

# **2011 Environmental Report on Chinese Banks**

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## Introduction

The public has not paid much attention to the relation of bank loans to corporations and the corporations' operations, primarily because the banks do not take part in these operations. In banks' opinion, intervention and/or participation in corporate activities do not comply with the rules of business conduct and constitute 'unauthorized activities' and 'infringement'. However, with uncontrolled, irrational resource development activities reaching a global scale, looting and destruction of natural and social environments have increased exponentially. Today, banks' environmental and social responsibility and their credit policies can become a firm guidance to raise people's awareness of and value for the environment. People depend on banks to maximize their personal deposit profits but they are also concerned whether these maximized gains are acquired at the expense of other people, the society and the environment. Under the pressure of the public, the non-governmental organizations and the government, banks have become aware that their profits may be affected by socially and environmentally irresponsible investment; thus, the banks began exploring new concepts and methods beyond the traditional business management models to avoid acquiring such losses. This report focuses on exploring banks' potential for creating environmentally and socially responsible business practices and developing green products and services in order to achieve financial leverage in the regulation of economic activities and lead sustainable development; this is known as 'green finance' or 'sustainable finance'. Although many international banks still, openly or secretly, serve the roles of 'climate killers',<sup>1</sup> river polluters and tropic forests terminators, the concept of green finance has become a consensus and practice in the international banking industry.

Since 2007, when China's State Environmental Protection Agency (SEPA), the People's Bank of China and the China Banking Regulatory Commission jointly issued *Comments on the Implementation of Environmental Policies and Regulations to Prevent Credit Risks*, also known as *China Green Credit Policy*, the pressure on the policy level led Chinese banking sector to acknowledge environmental responsibility not just as a flashy slogan. In 2010, a series of policies, regulations and guidelines designed to promote the development of green finance was unveiled. On April 19, the National Development and Reform Commission, the People's Bank of

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<sup>1</sup> Heffa Schücking □ Lydia Kroll □ Yann Louvel and Regine Richter □ (December 2011) □ Bank Rolling Climate Change □ available at □ <http://www.banktrack.org/show/pages/publications>, visited at 9 Feb □ 2012.

China, China Banking Regulatory Commission and China Securities Regulatory Commission issued *Notice on the Investment and Financing Policies and Measures to Support the Development of Circular Economy*. On May 28, the People's Bank of China and China Banking Regulatory Commission issued *Opinions on Further Improvement of Support for Energy Conservation and Emission Reduction Industries and Elimination of Backward Capacity of Financial Services*. On June 8, China Banking Regulatory Commission published *Guidelines on Country-specific Risk Management for Banking and Financial Institutions*. Finally, on July 8, China's Environmental Protection Ministry published *Notice on Further Strict Verification of Environmental Protection Management System to Strengthen Environmental Supervision of Listed Companies*. These documents further improved China's green credit policy system and showed the government's determination to increase the support for and supervision of the development of green finance. However, in practice, do the Chinese banks really "practice social responsibility to boost green economy," as their Corporate Social Responsibility reports claim?

According to China Banking Regulatory Commission, as of the end of February 2011, China's banking sector assets totaled 96.51 trillion RMB.<sup>2</sup> According to the British magazine *The Banker's Top 1000 World Banks* ranking, China's banking assets rose by as much as 44% in 2010.<sup>3</sup> China's banking sector has not only become an important driving force of China's economic development; its global development strategy is also making it a new central force in the global economy that cannot be ignored. According to Tufts University's Global Development and Environment Institute (GDAE) statistics, since 2005, China (its three main financial institutions being the National Development Bank, the Export-Import Bank of China and the Industrial and Commercial Bank of China) invested \$75 million in loans in Latin American countries. In 2010 alone, China's loans to Latin America totaled \$37 million, more than the loans from the World Bank, Inter-American Development Bank and the U.S. Export-Import Bank put together.<sup>4</sup> These loans are mainly directed to areas of natural resources exploitation and infrastructure construction and have more loose social and environmental conditions.<sup>5</sup> In fact, as we have previously listed in the *Environmental Report on Chinese Banks* (2009, 2010), in recent

<sup>2</sup> Source: Xinhua [http://news.xinhuanet.com/finance/2011-03/26/c\\_121234278.htm](http://news.xinhuanet.com/finance/2011-03/26/c_121234278.htm)

<sup>3</sup> Philip Alexander "Top 1000 World Banks 2011" available at <http://www.thebanker.com/Top-1000-World-Banks/Top-1000-World-Banks-2011> visited on 20 Feb 2012.

<sup>4</sup> Kevin P. Gallagher, Amos Irwin, Katherine Koleski (February 2012) "The New Banks in Town" Chinese Finance in Latin America available at [http://www.ase.tufts.edu/gdae/policy\\_research/AnalysisOfChineseLoansInLAC.html](http://www.ase.tufts.edu/gdae/policy_research/AnalysisOfChineseLoansInLAC.html) visited on 17 Feb 2012.

<sup>5</sup> Ibid.

years, many infrastructure construction projects that have seen involvement of the Chinese banking have caused strong condemnation of the international community with regards to a number of environmental and social issues and have attracted extensive attention of local communities. Unfortunately, although major environmental events often become the focus of attention of the society, the banks' financing activities with polluting corporations and projects have not yet drawn the attention of a wide audience.

The essence of green finance is to change banks' past corporate philosophy of simple pursuit of profit as the main objective and to use banks' powerful role of controlling capital flows to achieve positive relation between economic growth and environmental and social sustainability. This is a revolution in the making. However, it is very difficult for banks to reform themselves, thus outside oversight has become a necessary measure to promote responsible banking. In China this kind of external oversight function has already been taken up both by the government and the society. At the end of 2010, Policy Research Center of China's Ministry of Environmental Protection released *China's Green Credit Development Report*, which detailed the Chinese banks' green credit practices and challenges. Several of Chinese environmental NGOs that work on green credit advocacy and supervise banks' environmental and social responsibility have also begun to use civil force to raise awareness about Chinese banks committed to environmentally and socially responsible business activities. This report is an important advocacy and supervision tool.

## **Chapter I. Goals and Methods.**

### **1.1 Objectives**

*Environmental Report on Chinese Banks* is an annual research report by eight environmental Chinese NGOs. It was created to track and assess the fulfillment of environmental responsibilities by listed state banks. The study has been carried out for three consecutive years, and this report presents the third compilation of our findings.

This study was designed to:

- Track the banks' environmental performance records using a set of index systems and evaluation methods;
- Evaluate the banks' environmental performance, with the banks' self-evaluation providing the basis for NGO perspectives;
- Provide a reference for the government regulatory agencies' decision-making and enforcement processes;
- Provide a platform for the public to understand the green credit and the banks' environmental performance, and use the civil society's supervision power to promote the development of green finance in China.

### **1.2 Choice of indicators**

Setting the 2010 *Environmental Report on Chinese Banks* as the base line, this year's report has fine-tuned the assessment indicators system previously used. The 'social recognition' and 'social contributions' indicators do not appear in this report. In recent years, 'green' and 'low-carbon' have become popular discourses, leading some media, social organizations and industrial organizations to organize a variety of forums, conferences and celebrations around these issues, and to set up a number of 'green' awards directed at the banks. Most of the 16 banks discussed in this report have won such an award. It must be acknowledged that these awards to a certain extent reflect the social recognition of the banks honoring the environment and social responsibility, and therefore reflect the award-winning banks' efforts and achievements in the practice of green credit; this is why we included 'social recognition' as one of the assessment indicators in the previous two reports. Upon further evaluation, however, it was discovered that in reality these awards do not reflect the efforts made by the banks on the

core issues pertaining to green credit, loan flows, etc. Banks often seek ways to improve their public image through advertising such of their activities as poverty alleviation, disaster relief, subsidized education, subsidized ‘green’ activities, etc. Therefore, the ‘social recognition’ and ‘social contribution’ indicators do not sufficiently reflect the banks’ efforts to fulfill their green credit duties. Consequently, this report no longer lists these indicators.

