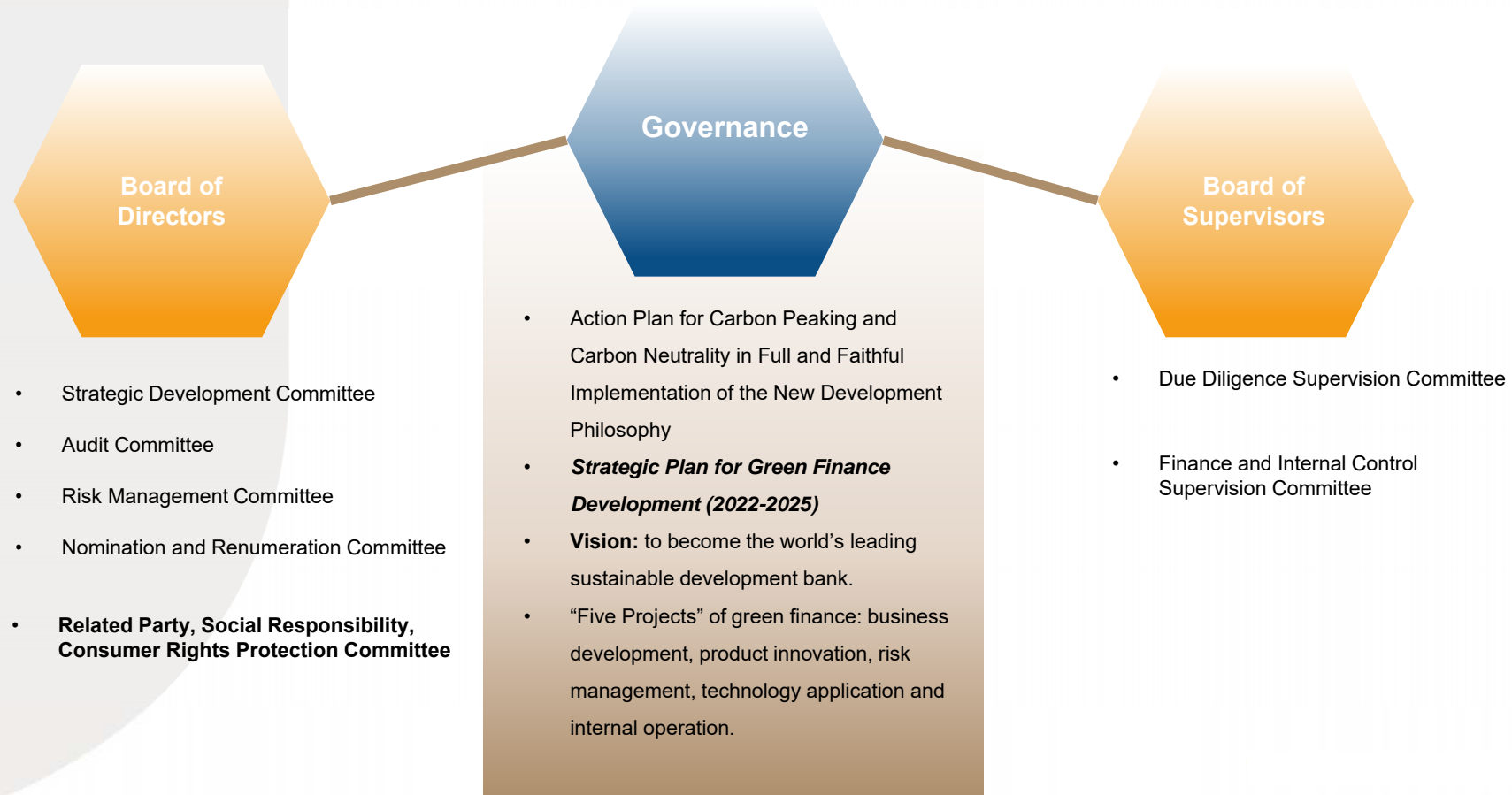
- US\$1.15 billion of sustainability-linked bonds,
- EUR0.8 billion of green bonds for water protection and environmental governance,
- 2-year RMB2 billion offshore transformation bonds.

In December 2021, the Bank issued the world's first demonstrative green bond of US\$0.5 billion, based on the ***EU-China Common Ground Taxonomy – Climate Change Mitigation***, to support clean transportation and clean energy in the Greater Bay Area.

Underwrote 72 domestic and overseas green and sustainability-linked bonds, totaling RMB124,037 million, including the market's first batch of carbon-neutral bonds, sustainability-linked bonds, the first green REITs in the interbank market and the green bond dubbed as Lotus Bond

Initiated more than 300 investment transactions in green bonds, supporting more than RMB130 billion of direct green financing.

