

**CMBC**  **中国民生银行**

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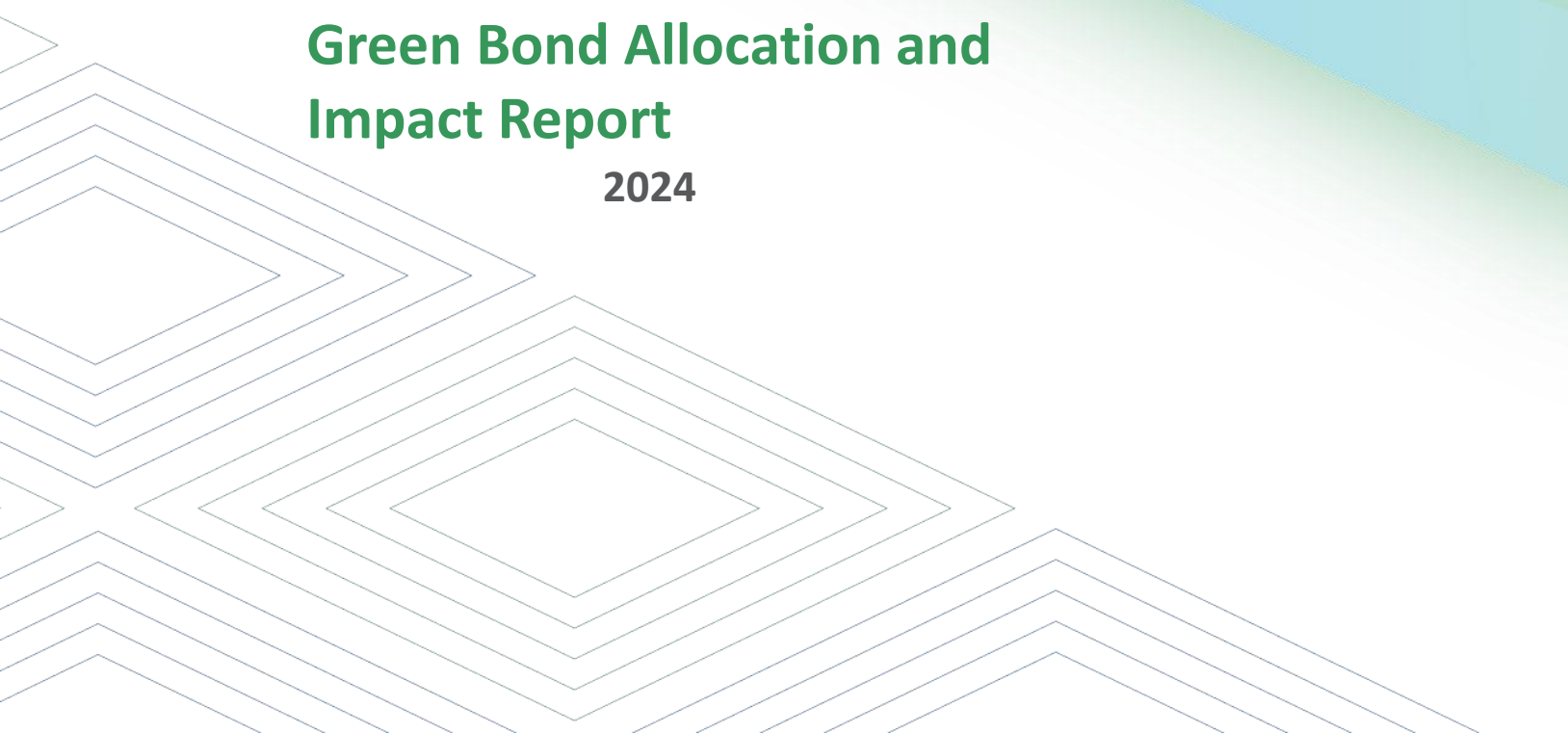
(a joint stock limited company incorporated in the People's Republic of China)



# CHINA MINSHENG BANK, HONG KONG BRANCH

## Green Bond Allocation and Impact Report

2024



# CONTENTS

1. Introduction	<b>2</b>
2. Our Green Finance Framework	<b>4</b>
3. Our Green Financing Instruments	<b>9</b>
4. Allocation of Proceeds	<b>10</b>
5. Our Green Finance Working Group	<b>11</b>
6. Impact Assessment Methodology	<b>12</b>
7. Impact Report	<b>13</b>

## SECTION 1: INTRODUCTION

This document marks the first Green Bond Allocation and Impact Report issued by China Minsheng Banking Corp., Ltd. Hong Kong Branch (“China Minsheng Bank, Hong Kong Branch”, the “Hong Kong Branch”, or the “Branch”) under its Green Finance Framework (the “Framework”), which was published in July 2022.