The assessment system of this report consists of the following eleven indicators:

- Environmental Information Disclosure

Information disclosure is the basic requirements of the international environmental guidelines for bank credit policies. The basic content must include information on environmental responsibility. This indicator covers a number of complex variables: forms, ways, content, initiative and accountability levels of information disclosure.

- Formulation of Environmental Policy

The indicator mainly focuses on internal environmental policies formulated by the banks in order to implement the national green credit policy.

- Environmental measures

This indicator focuses on the banks’ implementation of internal rules for green credit business operations and how these rules address different environmental issues.

- Environmental Affairs Department Set Up

This indicator focuses on whether the banks have created a specialized department or positions for managing environmental issues pertaining to the banks’ business activities.

- Loans to Nationally-Defined High-Emission High-Energy Consumption (“Two Highs”) Industries

This indicator focuses on the banks’ loaning policies to high-emission high-energy consumption industries (hereinafter referred to as “Two Highs”). It includes such complex variables as the specific areas of “Two Highs” loans, the total amount of loans and the specific cases of loans.

- Loans to Energy-Efficient and Environmentally-Friendly Industries

This indicator focuses on loans to the industries within the field of environmental protection or environmentally-friendly industries. Complex variables here include the industries receiving loans, the total amount of such loans and specific cases of loans.

- Social criticism



This indicator is designed for banks whose loans and investments were made in projects involving environmental damage or environmental controversy and that have received social criticism.

- Accession to International Environmental Standards

This indicator shows whether the banks have adopted and complied with international environmental standards.

- Internal Energy-Saving and Environmental Protection Activities

This indicator focuses on environmental philosophy and practices of the banks' internal operations and management.

- Outreach Activities

This indicator focuses on the banks' publicity and advocacy of the concept of environmental protection and green credit.

- Overseas Investments Performance

This indicator focuses on the banks' overseas investments and their social and environmental impacts. Complex variables include overseas investment policies, the overseas investment management and dedicated department set-up, industries of overseas investment, countries, the total amount of investments, the proportions of controversial cases and response to the host societies' views and opinions.

### **1.3 Methods of evaluation**

This report continues to follow the Analytic Hierarchy Process (APH) used in the 2010 *Environmental Report on Chinese Banks* to rank each bank according to the aforementioned performance indicators. The APH is a method used for complex decision problems and applicable to those problems that are difficult to analyze quantitatively. It was created in the early 1970s by an operations research professor T.L. Saaty and was initially proposed as a multi-criteria decision-making method. In accordance with this method, we first invited a number of experts to determine the index system and weight indicators, then, through surveys, we collected data and information to determine the type of banks and applied indicators to the chosen banks, and finally, obtained the summary of green credit performance of the banks.

#### 1.4 Choice of the banks

As was true with our previous reports, this report takes state-controlled listed banks as the assessment object. This selection is based on the following four points of rationalization: first of all, listed banks have large capital; they take up many loan projects, have large amounts of money involved in the economic fields, have more leverage for economic development, and thus, have heavier environmental responsibility. Second, the listed banks have corporate governance, thus they have more information disclosure and corporate social responsibilities and clearer legal responsibilities and obligations, so they should accept more public scrutiny. Third, the direct stakeholders in the business activities of listed banks present a complex mix of a large number of depositors, borrowers, ordinary investors and shareholders; indeed, state-controlled listed banks are closely linked with the interests of the majority of taxpayers. Finally, in comparison with other banks, the information disclosure process of listed banks is more comprehensive and routine. With regards to the feasibility of the study, it is more realistic to select listed banks as study objects at this stage of the project.

The number of banks reviewed in the report increased from 14 to 16 because Agricultural Bank of China and China Everbright Bank have been listed only in 2010.<sup>6</sup> Consequently, the banks included in this report are (in descending order by Tier One capital): Industrial and Commercial Bank of China, Bank of China, China Construction Bank, Agricultural Bank of China, Bank of Communications, China CITIC Bank, China Minsheng Bank, China Merchants Bank, Industrial Bank, Shanghai Pudong Development Bank, China Everbright Bank, Bank of Beijing, Huaxia Bank, Shenzhen Development Bank, Bank of Nanjing and Bank of Ningbo. Table 1.1 below shows each bank's capital and global ranking in 2010.

**Table 1.1. Banks' tier 1 and global ranking in 2010<sup>7</sup>.**

<b>Bank Name</b>	<b>Tier 1 Ranking</b>	<b>Global Ranking</b>
Industrial and Commercial Bank of China (ICBC)	91,111	7
Bank of China	73,667	14

<sup>6</sup> <http://finance.ifeng.com/bank/special/nonghangss/>; <http://finance.ifeng.com/bank/special/guangdash/>

<sup>7</sup> Source: Financial Times, Chinese network <http://www.ftchinese.com/interactive/197>

China Construction Bank	71,974	15
Agricultural Bank of China	39,786	28
Bank of Communications	22,625	49
China CITIC Bank	14,526	67
China Minsheng Bank	12,998	80
China Merchants Bank	12,928	81
Industrial Bank	11,279	97
Shanghai Pudong Development Bank	9,546	108
China Everbright Bank	6,799	136
Bank of Beijing	5,372	155
Huaxia Bank	4,328	178
Shenzhen Development Bank	2,955	231
Nanjing Bank	1,754	349
Ningbo Bank	1,362	419

### 1.5 Information sources and limitations

The report's analysis and assessment are based on information from several sources:

- Information released by the banks themselves: including corporate social responsibility reports, annual reports and other related reports, and the bank's website. This type of information, especially information and data related to the banks' internal operations and project-level data cannot be verified. For the majority of the banks' internal policies and measures mentioned in the report no specific texts could be found, thus, this report can only organize this data and policies and relay the responsibility for the authenticity and accuracy to the relevant banks.
- Financial regulatory department website information.
- Bank feedback to the questionnaire: In the process of writing our report, we issued a questionnaire for reporting content to the 16 banks, with hope to obtain more direct and complete information and perspectives on issues covered in the report. Unfortunately, only three

banks (Industrial and Commercial Bank of China, Shenzhen Development Bank and Industrial Bank) replied to the questionnaire. Therefore, not only we experienced more difficulties tracking down comprehensive information about the other banks, but these institutions also lost an opportunity to increase public understanding of their work on green credit. Of course, this also reflects the attitude of the banks towards a dialogue with civil society.

- Domestic and international media reports: we collected the domestic and foreign media news coverage of the 16 banks' loans and investment behavior and environmental responsibility performance, using it as one of the important sources of information. However, in reality, the media rarely reports on banks, loans and investment projects in China, especially on environmentally unfriendly projects' credit information. Similarly, we cannot be responsible for the authenticity and accuracy of the reported information, but can provide a reference for the reader.
- Other network resources.

## **1.6 Participating NGOs**

This report was executed by the Yunnan Province Public Watershed Management, Research and Promotion Centre (referred to as the Green Watershed), in collaboration with other environmental NGOs, including: Friends of Nature, Institute of Global Environment, Public Environmental Research Center, Green Earth Volunteers, China Development Brief, Green Volunteer League of Chongqing, Hengduan Mountain Research Society. SynTao provided consultations for the report.

## **1.7 Structure of the report**

This report bases the overall evaluation of 2010 performance record of the 16 state-controlled listed banks against eleven criteria on the historical review of international standards on green credit, the development of green credit policy and the description of the status quo. We compared the banks and introduced the research and practice methods developed by Chinese NGO green credit advocacy network in recent years.

This report consists of the following chapters:

Chapter 1. Goals and Methods.

This section explains the purpose of this report, the assessment indicators selection, evaluation methods, selection of banks, information sources and limitations, and participating civil society organizations.

#### Chapter 2. International Standards and China's Green Credit Policy.

This part introduces important international environment and social banking standards, the development history and the latest developments of green credit in China.