Foundation for the business achievement



Foundation for the business achievement (Continued)

Day-to-Day Management



The Leading Group for Carbon Peaking and Neutrality of CCB, established in 2021:

- Corporate Business Workteam
- Retail Business Workteam
- Capital Market Business Workteam
- Risk Management Workteam
- Disclosure and Publicity Workteam
- Carbon Footprint Management Workteam



Green Finance Committee, including 37 business departments in the HQ:

- Board of Directors' Office, Board of Supervisors' Office Executives' Office, Asset and Liability Management Department, Finance Department, HR Department, Equity and Investment Management Department, Risk Management Department, Credit Management Department

Green Finance Infrastructure in CCB

I. Strategic Plan for Green Finance Development (2022-2025)

II. Implementation plan to accelerating fostering new advantages in green finance

III. Notice of fulfilling the overall plan to the five provinces (regions) green finance reform and innovation trial districts

IV. Multi-channel capital market business

V. Green finance performance evaluation plan for domestic branches

Green
Finance
Policy
Infrastructure

Green
Finance
Operation
Mechanism

Goals: Increase % as of total loans

Resources: Dedicated resources, while name-list, case by case review

Credit Procedures: Rapid approval channel, incorporation of customers' environment and climate risk into credit procedure

Supervision: Daily monitor data, weekly ranking update, monthly analysis, and timely coordination from HQ

Evaluation: Green loan in to KPI evaluation

Risk management in CCB



Risk Management Policy

- Notice on Strengthening Environmental and Social Risk Management
- Notice on Strengthening the Environment and Climate Risk Management of Credit Business
- Notice on Strengthening the Management of Credit, Investment and Financing for Industries with High Energy Consumption and High Carbon Emission



Environmental and social risk management

- Customers classified into three categories based on environmental and social risk rating:
 - High risk (A)
 - Medium risk (B)
 - Low risk (C)
- Differentiated management measures:
 - **High risk (A):** Declines new clients or no new credits to existing clients.
 - **Medium risk (B):** go through strict access review, implement risk mitigation measures. For clients who have completed the rectification but are still under observation, approval is required before new credit is granted.
 - **Low risk (C):** apply for loans in accordance with the relevant rules and regulations.
 - Clients pending to be classified will not be accepted for credit approval



Credit Policy for Industries

Reviewed and renewed:


- photovoltaic power generation, photovoltaic manufacturing, steel, petroleum refining, railway and others

Incorporated environment-related regulatory requirements:

- power, transportation, green building, agriculture, forestry, mining, petrochemicals, steel and others, the Bank has also in the industry-specific credit policies

Risk management in CCB (Continued)

Environmental and social risk management Incorporated into approval process



Client selection and regulation

- “One-Vote Veto” policy based on the evaluation results
- No credit grant to enterprises identified with incompetent environmental protection, and clients and projects with significant environmental and climate risks.
- Reduces and withdraws support for enterprises or projects with serious problems, severe negative impacts, and repeated violations or deficiencies that cannot be rectified.



Credit approval

- Differentiated credit approval policies
- No credit grant for enterprises or projects that fail to meet the environmental and climate risk control requirements on energy consumption and emission reduction.



Post-loan management

- Post-loan inspection on environmental and climate.
- Follow-up on the investigation of risk early warning.
- For clients with major environmental and climate risks, strict control over credit exposure, effective risk mitigation.

Stress Testing

Pioneer in Stress Testing among Chinese Peers

In 2020, stress tests on **chemical industry** and **thermal power** industry.

In 2021, Stress tests on the Bank's corporate clients in the **thermal power, steel, cement** and **aviation industries**.

Theme

potential impact on the repayment capability

Subjects

annual emissions of more than 26 thousand tonnes of carbon dioxide equivalent

Scenario

end of 2020 as the base day, in ten years, tests in three stress levels---mild, moderate, and severe.

Hypothesis

enterprises would not undertake low carbon transition during the test period; had no bargaining capability over upstream and downstream

Methodology

international mainstream methodology applied on subjects one by one; quantitative assessment on the financial costs and credit ratings of clients as a result of climate transition risks .

Test results

- risks were generally controllable.
- Among them, the thermal power, steel and cement industries were greatly affected
- the Bank's capital adequacy ratios declining by 0.86, 1.15 and 1.35 percentage points, respectively, by 2030 under the three stress levels

Case Stories: Corporate Green Finance Innovation



Renewable Energy Subsidy-based Loan

- Based on the receivable but uncollected right-vested financial subsidies
- Provides financing support to alleviate the shortage of funds caused by the delay of the subsidies
- In 2021, the Bank issued RMB841 million of renewable energy subsidy-based loans.