On 17 January 2023, China Minsheng Bank, Hong Kong Branch closed a CNY 2 billion 2-year Green Bond in the offshore markets, marking the Branch’s first issuance under its Green Finance Framework. The orderbook for the issuance peaked at CNY 6.2 billion, illustrating the firm demand from onshore and offshore bank accounts.

This report provides details regarding the allocation of the green bond proceeds and the impact of projects benefitting from these proceeds.

### Overview of China Minsheng Bank

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 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, 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.

# SECTION 1: INTRODUCTION

## Our Approach to ESG

China Minsheng Bank is committed to establishing a high level ESG management system, and is constantly improving its ESG governance structure, strengthening the implementation of the ESG concept and innovating ESG practices to fully integrate ESG into our corporate governance and operational management, so as to continuously improve the level of ESG management.

In 2022, the Bank joined the UN Environment Program Finance Initiative (UNEP FI) and signed the Principles for Responsible Banking in an aim to further fulfil its social responsibility for sustainable development, to promote the transformation and upgrading of operational management and high-quality development, and to enhance our 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 the ESG concept into operational 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 pay 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 practices, 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.

## SECTION 2: OUR GREEN FINANCE FRAMEWORK

China Minsheng Bank, Hong Kong Branch published its Green Finance Framework in July 2022 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>1</sup>;
- the Loan Market Association (“LMA”) Green Loan Principles (“GLPs”) 2021<sup>2</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>3</sup>.

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.

In aligning with the above principles and guidelines, 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:

**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; and/or
- 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 in the Framework.

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 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.

1. 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/>

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

3. [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)

## SECTION 2: OUR GREEN FINANCE FRAMEWORK

**Process for Project Evaluation and Selection:** 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 refinance Eligible Green Projects that meet the criteria and objectives set out in the Framework.

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.

**Management of Proceeds:** The proceeds of each China Minsheng Bank, Hong Kong Branch Green Financing Instrument will be deposited in China Minsheng Bank, Hong Kong Branch's general funding accounts and earmarked for allocation by the Asset & Liability and Financial 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.

**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.

## SECTION 2: OUR GREEN FINANCE FRAMEWORK

### Eligible Green Projects




Green Project Category	Eligibility Criteria
<b>Renewable Energy</b> 	<p>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):</p> <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>
<b>Energy Efficiency</b> 	<p>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>4</sup> or above or EU Energy Label B or above</p> <p>Projects related to improved efficiency in the delivery of bulk energy services, including smart grids</p> <p><i>For the avoidance of doubt, improvement activities that result in the lock in of fossil fuel technologies will be excluded</i></p>
<b>Green Buildings</b> 	<p>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:</p> <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 5</sup></li> </ul>

4. For products with the China Energy Label, only Research and Development (R&D) expenditures will be eligible.

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

## SECTION 2: OUR GREEN FINANCE FRAMEWORK

### Eligible Green Projects

Green Project Category	Eligibility Criteria
<p><b>Sustainable Water and Wastewater Management</b></p> 	<p>Projects related to construction, operation, maintenance or upgrades, of water collection, treatment, transportation, recycling technologies and related infrastructure, including:</p> <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>
<p><b>Pollution Prevention and Control</b></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><b>Clean Transportation</b></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</p> <p><i>For avoidance of doubt, infrastructure related to transportation of fossil fuel will be excluded</i></p>



## SECTION 2: OUR GREEN FINANCE FRAMEWORK

### Exclusion List:

In any case, eligible assets/projects exclude the types of activities listed in the International Finance Corporation Exclusion List (2007)<sup>6</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

6. [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)

## SECTION 3: OUR GREEN FINANCING INSTRUMENTS

### CNY US\$ 2.0 bn Senior Unsecured Fixed Rate Green Notes (17 January 2023)

<b>Issuer</b>	China Minsheng Banking Corp., Ltd. Hong Kong Branch
<b>Issuer Rating</b>	S&P: BBB-
<b>Issue Rating</b>	S&P: BBB-
<b>Form</b>	Registered
<b>Type</b>	Regulation S, Category 1
<b>Listing</b>	The Stock Exchange of Hong Kong Limited
<b>Tenor</b>	2 years
<b>ISIN</b>	HK0000898319
<b>Issue Size</b>	CNY 2.0 bn*
<b>Maturity Date</b>	17 January 2025
<b>Coupon</b>	3.15% Fixed, semi-annually in arrear, Actual/365

\* Issued offshore

## SECTION 4: ALLOCATION OF PROCEEDS

Project Classification	Allocated Amount (million CNY)	% of Allocated Funds
Renewable Energy	431.7	21.6%
Green Buildings	1,398.5	69.9%
Sustainable Water and Wastewater Management	169.8	8.5%
<b>Total</b>	<b>2,000</b>	<b>100%</b>

\*CMBCHK uses the exchange rate of HKD: CNY 0.9242 for conversion.