#### Chapter 3. Environmental Performance of China's Banking Sector by Indicators.

This part, in accordance with the Analytic Hierarchy Process, sorts and reports overall environmental performance within the 11 selected indicators of 16 Chinese listed banks in 2010.

#### Chapter 4. Environmental Performance of China's banking sector by Banks.

This section discusses the environmental performance of 16 Chinese listed banks in 2010 with commentary, and through comparison with 2009 record, pointing out progress and regress.

#### Chapter 5. NGOs activities.

This section focuses of Chinese NGO green credit advocacy reviewed in chronological order.

## **1.8 Acknowledgements**

Preparation and publication of this report received much outside help. Lin Yang reviewed the report several times and put forward constructive ideas regarding the structure, content and presentation of the book. Narada Foundation has given financial support for the publication of the report (but the book does not represent the opinions and viewpoints of the Narada Foundation).

## **Chapter II. International Standards and China's Green Credit Policy**

### **2.1 International Standards**

- Carbon Disclosure Project

The Carbon Disclosure Project is a coalition of institutional investors that requires the world's largest enterprises to report on a regular basis their investment information and information associated with climate change as a result of carbon emissions.<sup>8</sup> Currently, the Carbon Disclosure Project works as the secretariat for Carbon Disclosure Standards Board. The Committee was established in 2007 at the annual meeting of the World Economic Forum. At that time reports containing information on climate change and calls to develop standardized reporting guidelines were growing, and the Board was established in response to the popular demand. The reporting guidelines were officially announced at the World Business Summit on Climate Change in Copenhagen on May 25, 2009.<sup>9</sup>

- Carbon Principles

The *Carbon Principles* is a procedural assessment method used in new U.S. power plants facing carbon risks. These regulatory principles were established mainly to solve the uncertainty of the problem of such a risk and also in order to address the growing public concern about the United States' thermal power expansion plans – the U.S. plans to build more than 100 thermal power plants. By adopting these principles, banks commit to encourage their clients to pursue cost-effective energy efficiency, renewable energy and other low-carbon alternatives to replace conventional power generation methods, and to assess fossil fuel projects financing and operational risks through their credit system. *Carbon Principles* are applied to all relevant financing services in the U.S. electric power industry. However, because the *Principles* do not contain any exclusion criteria for thermal power and nuclear power investment, the BankTrack concluded that they have “vague wording and no clear responsibility policy”.<sup>10</sup>

- Climate Principles

The *Climate Principles* are a voluntary framework that guides the financial sector to manage climate change. When banks adopt the *Climate Principles*, they commit to minimizing the carbon footprint left in the course of their business, and to developing business decisions that can reduce the risks of climate change and allow the development of climate change opportunity. The Climate Principles are not limited to certain financial services; instead they apply to all

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<sup>8</sup> See the Carbon Disclosure Project website: [www.cdproject.net](http://www.cdproject.net), accessed 10 Feb, 2012.

<sup>9</sup> See the Carbon Disclosure Standards Committee website: [www.cdsb-global.org](http://www.cdsb-global.org), accessed 10 Feb, 2012.

<sup>10</sup> BankTrack report *Close the Gap*, see: [http://www.banktrack.org/manage/ems\\_files/download/close\\_the\\_gap/close\\_the\\_gap.pdf](http://www.banktrack.org/manage/ems_files/download/close_the_gap/close_the_gap.pdf)

commercial services provided by the banks. However, because the adoption of certain elements of the principles is voluntary, an initiative by the banks' financial services is necessary for direct influence.<sup>11</sup>

- Extractive Industries Transparency Initiative

The Extractive Industries Transparency Initiative requires companies and government departments to verify and fully disclose their income in the oil, gas and mining industries. Qualified institutional investors, including the banks' asset management divisions, can sign the Extractive Industries Transparency Investors Statement, and encourage the banks' customers in resource-rich countries to support the initiative. The standards of the initiative only apply to the mining, oil and gas sectors, and mainly focus on finance transparency, without requiring the clients in these sectors to develop sustainability indicators.<sup>12</sup>

- Global Reporting Initiative

The Global Reporting Initiative is a non-profit organization aimed at promoting sustainable economic development. The organization developed the *Global Sustainable Development Report* (also known as *Ecological Footprint Report*), the *Report on the Environmental and Social Management*, the *Triple Bottom Line* (TBL) and the *Corporate Social Responsibility* reporting standards. The Global Reporting Initiative is committed to making all of companies' sustainable development and financial reports routine and standardized. Most recently, the organization has released the latest version of the *G3 International Sustainability Reporting Guidelines*. This guide is a globally accepted sustainability reporting framework used by companies in preparation and disclosure of nonfinancial performance, allowing stakeholders to understand the impact of economic, environmental and social policies of the company.

- UN Global Compact

The *United Nations Global Compact* includes ten voluntary principles. The signatories promise, among other things: to avoid becoming complicit in human rights violations, to comply with labor standards, to protect the environment, and to avoid corruption. The *United Nations*

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<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

*Global Compact* covers the issues of biodiversity, climate change, corruption, human rights, indigenous peoples, labor and toxic substances. However, the signing of the *Compact* is voluntary, does not limit the banks' financing services, or even requires the banks to verify whether its investment companies also support the same principles. Thus, the BankTrack called the policy "vaguely-worded and not presenting clear responsibility".<sup>13</sup>

- UNEP Finance Initiative

The United Nations Environment Programme Finance Initiative is a global partnership initiative between the United Nations and the financial sector. The initiative encourages financial institutions and other investors to invest in clean and renewable energy. The initiative has been signed by over 170 financial and nonfinancial institutions that cooperate in the development and promotion of a connection between environmentally sustainable development and financial results. The initiative applies to all financial services of the financial institutions declared in the environmental and sustainable development field of finance. However, support for the initiative is voluntary, and the bank's financial services are not restricted.

- UNEP Principles for Responsible Investment

The *United Nations Environment Programme Principles for Responsible Investment* were developed by institutional investors to identify the ever-increasing correlation between environmental, social and corporate governance issues. These principles apply only to asset management.

- Equator Principles

The *Equator Principles* is an international standard for the assessment and management of environment and social risks of project finance. It established the most important financial industry benchmarks and framework. Generally, project finance goes towards the financial support for the development and construction of large infrastructure and industrial projects. The *Equator Principles* is a set of principles adopted on a voluntary basis by financial institutions with the total cost of projects more than \$ 10 million. The *Equator Principles* review project funds applicable to global industries, and designed to provide minimum standards of due

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<sup>13</sup> Ibid.



diligence to support responsible decision-making. The *Equator Principles* were developed on the basis of performance standards for social and environmental sustainability of the International Finance Corporation (IFC) and the World Bank *Environmental, Health and Safety Guidelines* (EHS). They were designed to guide financial institutions in the implementation of project financing activities and in the development of internal social and environmental policies and procedures by providing a universal framework of benchmarks and standards. If a company refuses or cannot comply with the existing social and environmental policies and procedures for the implementation of the *Equator Principles*, the Equator Principles Financial Institutions (EPFIs) commit to not provide funds to such company. In addition, although the application of the *Equator Principles* does not have retroactive force, when any project involves the expansion or upgrading of existing plant and equipment and if these changes in the scale or scope of a project may have a significant impact on the environment and/or the society or may lead to significant changes in the existing impact on the nature, the financing of such projects should follow the *Equator Principles*. The *Equator Principles* have become the standard of good practice on environmental and social risk management followed by banks, customers/project sponsors, other financial institutions and organizations.<sup>14</sup>

The *Equator Principles* include the following ten important principles:

- Review and classification
- Social and environmental assessment
- Applicable social and environmental standards
- Action plan and management system
- Consultation and disclosure
- Complaints mechanism
- Independent review
- Commitment provisions
- Independent monitoring and reporting
- The Equator Principles Financial Institutions' report

In recent years, the *Equator Principles* have given increased attention to social/community standards and responsibilities, including robust labor and indigenous people rights standards and consultations with affected local communities on the matters of project

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<sup>14</sup> See the Equator Principles websites: <http://www.equator-principles.com/index.php/about-ep/about>

financing. The principles also actively advocate the integration of generally applicable environmental and social standards. Multilateral development banks, including the European Bank for Reconstruction and Development (EBRD) and the OECD Export Credit Agency's *Common Approaches* are also increasing recourse to the same standards as the *Equator Principles*. At the same time, the *Equator Principles* are also central to promoting responsible environmental and social management practices in financial sector and banks, such as the *Carbon Principles* and the *Climate Principles*, and involvement of a greater range of stakeholders (including NGOs, customers and industry organizations).