Energy Efficiency Loan

- The first loan related to ESG rating in the local market.
- Corporate environmental indicators as loan access conditions
- The Bank takes differentiated risk mitigation measures
- Various degrees of lending rates cuts for the green rating of enterprises
- Financing enterprises and projects with green business as their main business and recognized by the local government's green evaluation system.
- In 2021, RMB25 million of "Energy Efficiency Loan" has been invested.

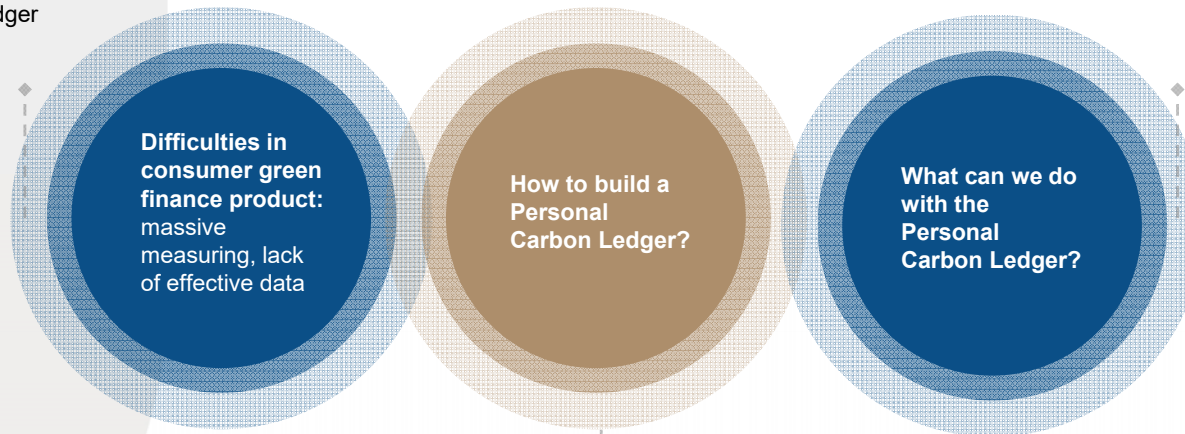
Case Story: Low-carbon living model---innovation in consumer end



The case was successfully selected by People's Bank of China as the pilot project for integrated application of financial data.

CCB solution: to provide Comprehensive Green Financial Services Based on a Personal Carbon Ledger

Build a low-carbon living model, innovated in individual carbon footprint products
Provide personal financial services: discounts on credit card consumption, payment discounts, and points redemption



Fintech application innovation:

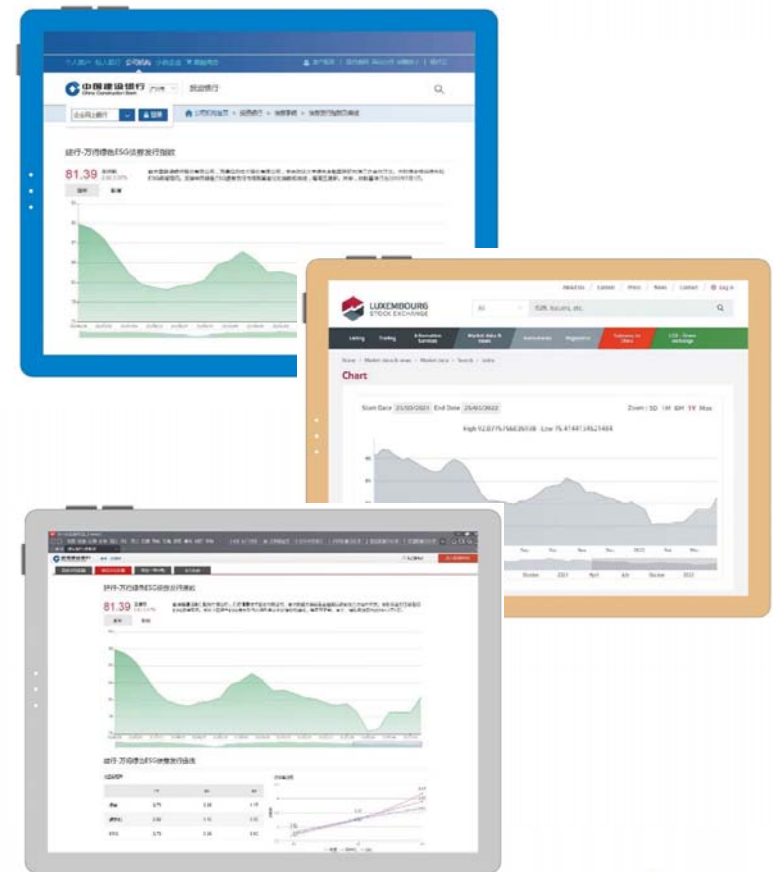
- Integrated and analyses low-carbon data from various ecological scenarios: travelling, retail and government administration
- Multi-party data learning and other technologies for cross-entity application of the data with complete protection of user privacy and security.
- Built a carbon emission reduction measurement model based on artificial intelligence, big data, etc..
- Measure consumers' low-carbon footprint
- Model support for the "Carbon Ledger".
- By cloud computing, the project built a SaaS (Software as a Service) platform.