	Allocated Amount (million CNY)	Outstanding Sustainable Financing Instrument Proceeds Allocated (%)
Total Green Liabilities	2,000	100%
Total Allocated Green Assets	2,000	

## SECTION 5: OUR GREEN FINANCE WORKING GROUP

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 & Liability and Financial Management Department, Risk Management Department, Corporate Business Management Department, Debt Capital Markets Department, Legal and Compliance Department, Human Resources Department, Credit 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 in section 2.1 of the Framework, Use of Proceeds, whilst replacing any ineligible Green Projects with new Eligible Green Projects
- Facilitate regular reporting on any Green Financing Instrument in alignment with our Reporting commitments
- Manage any future updates to the Framework
- Ensure that the approval of Eligible Green Projects will follow the Bank's existing loan approval processes

## SECTION 6: IMPACT ASSESSMENT METHODOLOGY

China Minsheng Bank, Hong Kong Branch intends to report the expected or actual quantitative environmental impact of the Eligible Green Projects it finances or co-finances through its Green Financing Instruments, with reference to the ICMA Harmonised Framework for Impact Reporting (2023)<sup>4</sup>. The reporting includes the reduction or avoidance of greenhouse gases estimated to have occurred, attributable to these Eligible Green Projects. The Bank also evaluates other indicators that are appropriate to report for environmental impact and performance.

China Minsheng Bank, Hong Kong Branch undertakes to report the environmental impact of projects it finances or co-finances through its Green Finance Instruments based, where possible, on the actual environmental performance of the asset. Where this is not possible, expected performance is used. The reporting includes green indicators and the resulting emissions reductions or avoidance, both of which require assumptions and calculations. The reporting is based on the net benefit resulting from the asset in a given period of operation, rather than the gross emissions change before or after the life of the asset or project.

In accordance with the principles of reporting described above, China Minsheng Bank, Hong Kong Branch has committed and continues to commit to the transparent disclosure of any assumptions and estimations used in the calculation of its reporting framework.

All projects are 100% 'Operational', defined as those that are already in operation and delivering real time impact.

4. <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Handbook-Harmonised-framework-for-impact-reporting-June-2023-220623.pdf>

## SECTION 7: IMPACT REPORT

### Renewable Energy

Project Type	Project Location	% Operational	Allocated Amount (mCNY)	Attributable Installed Capacity (MWe)	Attributable Annual Energy (MWh)	Attributable Annual Avoided Emissions (tCO2e)
Offshore Wind	United Kingdom	100%	431.7	75.5	300,315	96,101

It is assumed that new renewable energy capacity avoids emissions that would otherwise be in line with the grid emissions factor of the relevant country. We have opted to use the Combined Margin Grid Emission Factor (gCO2/kWh) emissions factor value from the IFI Dataset of Grid Factors (Version 3.1), in line with the recommendations by the IFI Technical Working Group methodology/approach to account project emissions associated with grid electricity consumption (Version 1.0).

### Green Buildings

Project Type	Project Location	Allocated Amount (mCNY)	Number of Green Buildings Financed	Green Building Certifications Achieved
Green Buildings (China)	China	743.9	1	China Green Building Label – 3 Stars
Green Buildings (Hong Kong)	Hong Kong	654.6	2	BEAM Gold (Provisional) BEAM Platinum

### Sustainable Water & Wastewater Management

Project Type	Pureplay Location	Allocated Amount (mCNY)	Attributable Annual Wastewater Treated (mt)
Sustainable Water and Wastewater Management Pureplay	China	169.8	4.29

The environmental impact of the pureplay that is attributable to China Minsheng Bank, Hong Kong Branch's green financing instruments is estimated as follows:

*Attributable Environmental Impact =*

$$\text{Environmental Impact of Pureplay} * \frac{\text{Allocated Green Financing Instrument Proceeds}}{\text{Client Enterprise Value including Cash (EVIC)}}$$

Client EVIC is calculated based on the most recent publicly available financial statements.