The *Equator Principles* were formally codified and announced in Washington, D.C. on June 4, 2003 with ten global financial institutions becoming the first signatories.<sup>15</sup> The *Equator Principles*' founders wanted the *Principles* to become an equatorial global initiative and a standard widely used by financial institutions in the Northern and Southern hemispheres, hence the word 'equator' in the name intended to perfectly reflect this global balance and good will. In the first year of their existence, more than 40 financial institutions adopted the *Equator Principles*. In June 2006 in London, the *Equator Principles* acquired the first amendment, and the *Equator Principles II* were formed. The amendment to the *Equator Principles* introduced a number of important changes, such as lower starting point for the financing of the *Equator Principles*-informed projects from the initial \$50 million down to \$10 million, inclusion of Project Finance Advisory Services into the scope of the *Equator Principles*, and introduction of stronger and better standards cited in the International Finance Corporation (IFC) *Performance Standards* (including more consultation and covenant conditions, labor rights standards and project-level grievance mechanisms). The *Equator Principles II* also introduced the requirement for all Equator Principles Financial Institutions to disclose their implementation of the *Equator Principles* on a yearly basis. From October 2010 to May 2011, the Equator Principles Committee initiated a strategic review process seeking a long-term strategic vision to ensure that the *Equator Principles* continue to be the 'gold principle' within the financial industry's policies regarding environmental and social risk management in project financing. In June 2011, the Equator Principles Committee began the second review of the *Equator Principles*. It launched an internal discussion on a number of key thematic areas (including the scope of the *Equator Principles*,

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<sup>15</sup> The first batch of ten adopters: ABN AMRO Bank, Barclays Bank, Citibank, Credit Lyonnais France, Credit Suisse First Boston, HVB Germany, Rabobank, Royal Bank of Scotland, WestLB and the Western Pacific Bank.

reporting procedures and transparency, and the central role for stakeholders' participation in management of *Equator Principles III*) and then proceeded to develop the *Equator Principles III*. The *Equator Principles III* are expected to be announced in October 2012.<sup>16</sup>

Currently, 73 financial institutions from 27 countries have adopted the *Equator Principles*, including 71 Equator Principles Financial Institutions and two cooperating agencies,<sup>17</sup> more than 70% of which finance international projects in emerging markets.<sup>18</sup> On October 31, 2008, the Industrial Bank of China formally adopted the *Equator Principles*, becoming the first and so far the only *Equator Principles* bank in China.

## 2.2 China's Green Credit Policy

The Chinese government's concern for environmental problems can be traced back to the first session of the United Nations Conference on the Human Environment in 1972 and the subsequent (June 1973) First National Protection of the Environment Conference. In 1981 the first formulation of the use of economic leverage to achieve environmental protection appeared in the *State Council Decision to Strengthen Environmental Protection Work During the Adjustment of the National Economy*. In 1983, *Provisional Notice on Environmental Protection Funding Channels* mentioned eight channels of environmental protection, the majority of which were related to bank credit practices. The 1992 *Ten Countermeasures to China's Environment and Development* required "all levels of government to make greater use of economic instruments for the purpose of achieving environmental protection."

Subsequently, direct links between credit and environmental protection policies have been introduced. In 1995, the former State Environmental Protection Administration issued the *Notice on the Use of Credit Policies to Promote Environmental Protection Work*. The same year, the People's Bank of China issued the *Notice on the Implementation of Credit Policies and Strengthening of Environmental Protection Work*. It explicitly urged all levels of financial sector involved in credit and loaning to pay attention to the protection of natural resources and environment protection, and the support of the protection of ecological resources and of the pollution prevention, taking these positions into account as factors during the review process of

<sup>16</sup> <http://www.equator-principles.com/index.php/about-ep/history>

<sup>17</sup> The Equator Principles Cooperation Agencies (Associates) are not very active in project financing but the adoption of the Equator Principles is a part of the broader sustainable development of these financial institutions. The two Equator Principles Cooperation Agencies are JPMorgan Chase & Co. and Wells Fargo Bank, NA.

<sup>18</sup> <http://www.equator-principles.com/index.php/about-the-equator-principles>

loan requests. A project should have environmental protection facilities and the capacity to accomplish the three aforementioned positions at the same time in order to be approved for a loan. Loans to a project or an enterprise that does not comply with environmental requirements should be prohibited by the state. At the same time, the financial institutions should be encouraged to actively support the industries and products that help protect and improve the environment. However, the subsequent *Commercial Bank Law* and *General Rules on Loans* did not reflect the principles of environmental protection. In 2004, the National Development and Reform Commission, the People's Bank of China, China Banking Regulatory Commission jointly issued the *Notice on the Issues Related to the Control of Credit Risk and Further Strengthening the Coordination of Industrial Policy and Credit Policy*. In December 2005, the State Council issued the *Notice on the Decision to Implement the Scientific Concept of Development to Strengthen Environmental Protection*, which urged to establish sound prices, taxes, credit, trade, land and government procurement policy systems conducive to environmental protection, to cut loans to enterprises that do not comply with the national industrial policies and environmental standards, and to provide a strong support for the establishment of a sound credit system that is conducive to environmental protection.<sup>19</sup>

In July 2007, SEPA, the People's Bank of China and China Banking Regulatory Commission jointly issued the *Opinions on the Implementation of Environmental Policies and Regulations to Prevent Credit Risks*. The document requires financial institutions to not add any form of credit support to projects items that are have not passed an environmental impact assessment or have not accepted environmental protection facilities, and encouraged financial institutions to limit and eliminate new project belonging to the existing production capacity and restricted countries thus allowing enterprises to take measures to upgrade projects within a certain time period or otherwise eliminating such projects. In financial regulation, the documentation requires the People's Bank of China and its branches to guide and supervise commercial banks' earnest implementation of the national industrial and environmental policies, to report environmental information in the enterprise and individual credit information database and to guard against possible credit risks. It defined the various banking regulatory authorities required to urge commercial banks to comply with the corporate environmental law as a

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<sup>19</sup> Chen Liuqin, "Dynamic analysis of the development of green credit at home and abroad," China Value: Financial, June 2010, see: <http://www.chinavalue.net/Finance/Article/2010-7-12/191903.html>.

condition of credit review. It also assigned the environmental protection department of law enforcement the responsibility to supervise and inspect commercial banks and to investigate corporate environmental problems caused by bad loans. This document is known as China's Green Credit Policy, part of the corporate environmental law. It also established an information sharing mechanism between the government departments and financial institutions.

