

China Minsheng Banking Corp., Ltd., Hong Kong Branch

## China Minsheng Banking Corp., Ltd., Hong Kong Branch



### Green Finance Framework

July 2022

#### 1. Introduction

**China Minsheng Banking Corp., Ltd.** (“**China Minsheng Bank**” or “**the Bank**”), formally established in Beijing in 1996, is China’s first national joint-stock commercial bank that was initiated and established mainly by non-state-owned enterprises (NSOEs). It is a modern financial institution established strictly in accordance with the Company Law and the Commercial Bank Law of the People’s Republic of China.

Since its establishment, along with the rapid development of China’s economy, China Minsheng Bank has been adhering to the mission of “Serving the public, caring about people’s livelihood”, forged ahead with the spirit of pioneering and innovation, and developed into a banking group with commercial bank, financial leasing, fund management, overseas investment bank and other financial licenses.

China Minsheng Bank is listed on the Shanghai Stock Exchange (A shares stock code: 600016) since 2000 and Hong Kong Stock Exchange (H shares stock code: 01988) since 2009. Since its listing, China Minsheng Bank has continuously improved its corporate governance, returned to the service origin and strengthened basic services, expanded basic customer groups, focused on key areas, and optimised its business structure while innovating business models and products and services. It has maintained a steady and positive development momentum.

**China Minsheng Banking Corp., Ltd., Hong Kong Branch** (“**China Minsheng Bank, Hong Kong Branch**”, or “**Hong Kong Branch**”) was set up in Hong Kong in March 2012. The Hong Kong Branch is positioned to be the offshore investment and financing platform for the Group<sup>1</sup>, with a strategic goal to become the Group’s offshore platform to provide comprehensive global financial market services to the Group’s overseas customers. The Hong Kong Branch has three key business segments, including corporate banking, financial markets, and wealth management and private banking.

#### 1.1 ESG Management

China Minsheng Bank is committed to establishing a high-level ESG management system, and constantly improved its ESG governance structure, strengthened the implementation of ESG concept and innovated ESG practices to fully integrating ESG into corporate governance and operation management, so as to continuously improve the level of ESG management.

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<sup>1</sup> Group refers to the Bank and its subsidiaries

In 2021, the Bank has applied to join the UN Environment Program Finance Initiative (UNEP FI) and signing the Principles for Responsible Bank, in an aim to further fulfil its social responsibility for sustainable development, promote the transformation and upgrading of operation management and high-quality development, and enhance the corporate value and brand image through actively meeting international standards for sustainable development.

As part of its Five-Year Development Plan (2021-2025), the Bank actively promoted the integration of ESG concept into operation management and constantly improved the level of ESG governance while earnestly performing environmental responsibilities and creating social value.

- In terms of **governance**, the Bank complied with relevant national and local laws and regulations, constantly improved its corporate governance operating mechanisms, and actively explored the development of a modern corporate governance system which met regulatory requirements and reflected the Bank's unique characteristics.
- In terms of the **environment**, focusing on the core strategy of improving green finance, the Bank has adhered to green development to help achieve the goal of "carbon peak and neutrality". The Bank has systems in place which pays attention to preventing environmental risks, restricting credit placement to high-polluting and high energy-consuming industries, and is expediting exit from non-productive enterprises. Focusing on energy conservation and emission reduction, clean energy, carbon emissions trading, low-carbon technologies and green living, the Bank built a green financial ecosystem, upgraded the system of green financial products, and continued to increase strategic investment. Meanwhile, the Bank advocated green office, practiced green operation and promoted suppliers to implement environmental and social responsibilities through green procurement.
- In terms of **society**, the Bank strengthened product innovation, increased the application of digital products, and optimised service quality while addressing consumer rights protection, constantly improving customer experience and serving customers attentively. Moreover, the Bank actively undertook social responsibilities, practiced inclusive finance, supported rural revitalisation, and continued to invest in public welfare undertakings with in-depth and refined efforts, while continuously strengthening communication with communities to support their development and thus create social value.