Case Story: CCB-Wind Green ESG Bond Issuance Yield Index

CCB-Wind Green ESG Bond Issuance Yield Index:

- Collecting primary market yield data of newly issued bonds every week, from the Inter-Bank Bond Market, Shanghai Stock Exchange and Shenzhen Stock Exchange.
- Evaluates and selects the benefits of carbon emission reduction, green development and sustainable development of newly issued bonds.
- Classifies and averages the weighted sample data meeting the screening criteria to form an index.
- On the premise of sufficient sample size, subindexes such as the carbon-neutral bonds, green bonds and ESG bonds are calculated and formed in the same way
- Index curve is publicly displayed.

IFF Global Green Finance Award, ranking **First** among the Top 10 Innovation Projects of IFF this year



Green Operations



Measures

- **Historical data trace-tracking** from 2016 to 2021:
 - ✓ Including electricity, natural gas, diesel, gasoline, heat, LPG, coal, water and paper
 - ✓ Scope: domestic branches at all level
- **Improve management systems** for energy conservation and environmental protection
- **Regular energy audit and maintenance**
- **Green office administration**
- **Intelligent operations**, e.g. technologies to promote paperless office, increasing the use of video conferencing systems
- **Standardised waste recycling mechanism**, e.g. UPS battery, Smart POS and QR scanning terminals recycling mechanism.
- **Green Procurement: *Supplier Management Regulation and Management Measures for Centralised Procurement***



Goals



Emission reduction

- carry out low-carbon publicity activities every year together with World Environment Day, World Water Day and the week-long national campaign to promote energy conservation; training of peaking carbon dioxide emissions and carbon neutrality.
- From 2022 to 2026, energy audit across the Bank; carry out energy-saving renovation projects; LED fixtures will be preferred for new lighting fixtures; by 2026, 100% of lighting fixtures in the buildings owned by the Bank will use LED fixtures.
- construction of "green outlets", and from 2022 to 2026, recyclable materials used in renovated or new outlets will be more than 60%.
- Use new energy models when updating official vehicles, and the proportion of new energy official vehicles from 2022 to 2026 will be increased year by year.
- From 2022 to 2026, the PUE (Power Usage Effectiveness) value of the data centers will be gradually reduced.



Energy conservation

- From 2022 to 2026, the energy consumption and carbon emission intensity across the Bank will be on a decreasing trend.
- Strengthen its low-carbon capacity building, establish a bank-wide "carbon emission management platform" system, consolidate the energy consumption data base, and improve the statistical, analytical and application capabilities of energy and resource consumption data of institutions at all levels.



Waste reduction

- From 2022 to 2026, 100% of CCB's waste IT assets will be delivered to enterprises qualified to dispose of electronic waste and are registered on the website of the government's environmental protection department for green and eco-friendly treatment;
- From 2022 to 2026, 100% of CCB's discarded self-service devices such as ATMs will be recycled by suppliers with qualification every year.
- Promote a paperless office, improve the recycling rate of office supplies, reduce the generation of office supplies waste, and lower the per capita amount of office paper used in the head office by 5% from 2022 to 2026.



Water conservation

- From 2022 to 2026, water-saving appliances will be selected for new and replacement water-using equipment, gradually increase the utilization rate of water-saving appliances, and water-saving activities activities will be held across the Bank.
- From 2022 to 2026, carry out water conservation promotion activities at least once a year at the Head Office of the Bank.
- From 2022 to 2026, it will promote pilot projects on water recycling in branches with appropriate conditions.

Recognitions

MSCI ESG rating

continued to climb up and achieved an A rating for two consecutive years, maintaining a leading position in the domestic banking industry.



Honorary awards



Development and Reform Commission
Ministry of Ecology and Environment

- Role Model of Low Carbon of 2021



- 2021 Model Case with Green Influence in China and 2021 Financial Service Innovation Model awarded for the "FITS@ Lvxin" Green Investment and Financing Service Platform and the Vegetable Intelligent Management Service Platform of Shouguang, Shandong



- IFF Global Green Finance Innovation Award

Thank you!