Environmental law enforcement investigates projects and deals with the environmental protection departments, reporting to the local People's Bank. The banking sector and financial institutions use the provided information in the review of corporate liquidity loan applications in accordance with the environmental protection department requirements for strengthening credit management but this mechanism does not involve the sharing of credit information in the illegal business environments. The document continues on the issue of liability: "Environmental staff of financial institutions should strictly perform their duties. If the staff of an environmental protection department during the process of law enforcement practice favoritism, abuse of authority, or dereliction of duty, they are to be given administrative sanctions in accordance with environmental laws, regulations and the *Interim Provisions on the Environmental Protection Law Violations* this. Violations of the environmental law by commercial banks will be severely punished according to the law, and the institutions and individuals responsible for serious losses will be investigated and held accountable." After the introduction of this document, the environmental protection departments in more than 20 provinces and cities including Jiangsu, Zhejiang, Henan, Heilongjiang, Shaanxi, Shanxi, Qinghai, Shenzhen, Ningbo, Shenyang, Xi'an and the local financial regulatory agencies jointly publicized the implementation of appropriate programs and specific rules; furthermore, Beijing municipal government issued *Views on the Promotion of the Development of the Financial Sector in the Capital*, expressing its strong support and advocating for green credit, green insurance and green securities.<sup>20</sup> In 2009, the People's Bank of Shijiazhuang Central Branch, the Hebei Banking Bureau and the Hebei Province Environmental Protection Office released to the public the evaluation of the green credit policy implemented in the of Hebei Province local banks.<sup>21</sup>

In addition to the *Green Credit Policy*, the China Banking Regulatory Commission issued *Notice on Prevention and Control of the Risks of Loans to High-Emission and High-Energy*

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<sup>20</sup> Ibid.

<sup>21</sup> Source: <http://www.gzhb.gov.cn/Item/1281.aspx>

*Consumption Industries* (July 2007), followed by SEPA's *Guide on Verification of Environmental Protection Measured for Refinancing of Listed Companies Seeking Listing for the First Time* (October 2007), the China Banking Regulatory Commission's *Credit Guide for Energy-Efficient and Environmentally-Friendly Industries* (November 2007). The People's Bank of China together with China Banking Regulatory Commission and China Securities Regulatory Commission issued the *Guidance on Further Improvement of Financial Services to Support Key Light Industries and Contain Industries Working at Overcapacity* (December 2009). Clearly, the green credit policy has become an important part of the financial system. In addition, the People's Bank of China and the State Environmental Protection Administration's *Notice on Sharing Information About Corporate Environmental Issues* (2006), SEPA's *Notice on Regulating Corporate Environmental Law Information in the Credit System of the People's Bank of China* (2008) and China's Ministry of Environmental Protection and the People's Bank of China's *Notice on the Full Implementation of Green Credit Policy to Further Improve Information Sharing* (2009) require the environmental departments to provide corporate environmental law information to the People's Bank credit system.

From the perspective of the volume and density of policies, environmental economic policy in China, including the green credit policy, is at a period of active development. However, the subject of the policy itself remains at an ineffective level. There is much confusion when it comes to the concept of green credit and statistical standards. Performance evaluation standards that are supposed to support green credit and industry guidelines for environmental performance evaluation all lack technical policies, incentives, subsidies and mechanisms of legal responsibility, supervision and restriction, including the absence of legal constraints. Apparent effects of the implementation and improvement of green credit policy in China remain to be seen.

## **Chapter III. Environmental Performance of China's Banking Sector by Indicators.**

### **3.1 Environmental Information Disclosure**

**Forms of Information Disclosure:** At present, the banks' external information disclosure is still mainly carried in Corporate Social Responsibility (CSR) reports as well as annual, bi-annual and other reports. Industrial Bank, an Equator Bank, pioneered the Annual Report on the

Implementation of the *Equator Principles* – an important form of bank information disclosure. Each bank released a 2010 CSR report. China Everbright Bank, Bank of Beijing, and Bank of Nanjing did not refer to any domestic or international guidelines in the compilation of their CRS reports and poorly addressed environmental and social responsibility. Thirteen other banks prepared and published their reports in accordance with domestic and international guidelines. These guidelines include: the *Opinions on Strengthening Corporate Social Responsibility of Banking Financial Institutions* issued by CBRS, the *Guidelines on Corporate Social Responsibility of Banking Financial Institutions*, the *Guidelines on Environmental Information Disclosure of Listed Companies* issued by Shanghai Stock Exchange, the *CSR Report Preparation Guidelines*, the *Social Responsibility Guidelines for Listed Companies* issued by Shenzhen Stock Exchange, the *Guidelines for Preparation of Social Responsibility Report by Chinese Corporate Sector* (CASS-CSR1) issued by China Academy of Social Sciences, and finally, Global Reporting Initiative's (GRI) *Sustainability Reporting Guidelines* (G3) and *Financial Services Sector Supplement* (FSSS). Apart from Industrial and Commercial Bank of China (ICBC), Bank of China, China Construction Bank, Agricultural Bank of China, Bank of Communications, and China CITIC Bank, reports by the remaining ten banks were published without third-party review and verification.

**Channels of Information Disclosure:** The above-mentioned reports were mainly disclosed on the banks' (headquarters) websites, and some banks also published their reports on websites of supervisory authorities, such as CBRC.

**Contents of Disclosed Information:** Environmental policies and measures, specialized departments for environmental affairs, loans to nationally-defined high-emission high-energy consumption industries (called “Two Highs”), loans to energy-efficient and environmentally-friendly industries, internal energy-saving and environmental protection activities, outreach activities, and overseas investments. In general, the disclosed environmental information was similar to that from 2009.

- **Environmental Policies:** 2010 became the second consecutive year when China Construction Bank, China CITIC Bank, China Everbright Bank, Bank of Nanjing, and Bank of Ningbo did not disclose new environment and social policy; Bank of Beijing developed “Credit Guidelines” in 2009 but did not publish a new environmental policy in 2010; the remaining 10 banks stated in their CSR reports that they developed environmental policies, implemented

"green credit" policies or low-carbon operations policies. Industrial Bank published its environmental policies on its website, including the policy on the Management of Environmental and Social Risks. However, environmental policy documents have not been disclosed by other banks.

- Environmental Measures: CSR reports of each bank contain chapters on environmental measures.

There measures are: environmental protection one-vote veto system, creation of a new classification criteria for green credit, development of sector-specific loan approval guidelines, implementation of differentiated loan auditing standards, establishment of client classification management systems (e.g., "black list"), requirement for final authority credit approval permission, inclusion of environmental and social risks assessments into credit review and approval processes, innovations in emission rights (carbon rights) trade financial services. However, some banks' descriptions of environmental measures still lack specificity, simply repeating general slogans from the national environmental policy.

- Environmental Affairs Department Set Up: ICBC announced that its headquarters is fully responsible for all ongoing green credit development, monitoring and management. China Minsheng Bank announced that it had 'social responsibility contact person' in every branch as well as every department of the bank headquarters, particularly in Social Affairs Department; the social responsibility contact people were put in charge of coordinating bank's social responsibility fulfillment efforts, and green credit was part of their job. Industrial Bank declared that its headquarters had a sustainable finance office, Centre for Sustainable Finance, and environmental experts; furthermore, each Industrial Bank branch had a sustainable finance section. Other banks did not disclose any relevant information.

- Loans to High-emission High-Energy Consumption ("Two Highs") Industries: In their 2010 CSR reports China Everbright Bank, Bank of Beijing, Shenzhen Development Bank, Bank of Nanjing, and Bank of Ningbo did not disclose their policies on investment in the "Two Highs" industries. Huaxia Bank said that its investment in steel, cement and other regulated industries declined by 1.4% compared to the beginning of the year. Among other ten banks, Bank of China, Agricultural Bank of China, and Bank of Communications disclosed the percentages of loans to the "Two Highs" industries. Agricultural Bank of China also disclosed a number of environmental factors that can serve as basis for loan rejection as well as the amount of loans



involved. China Minsheng Bank and Shanghai Pudong Development Bank both disclosed loans to high-emission high-energy consumption industries, and the latter also disclosed a brief overview of a case in which a 300 million RMB loan to a non-ferrous metal smelting enterprise was rejected for environmental reasons. ICBC, China Construction Bank, China Merchants Bank, China CITIC Bank and Industrial Bank have all disclosed balances and percentages of loans to high-emission high-energy consumption industries; furthermore, China Construction Bank, China Merchants Bank, and China CITIC Bank also made public balances and percentages for sector-specific loans.