## 1.2 ESG Governance Structure

The Board of Directors of the Bank comprehensively supervises the implementation of ESG policies and planning to improve the sustainable development capabilities of the Bank. It reviews ESG reports regularly, researches and discusses on ESG issues, guides and supervises the management to carry out ESG related works. The Strategic Development and Customer Rights Protection Committee under the Board of Directors is responsible for reviewing matters related to the performance of social responsibilities in economic, environmental and social and public welfare undertakings, providing professional opinions and suggestions to the Board of Directors and following the implementation of policies and planning. Moreover, it supervises the implementation results and assists the Board of Directors to supervise the management to carry out ESG related works.

The Bank continues to improve the ESG working mechanism to ensure that ESG risks involved in businesses can be properly managed, and the ESG responsibilities can be effectively fulfilled. The Bank has established a three-level working mechanism of “decision-making - management - execution”, set up an ESG leadership team with chairman of the Board as the team leader and the president as the deputy team leader, and founded an ESG working group composed of relevant departments to manage and organise ESG work from three levels of overall planning, coordinated promotion and implementation respectively.

In the area of Green Finance, China Minsheng Bank has also set up a Minsheng Bank Green Finance Committee at the group level, which is responsible for formulating the bank-wide green finance strategic development plan and goals, guiding and supervising the implementation of green finance work, and assessing the bank's green finance development work. A separate secretarial agency will be responsible for implementing the relevant resolutions of the Board of Directors on the development of green finance.

The aforementioned ESG Management, Development Strategy and Governance Structure set at the Bank level applies to the Hong Kong Branch.

### **1.3 China Minsheng Bank, Hong Kong Branch's Contribution to Sustainable Development**

#### **Implementing Green Finance**

The Bank profoundly implemented the green concept, promoted the development of green finance and the layout of investment and financing as a whole, and planned the direction of green finance development and business layout from the strategic promotion aspect in accordance with the Five-Year Development Plan for Green Finance of China Minsheng Bank (2021-2025), and actively fulfilled the commitments made in the Common Commitments on Green Credit of China Banking Industry.

Under the Five-Year Development Plan for Green Finance, China Minsheng Bank has laid out strategic vision and objectives, including fulfilling the mission of green development to support the “30/60” goal<sup>2</sup> and building a green and low-carbon bank. In particular, China Minsheng Bank has set qualitative and quantitative goals, including internal targets of increasing its outstanding balance and share of green loans (green credit balance) through to 2025. Besides identifying key focus areas for green finance, China Minsheng Bank has also identified Green featured credit areas, for the promotion of green credit products such as "Photovoltaic Loans", "Emission Reduction Loans", "Environmental Protection Loans", and "Automobile Loans", as well as areas for development in the area of carbon finance innovation.

The Bank has developed internal Green Finance recognition standards for the tracking and recognition of green finance activities across the Bank's green finance, investments and other businesses. The Hong Kong Branch has developed its branch-level green finance certification standards, which is in compliance with the requirements of the Head Office's policy.

In terms of credit policy, the Bank has formulated credit policies on energy industry, transportation industry, agriculture, forestry, animal husbandry and fishery industry, mining industry, oil and gas industry, raw materials industry and biodiversity, specifying differentiated

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<sup>2</sup> The Commitment of the People's Republic of China to achieve peak CO2 emissions by 2030 and hit carbon neutrality by 2060

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credit granting strategies, access criteria and risk control and other relevant requirements to continuously promote green upgrading of the industry and to further help enhance the competitiveness of advanced production capacity.

### **Implementing Green Operation**

The Bank practiced resource conservation and environmental protection in the whole process of business operation, so as to achieve a balance between economic efficiency, social efficiency and environmental efficiency and realise sustainable development.

### **Practicing Inclusive Finance**

The Bank actively implemented national policies by formulating the Five-Year Development Plan for Inclusive Finance of China Minsheng Bank (2021-2025) to strengthen the strategic deployment of inclusive finance, innovate support measures and increase investments while improving service capacity and facilitating common prosperity. This includes facilitating small business financing for small and micro enterprises.

## 2. Green Finance Framework

China Minsheng Bank, Hong Kong Branch intends to use this Green Finance Framework (“Framework”) as the basis to issue Green Bonds and Loans (“Green Financing Instruments”). The Green Financing Instruments will finance projects that are aligned with the International Capital Market Association (“ICMA”) Green Bond Principles (“GBPs”) 2021<sup>3</sup>; the Loan Market Association (“LMA”) Green Loan Principles (“GLPs”) 2021<sup>4</sup>; 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”). Where possible, China Minsheng Bank, Hong Kong Branch will endeavour to align projects to appropriate national and international environmental taxonomies, including the Common Ground Taxonomy - Climate Change Mitigation (Updated), published by the International Platform on Sustainable Finance in June 2022<sup>5</sup>.