- Loans to Energy-Efficient and Environmentally-Friendly Industries: Except for China Everbright Bank, Bank of Ningbo, and Shenzhen Development Bank, the other 13 banks to different extent disclosed information about loans to energy-efficient and environmentally-friendly industries. Bank of Beijing disclosed only loans' balances but did not provide specific cases, while the other 12 banks disclosed not only balances but also specific loan cases.

- Internal Energy-Saving and Environmental Protection Activities: Every bank disclosed its internal energy-saving and environmental practices and performance rates. Disclosed practices included using paperless services, internal energy-saving mechanisms, and internal environmental education. Most banks also published detailed internal energy consumption data.

- Outreach Activities: except for Bank of China, Bank of Beijing, Bank of Nanjing and Bank of Ningbo, all other banks disclosed to different extent their participation in external forums on corporate environmental and social responsibility issues. Other outreach efforts included launching green initiatives, sending staff to participate in environmental protection activities, encouraging suppliers to adopt environmentally-friendly policies, etc.

- Overseas Investment: Bank of China disclosed balances of its overseas corporate loans as well as its support of China Petrochemical Corporation (Sinopec Group), State Grid Corporation of China, China National Offshore Oil Corporation (CNOOC) and other domestic corporations in completing overseas mergers and acquisitions (M&A) loans. ICBC disclosed in its questionnaire response its major areas and regions of overseas investments, and showed an increase in the total amount of loans since 2009. Industrial Bank and Shenzhen Development Bank said they had no foreign investment projects. Other banks did not disclose any foreign investments information.

In response to public demand for more straightforward and detailed information, we issued a questionnaire to the 16 banks discussed in this report. ICBC, Shenzhen Development Bank and Industrial Bank responded to the questionnaire. In 2009, China Merchants Bank and Bank of China replied to the questionnaire but this time they did not provide any responses. Particularly in recent years information on loans behind China's environmental emergencies has been increasingly hidden from the public. For this reason, we have included a new section in the questionnaire regarding corporate secrets and pointed out that information about large environmental and social impacts should be open to public. In response to this, the three banks declared that such information may be disclosed only if disclosure does not infringe on its clients' corporate secrets. Shanghai Pudong Development Bank and Industrial Bank responded to our *Open Letter from Chinese NGOs to 16 Chinese Listed Banks on Chemical Chromium Pollution Incident in Luliang* stating that they did not provide loans to the polluters. Other banks did not respond to the letter. In general, the banks' overall disclosure performance has improved from 2009. Disclosure of statistics on loans to high-emission high-energy consumption industries and energy-efficient and environmentally-friendly industries increased as did the disclosure of energy consumption data and project-specific loans data but the latter is limited to those projects that banks consider to be related to environmental protection. Leading the information disclosure ratings is Industrial Bank that, compared to the other banks, offered full disclosure of its environmental policies and measures, outreach activities, and had an active dialogue with the public. ICBC, Shanghai Pudong Development Bank, China CITIC Bank and Shenzhen Development Bank had improvements in disclosure of environmental protection measures, data on loans to the "Two Highs" industries and environmentally-friendly industries, energy consumption data and also increased the public dialogue. Shenzhen Development Bank showed the most improvement; the bank produced a more standardized CSR report that included more specific information, it increased its dialogue with the public, and it replied to the questionnaire thus providing more detailed information. Huaxia Bank, Bank of Beijing, Bank of Nanjing and Bank of Ningbo did not show improved performance in information disclosure. China Merchants Bank did well in information disclosure in 2009 but had mediocre performance in 2010; apart from the response to the Open Letter and the questionnaire, its CSR report decreased in length and presented less environmental information compared to the previous year. Agricultural Bank of China and China Everbright Bank earned information disclosure performance indicators of 11

and 16, respectively. In addition to new ranking for Agricultural Bank of China and China Everbright Bank, out of the remaining 14 banks, five received increased rankings to different degrees (including Shenzhen Development Bank whose ranking rose up to 6<sup>th</sup> place since last year), three received the same rankings as in 2009, and six banks received lowered rankings. (See Table 3.1)

**Table 3.1**

<b>Bank Name</b>	<b>Score</b>	<b>2011 Ranking</b>	<b>2010 Ranking</b>
Industrial and Commercial Bank of China (ICBC)	0.146690872	2	3
Bank of China	0.085272498	5	5
China Construction Bank	0.065072536	8	6
Agricultural Bank of China	0.050951488	11	–
Bank of Communications	0.082108344	7	8
China CITIC Bank	0.095075156	4	7
China Minsheng Bank	0.063874513	9	9
China Merchants Bank	0.058964887	10	2
Industrial Bank	0.160502818	1	1
Shanghai Pudong Development Bank	0.126230516	3	4
China Everbright Bank	0.025218032	16	–
Bank of Beijing	0.031397823	13	12
Huaxia Bank	0.036119864	12	10
Shenzhen Development Bank	0.083107642	6	14
Nanjing Bank	0.030844068	14	11
Ningbo Bank	0.027775615	15	13

In its *Undisclosed Policy Documents* statement ICBC said systems and methods relating to green credit policy cannot be publicly disclosed due to the security classification of the related documents but assured that these systems and methods have been reviewed by a third party.

### 3.2. Formulation of Environmental Policies<sup>22</sup>

National green credit policy has risen to a new level and is now included in guidelines, standards, and new perspectives for the banking sector. However, whether or not these policies will play a significant role in the actual operations of the banking sector depends on whether or not banks incorporate environmental and social responsibility into their business models through strong internal policies that truly reflect the spirit of the national green credit policies and guidelines.

The following are some of the responses and feedback to our 2010 environmental and social responsibility survey of the banking sector:

ICBC formulated *Comments on Strengthening the Development of Green Credit, Comments of Further Good Credit Practices for Energy Conservation, Notice of Implementation of Green Credit Classification and Management in Domestic Corporate Loans, ICBC Post-Loan Management Approach for Special Environmental Focus Industry Clients, Notice on Further Strengthening Environmental Risks Prevention and Control Mechanisms*, and other systems.

Bank of China issued *Credit Guidelines for Energy-Saving and Emission-Reduction Activities*.

Agricultural Bank of China released *2010 Credit Policy Guidelines*, a series of systematic approaches.

Bank of Communications passed new updates and revisions to their credit-lending system, including 31 concrete industry-specific action points for formulating, implementing, and managing green credit. In 2008, the bank developed its “3 color 7 indicator” classification standard as part of their environmental protection operating manual. The standard improved their green credit management through identifying clients' level of excellence and commitment to environmental issues.

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<sup>22</sup> In our view, comprehensive banking policy should: address societal needs; have good continuity with few gaps; be feasible and effective; and be comprehensive. Only by using the above-mentioned indicators can a comparison between bank policy be truly objective. Regrettably, for this analysis of banks' environmental policies we only have access to public CSR reports and banks' responses to our policy questionnaire. In addition, there were a few banks (such as China Merchants Bank) that developed and introduced a series of policies related to green credit in 2009, but because we never saw any of the texts or follow-up reports we are unable to determine whether or not the policies have been enacted. The one-year time delay between banks releasing their annual reports and our publication may mean that a given bank may no longer be abiding by the environmental policies that we are evaluating. As such, the two most important elements of this year's policy evaluation are: whether or not banks have environmental policies in place this year, and the degree to which green credit policies have been implemented.

China Minsheng Bank released the following: *Green Credit Policy Guidance, 2010 Risk Policy Guidelines*, and *China Minsheng Bank Methods for Supervising, Assessing, and Managing Supplier Procurement*.

China Merchants Bank released *Carbon Consumption Reduction Initiatives and Measures* to be used as internal guiding principles for reducing carbon consumption.

Industrial Bank was the first bank to formulate and implement their own foundation of green credit policies based on the *Equator Principles: Project Finance Management Approach with Application of the Equator Principles* and *Project Financing Classification Guidelines with Application of the Equator Principles*.

Shanghai Pudong Development Bank released, *2010 Credit Policy Guidelines, Five-Year Green Credit Development Plan*, and drafted *Post-Copenhagen Conference Prospective Carbon-Reduction and Economic Plans to Develop Green Credit*.

Huaxia Bank established risk compliance policies, including *Huaxia Bank Methods for Risk Management*, which included clear risk management goals; the bank also refined its risk monitoring and management requirements, and formulated *Huaxia Bank Worker Compliance Handbook*.

Shenzhen Development Bank released their 2010 *Corporate Credit Policy Guidelines*, one portion of which focused on developing green credit principles and environmental protection.

The other banks have yet to develop environmental policies.

Generally speaking, 2010 saw slight improvements in listed banks' environmental policies. Industrial Bank leads the industry in environmental and green credit policy and implementation. Bank of Communications, Shanghai Pudong Development Bank, and China Minsheng Bank have also all shown good performance for two consecutive years. Moreover, the banks that did not have environmental policies in 2009 (including ICBC, Bank of China, Huaxia Bank, and Shenzhen Development Bank) all developed environmental and risk assessment policies in 2010.

China Construction Bank, China CITIC Bank, Bank of Nanjing, and Bank of Ningbo did not make any progress in 2010 towards developing environmental and social management policies or risk assessment guidelines. Moreover, both China Merchants Bank and Bank of Beijing had weaker environmental and social policies this year compared to last year. While the

newly added Agricultural Bank of China released its *2010 Credit Guidelines* with systems to implement those policies, another newly added bank, China Everbright Bank, did not have any environmental policies.

In total, there were eight banks that developed new environmental policies in 2010. ICBC, Bank of China, Bank of Communications, China Minsheng Bank, Industrial Bank, and Shanghai Pudong Development Bank all had varying levels of policy development, with each bank focusing on different elements of green credit, lending guidelines, and decision-making. Huaxia Bank's policies focused primarily on risk management and compliance. In 2010, China Merchants Bank added new policies relating to domestic carbon reduction, but weakened those relating to green credit.

**Table 3.2**

<b>Bank Name</b>	<b>Score</b>	<b>2011 Ranking</b>	<b>2010 Ranking</b>
Industrial and Commercial Bank of China (ICBC)	0.125780657	2	9
Bank of China	0.049196469	8	4
China Construction Bank	0.020484796	14	8
Agricultural Bank of China	0.049360457	7	-
Bank of Communications	0.070033975	6	3
China CITIC Bank	0.024985891	11	14
China Minsheng Bank	0.124452097	3	5
China Merchants Bank	0.046613093	10	2
Industrial Bank	0.210425078	1	1
Shanghai Pudong Development Bank	0.074767739	4	6
China Everbright Bank	0.020856446	13	-
Bank of Beijing	0.021391735	12	7
Huaxia Bank	0.072362159	5	11
Shenzhen Development Bank	0.048319815	9	11
Nanjing Bank	0.020484796	14	10

Ningbo Bank	0.020484796	14	11
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### 3.3 Environmental Measures<sup>23</sup>

Chinese banks' environmental policies and standards, as outlined in section 3.2, currently reflect only a portion of the national green credit and environmental responsibility policies. In the future, whether or not the banking industry will reflect the spirit and goals of national green credit policy will depend in large part on each bank fully incorporating realistic and effective environmental measures into their investment and decision-making policies.

In 2010, each of the monitored banks that we monitored included some form of environmental measures in their corporate social responsibility report, and the number of banks that actually implemented environmental measures or standards increased compared to last year. Some of these measures included, *Environmental Protection Credit Veto System*, *Protection and Control* including comprehensive credit policies, *Examining Discrepancies in Credit Standards*, *Client management and control*, and *Switching equities*. There were also a few banks that stood out for establishing unique environmental measures. Some examples are: Industrial Bank took the *Equator Principles* as a model for managing environmental and social risks associated with the banks' development projects; Shanghai Pudong Development Bank introduced high-emission financial transaction services; China Everbright Bank and Bank of Beijing both ran “carbon-neutral” trial operations; and Huaxia Bank introduced financial support for domestic and international energy-saving and emission reduction equipment and service providers.

In terms of ranking, there were only small changes in each bank's performance compared to 2009. China Minsheng Bank and China Merchants Bank both fell in rankings. For China Minsheng Bank, this was primarily due to their failure to adhere to national green credit policies or to design their own environmental measures. For China Merchants Bank, although the bank developed environmental protection measures in 2009, no progress was evident in implementing these measures, reporting on their effectiveness, or drafting new policies during 2010. Bank of Communications rose from 9<sup>th</sup> place to 4<sup>th</sup> place due to their call for an industry-specific 31-point green credit operation and management plan. This plan sets a norm for quantifying and

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<sup>23</sup> We believe that any evaluation of banks' environmental measures should include considerations of their standards' strength, effectiveness, strictness, and level of implementation. However, the above information on environmental measures is primarily drawn from corporate social responsibility reports. As of yet, there are few other information channels available for monitoring banks' commitment to environmental and social responsibility.

managing the “Two Highs” industries; technology, products, and equipment regulations; as well as environmental protection standards.

**Table 3.3**

<b>Bank Name</b>	<b>Score</b>	<b>2011 Ranking</b>	<b>2010 Ranking</b>
Industrial and Commercial Bank of China (ICBC)	0.086903569	4	2
Bank of China	0.031614207	8	6
China Construction Bank	0.031614207	8	6
Agricultural Bank of China	0.031614207	8	–
Bank of Communications	0.031614207	8	6
China CITIC Bank	0.031614207	8	6
China Minsheng Bank	0.123703453	3	4
China Merchants Bank	0.168444286	2	2
Industrial Bank	0.217438536	1	1
Shanghai Pudong Development Bank	0.031614207	8	6
China Everbright Bank	0.031614207	8	–
Bank of Beijing	0.031614207	8	6
Huaxia Bank	0.031614207	8	6
Shenzhen Development Bank	0.052954515	5	6
Nanjing Bank	0.033013888	6	5
Ningbo Bank	0.033013888	6	6

### **3.4 Environmental Affairs Department Set Up**

Whether a bank has set up a special department, specialized positions and/or equipped with dedicated staff responsible for green credit to a large extent reflects the bank's actions to implement the green credit policy but also contributes to everyday work on green credit and sustainability. Currently, all banks have in place mainly the following ways of daily work and duties pertaining to green credit:

Establishment of full responsible departments and personnel



Industrial Bank Headquarters established a sustainable finance office which is responsible for full implementation of environment and social risk management policies and the *Equator Principles*; the main functional responsibilities of the office include: 1. Application of the *Equator Principles* to project financing and environmental and social risk management mechanisms; 2. Leading organization of project financing and environmental and social risk reviews using the *Equator Principles*; 3. Providing application of the *Equator Principles* to project financing and environmental and social risk management consulting, advice and training; 4. Managing the bank's environmental and social risk expert resources; 5. Information disclosure and reporting on the *Equator Principles*. Industrial Bank Headquarters also set up a Centre for Sustainable Finance, which focused its work on energy-efficient financing, as well as product development and marketing of environmental finance and carbon finance, and is equipped with environmental officials responsible for coordinating work of environmental and social risk management. The bank's branches also have sustainable finance departments.

Including “Green finance” as a specialized service in the functional terms of reference of relevant departments

China Minsheng Bank set up a dedicated agency to promote socially responsible banking; each department at the headquarters as well as every branch has a social responsibility contact person who is in charge of coordinating relevant departments' efforts to fulfill their social responsibilities. Green Credit is among their functions.

ICBC has a Credit Management Department in its headquarters which is responsible for green credit policy formulation, monitoring and day-to-day management.

China Merchants Bank had said in previous reports that the Corporate Banking Division Head Office, Credit Management Department Head Office, and Credit Approval Head Office all had certain environmental responsibilities. The bank indicated in its responses to the 2009 questionnaire that it had clearly defined green credit responsibilities for various departments.