In aligning with the above principles and guidelines, the China Minsheng Bank, Hong Kong Branch’s Green Finance Framework is presented through the four core components of the GBPs and GLPs as well as their recommendation for external review:

- a) Use of Proceeds
- b) Process for Project Evaluation and Selection
- c) Management of Proceeds
- d) Reporting

Bond(s) issued under this Framework may take the form of public transactions or private placements, in bearer or registered format, and may take the form of senior unsecured or subordinated issuances. Bonds and any loans entered into under this Framework will be standard recourse-to-the-issuer obligations and investors will not bear the credit risk of the underlying allocated eligible asset exposures.

### 2.1 Use of Proceeds

China Minsheng Bank, Hong Kong Branch will allocate an amount at least equivalent to the net proceeds of the Green Financing Instruments issued under this Framework to finance and/or re-finance, in whole or in part.

- Projects which meet the eligibility criteria of the following Eligible Green Project categories (“Eligible Green Projects”), as defined as below.
- General corporate purpose loans to “Pure Play Companies”, which are defined as companies that derive over 90% of their revenues from the green eligibility criteria defined below.

A maximum 3-year look-back period would apply for refinanced projects and China Minsheng Bank, Hong Kong Branch expects each issuance under this framework to be fully allocated

<sup>3</sup> In alignment with ICMA Green Bond Principles, June 2021 (with June 2022 Appendix), <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>4</sup> In alignment with LMA Green Loan Principles, February 2021 (with June 2022 Appendix), <https://www.lsta.org/content/green-loan-principles/>

<sup>5</sup> [https://ec.europa.eu/info/sites/default/files/business\\_economy\\_euro/accounting\\_and\\_taxes/documents/220603-international-platform-sustainable-finance-common-ground-taxonomy-table-activities\\_en.pdf](https://ec.europa.eu/info/sites/default/files/business_economy_euro/accounting_and_taxes/documents/220603-international-platform-sustainable-finance-common-ground-taxonomy-table-activities_en.pdf)

within 2 years from the date of issuance. The Bank will, where possible, disclose to investors the expected share of financing versus refinancing for any Green Financing Instrument.

### Eligible Green Categories

GBP Category	Eligibility Criteria
Renewable Energy 	Projects related to the generation, transmission and storage of energy from the following renewable sources (including maintenance and upgrade of such infrastructure and manufacture of dedicated components for renewable energy): <ul style="list-style-type: none"> <li>• Solar (PV and Concentrated Solar Power with a minimum 85% of power generation derived from solar sources)</li> <li>• Wind energy (onshore and offshore)</li> <li>• Hydropower, including pumped storage equipment, with either a power density above 5W/m<sup>2</sup> or GHG emissions below 100gCO<sub>2</sub>e/kWh</li> </ul>
Energy Efficiency 	Projects related to installation, development, and manufacture of products or technologies that increase energy efficiency and reduce at least 20% energy consumption of the related asset(s), technology(ies), product(s) or system(s), or obtain recognized eco-performance labels China Energy Label Level 1 <sup>6</sup> or above or EU Energy Label B or above  Projects related to improved efficiency in the delivery of bulk energy services, including smart grids  <i>For the avoidance of doubt, improvement activities that result in the lock in of fossil fuel technologies will be excluded</i>
Green Buildings 	Projects related to acquisition, development, construction and refurbishment of new or existing commercial or residential buildings that have received, or expect to receive based on its design, construction and operational plans, certification according to third-party verified green building standards, such as: <ul style="list-style-type: none"> <li>○ Chinese Green Building Evaluation Standard – minimum certification level of 2 stars; or</li> <li>○ U.S. Leadership in Energy and Environmental Design (LEED) – minimum certification of Gold; or</li> <li>○ BEAM Plus – minimum certification level of Gold; or</li> <li>○ BREEAM – minimum certification level of Excellent; or</li> <li>○ BCA Green Mark – minimum certification level of Gold<sup>PLUS 7</sup></li> </ul>
Sustainable Water and Wastewater Management 	Projects related to construction, operation, maintenance or upgrades, of water collection, treatment, transportation, recycling technologies and related infrastructure, including: <ul style="list-style-type: none"> <li>• Water/rainwater collection pipes and facilities</li> <li>• Water and wastewater treatment plants (WWTP) including sewage and sludge treatment facilities</li> <li>• Sewer systems and pumping stations</li> <li>• Urban drainage systems and other forms of flood mitigation</li> </ul>

<sup>6</sup> For products with the China Energy Label, only Research and Development (R&D) expenditures will be eligible.

<sup>7</sup> For building stock already in operation and specifically aiming for re-certification (Green Mark In-Operation), Green Mark Gold will be the minimum requirement.

<p>Pollution Prevention and Control</p> 	<p>Projects related to construction, operation, upgrades and renovation of facilities for processing and conversion and treatment of waste (such as municipal solid waste, kitchen waste, construction waste) including:</p> <ul style="list-style-type: none"> <li>• Waste sorting, separation and material recovery</li> <li>• Recycling and reuse</li> <li>• Emission-efficient waste to energy</li> </ul>
<p>Clean Transportation</p> 	<p>Projects related to investment, construction, development and operation of electrified rail transit facilities, as well as expansions, maintenance and upgrades of these infrastructures that result in improved service levels or extended asset lifespan with preserved carrying capacity. This includes:</p> <ul style="list-style-type: none"> <li>• Manufacture, purchase and maintenance of electrified rolling stock (including locomotives, wagons, coaches and all other attachments propelled through such electrified rolling stock, as well as associated equipment) meeting the below criteria</li> <li>• Construction of the related rail transport infrastructure (networks and lines), including lines, tracks and tunnels</li> </ul> <p>Construction of infrastructure that directly supports low carbon transportation (as defined above), such as ground preparation, stations, signalling equipment, network interfaces including passenger access, ancillary passenger services, facilities required for the safe, clean and efficient operation of the network, utilities and other enabling infrastructure  <i>For avoidance of doubt, infrastructure related to transportation of fossil fuel will be excluded</i></p>

### 2.1.1 Exclusions Criteria

In any case, eligible assets/projects exclude the types of activities listed in the International Finance Corporation Exclusion List (2007)<sup>8</sup>:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES
- Production or trade in weapons and munitions
- Production or trade in alcoholic beverages (excluding beer and wine)
- Production or trade in tobacco
- Gambling, casinos and equivalent enterprises
- Production, generation or trade in fossil fuel
- Production or activities involving harmful or exploitative forms of forced labor/harmful child labor

### 2.2 Project Evaluation and Selection Process

The Project Evaluation and Selection Process will ensure that the proceeds of any China Minsheng Bank, Hong Kong Branch Green Financing Instrument are allocated to finance or

<sup>8</sup> [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/company-resources/ifcexclusionlist](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist)

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refinance Eligible Green Projects that meet the criteria and objectives set out above in section 2.1, Use of Proceeds.

China Minsheng Bank, Hong Kong Branch's Green Finance Working Group (the "GFWG") will be responsible for governing and implementing the initiatives set out in the Framework.

The GFWG is comprised of certain Bank management personnel, including but not limited to representatives from the following departments for the selection and evaluation of the Eligible Green Projects: General Administration Department, Asset and Liability Management Department, Risk Management Department, Corporate Business Management Department, Debt Capital Markets Department, Legal and Compliance Department, Finance Department.

The GFWG will:

- Meet at least two times each year, endeavoured to be distributed evenly throughout the year
- Ratify Eligible Green Projects, which are initially proposed by the constituent team members
- Ensure that all Eligible Green Projects have been assessed in line with China Minsheng Bank, Hong Kong Branch's risk management criteria and internal green finance recognition standards
- Undertake regular monitoring of the asset pool to ensure the eligibility of Green Projects with the criteria set out above in section 2.1, Use of Proceeds, whilst replacing any ineligible Green Projects with new Eligible Green Projects
- Facilitate regular reporting on any Green issuance in alignment with our Reporting commitments
- Manage any future updates to this Framework
- Ensure that the approval of Eligible Green Projects will follow the Bank's existing loan approval processes

### **2.3 Management of Proceeds**

The proceeds of each China Minsheng Bank, Hong Kong Branch's Green Financing Instrument will be deposited in China Minsheng Bank, Hong Kong Branch's general funding accounts and earmarked for allocation by the Asset and Liability Management Department towards the Eligible Green Projects using the Green Finance Register.

The Green Finance Register will contain the following information:

- I. Green Financing Instrument (Bond/Loan etc.) details: pricing date, maturity date, principal amount of proceeds, coupon, ISIN number, etc.
- II. Allocation of Proceeds:
  - a. The Eligible Green Projects List, including for each Eligible Green Project, the Eligible Green Project category, project description, project location, total loan amount, the Bank's loan amount, amount disbursed, settled currency, etc.
  - b. Amount of unallocated Proceeds

Any proceeds temporarily unallocated will be invested according to the Bank's standard liquidity policy in cash or cash equivalents.

## 2.4 Reporting

On an annual basis, China Minsheng Bank, Hong Kong Branch will publish an allocation report and an impact report on its Eligible Green Projects, as detailed below. This reporting will be updated annually until full allocation of the net proceeds of any Green Financing Instrument issued, or until the Green Financing Instrument is no longer outstanding.

### 2.4.1 Allocation Reporting

- a. List of Eligible Green Projects
- b. The amount of Proceeds allocated to each Eligible Green Project category
- c. Breakdown of the amount of Proceeds allocated to refinancing vs new financing
- d. When possible, descriptions of the Eligible Green Projects financed, such as project locations, amount allocated, etc.
- e. Share of financing vs. refinancing
- f. Selected examples of projects financed
- g. Amount of unallocated Proceeds

### 2.4.2 Impact Reporting

The Bank will provide reporting on the environmental and social benefits of the Eligible Green Projects. Subject to data availability and confidentiality, impact reporting may cover the following impact reporting metrics listed below, and where available, taking reference from the relevant indicators suggested in the ICMA Harmonized Framework for Impact Reporting<sup>9</sup>. In addition, calculation methodologies and key assumptions will be disclosed.

Eligible Green Project Categories	Impact Reporting Metrics
Renewable Energy	<ul style="list-style-type: none"> <li>• Capacity of renewable energy plant(s) constructed or rehabilitated in MW</li> <li>• Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)</li> <li>• Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent (where possible)</li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>• Annual energy savings in MWh (electricity) and GJ/TJ (other energy savings)</li> </ul>
Green Buildings	<ul style="list-style-type: none"> <li>• Type of scheme, certification level</li> <li>• Energy efficiency gains in MWh or % versus baseline/building code</li> </ul>
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> <li>• Annual reduction in water use in %</li> <li>• Annual amount of wastewater treated, reused or avoided before and after the project in m3/a</li> </ul>
Pollution Prevention and Control	<ul style="list-style-type: none"> <li>• Waste reduced/avoided (tonnes)</li> <li>• Annual GHG emissions reduced/avoided (tonnes of CO2 equivalent)</li> </ul>
Clean Transportation	<ul style="list-style-type: none"> <li>• Number and type of clean transportation infrastructure financed</li> <li>• Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent</li> </ul>

## 3. External Review

### 3.1 Second Party Opinion

<sup>9</sup> <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Handbook-Harmonized-Framework-for-Impact-Reporting-December-2020-151220.pdf>

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China Minsheng Bank, Hong Kong Branch has appointed Sustainalytics to assess this Green Finance Framework and its alignment with the GBPs and GLPs and issue a Second Party Opinion accordingly. In addition, the green bond has been certified under HKQAA's Pre-Issuance Stage Certification of Green and Sustainable Finance Certification Scheme.

The Second Party Opinion will be made publicly available on the Bank's official website <https://hk.cmbc.com.cn/>.

### **3.2 Post issuance external verification**

In order to provide timely and transparent information about the reporting of the funds from Green Financing Instruments issued under this Framework, the Bank intends to engage a third party reviewer to provide an annual assessment on the alignment of the allocation of funds with the Framework's criteria.

### **4. Amendments to this Framework**

The GFWG will review this Framework on a regular basis, including its alignment to updated versions of the Principles as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of the Bank and Sustainalytics. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external reviewer. The updated Framework, if any, will be published on our website and will replace this Framework.