The other 12 banks did not disclose whether they have delegated any environmental responsibilities to relevant institutions or personnel. (Ranked as detailed in Table 3.4)

**Table 3.4**

<b>Bank Name</b>	<b>Score</b>	<b>2011 Ranking</b>	<b>2010 Ranking</b>
Industrial and Commercial Bank of China (ICBC)	0.086903569	4	2

Bank of China	0.031614207	8	6
China Construction Bank	0.031614207	8	6
Agricultural Bank of China	0.031614207	8	–
Bank of Communications	0.031614207	8	6
China CITIC Bank	0.031614207	8	6
China Minsheng Bank	0.123703453	3	4
China Merchants Bank	0.168444286	2	2
Industrial Bank	0.217438536	1	1
Shanghai Pudong Development Bank	0.031614207	8	6
China Everbright Bank	0.031614207	8	–
Bank of Beijing	0.031614207	8	6
Huaxia Bank	0.031614207	8	6
Shenzhen Development Bank	0.052954515	5	6
Nanjing Bank	0.033013888	6	5
Ningbo Bank	0.033013888	6	6

### 3.5 Loans to Nationally-Defined High-Emission High-Energy Consumption (“Two Highs”) Industries

In 2010, China Everbright Bank, Bank of Beijing, Shenzhen Development Bank, Bank of Nanjing, and Bank of Ningbo did not release their lending data for nationally-defined high-emission high-energy consumption industries, also known as the “Two Highs”. The other 11 banks released their credit records.

ICBC granted a total of 131.2 billion RMB in loans to seven overcapacity industries,<sup>24</sup> accounting for 2.79% of the bank's total outstanding credit, down 0.33% from the beginning of the year.

Bank of China's loans to the manufacturing industry decreased by 5.5% this year, and loans to overcapacity steel and cement industries decreased by 5.4%.

<sup>24</sup> Statistical standards of the ICBC show: iron and steel, cement, plate glass, coal chemical, polysilicon, wind power equipment and shipbuilding

In a report on denying credit to non-conforming high-emission high-energy consumption industries, China Construction Bank disclosed their cumulative loans for six “Two Highs” industries of 104.55 billion RMB.<sup>25</sup>

Agricultural Bank of China's loans to overcapacity and “Two Highs” industries increased in 2010, but by 4.4% less than the bank's average increase in loans to other industrial and corporate sectors. Furthermore, Agricultural Bank of China rejected 42 projects on environmental basis, including a 2.72 billion RMB loan.

Bank of Communications released a three-year report that detailed the bank's investments in high-emission, high-energy consumption, and overcapacity industries from 2008 to 2010; these loans accounted for 8.67%, 7.67% and 6.90% of total lending, respectively.<sup>26</sup>

China CITIC Bank released statistics, outstanding credit balances, and industry-specific information on the bank's loans from 2009 and 2010 to “Two High” industries.<sup>27</sup> China CITIC Bank's loan balances to high-emission and high-energy consumption industries totaled 88.23 billion RMB and 89.18 billion RMB, accounting for 10.18% and 9.04% of total loans, respectively.

This year, China Minsheng Bank reduced their annual loans for “Two Highs” industries down to 427.5 million RMB.

China Merchants Bank released their three-year report on the bank's outstanding credit balances for “Two Highs” and overcapacity industries from 2008 to 2010.<sup>28,29</sup> At the end of 2010, outstanding loans to “Two Highs” industries totaled 105.08 billion RMB, accounting for 13.45% of the bank's total domestic corporate loans, a decrease of 1.43% from the beginning of the year. The total growth of the bank's “Two Highs” loans this year was 9.18%, lower than the average growth rate of 20.79% for other domestic corporate loans. The bank's non-performing loan rate for “Two Highs” loans was 0.59%,<sup>30</sup> lower than both the 0.99% non-performing loan

<sup>25</sup> The statistics of the China Construction Bank: iron and steel (0.45%), the ferroalloy (0.00%), cement (0.46%), aluminum smelting (0.42%), petroleum coke (0.14%) and thermal power (4.40%).

<sup>26</sup> Bank of Communications statistics show investment in: iron and steel, ferroalloy, cement, electrolytic aluminum, television, petroleum coke and coal power industries.

<sup>27</sup> China CITIC Bank statistics show investment in: iron and steel, cement, coke, copper smelting, aluminum smelting, lead and zinc smelting and coal-fired power industries.

<sup>28</sup> China Merchants Bank statistics show investment in: petroleum processing, coking and nuclear fuel processing industries; chemical raw materials and chemical products manufacturing; non-metallic mineral products industry; ferrous metal smelting and rolling processing industry; non-ferrous metal smelting and rolling processing industry; thermal power.

<sup>29</sup> China Merchants Bank statistics show investment in: iron and steel, cement, coal chemical industry, flat glass, shipbuilding, polysilicon and wind power equipment.

<sup>30</sup> On the issue of “Two Highs” and non-“Two High” defect rate: if the green credit policy is strictly enforced, “Two Highs” defect

rate for domestic corporate loans and 0.69% rate for proprietary loans. China Merchants Bank's credit portfolio for overcapacity industries totaled 30.23 billion RMB in 2010, 3.87% of domestic corporate loans with a non-performing rate of 0.16%

In 2010, Industrial Bank's outstanding credit balance for "Two Highs" industries was 49.21 billion RMB with a non-performing loan rate of 0.88%. This represents a 1.12 billion RMB (2.24%) decrease from the end of last year, and a 0.28% decrease in non-performing loans. Industrial Bank refused loans to 42 companies whose operations were below requirements; the amount of these loans totaled 5.72 billion RMB; for this sector the non-performing loan ratio was 0.49%.

In 2010, Shanghai Pudong Development Bank withdrew 22.7 billion RMB in loans from high-emission and high-energy consumption industries, and rejected 300 million RMB in loans to a nonferrous metals smelting group because of the industry's high level of pollution and energy consumption. In particular, the smelting group was processing lead and zinc, two metals with much larger environmental impacts than other nonferrous metals.

From the beginning to the end of 2010, Huaxia Bank's total credit with the steel and cement industries decreased 1.4% due to stronger regulations.

On the whole, we found that using the above information (which is only the banks' publicly disclosed information) to comprehensively track, analyze, and rate the progress of listed Chinese banks in implementing regulations for "Two Highs" industries is a nearly impossible task. Because some banks did not disclose any information regarding their credit situation with "Two Highs" industries, we were unable to rate their progress in relation to the other reviewed banks. As in past years, we found that there are no uniform classifications or uniform statistical standards for the "Two Highs" reporting, with each bank disclosing information in line with their own individual standards. Due to this lack of horizontal comparability, it is difficult to classify the current progress of banks towards withdrawing from "Two Highs" industries. We recommend that the CBRC and the Ministry of Environmental Protection work together to formulate a number of unified and consistent classifications and statistical progress standards. Another challenge is that each bank disclosed different data in reporting on their involvement in "Two Highs" industries. Some banks disclosed their outstanding loan balances, other banks

disclosed the financial amount withdrawn from “Two Highs” industries, while others disclosed the number of loan applications they denied due on environmental basis.

Lastly, many banks released their non-performing loan rates. However, in many cases, “Two Highs” industries externalize social costs in order to repay the bank. As such, even though these cases may be characterized as “good loans,” the negative environmental and social impacts to the local community have increased. This is an issue that needs to be addressed in future “Two Highs” reporting.

We are able to make some conclusions based on the existing data. Despite differences in statistical reporting, it is clear that many banks are approaching the following industries more cautiously: steel, cement, thermal power, metallurgy, coal, and coal chemical. Furthermore, the publicly available data suggest a downward trend in the percent of loans granted to “Two Highs” industries. This does not, however, necessarily mean that the total amount of lending has decreased. For example, China Merchants Bank reported that the proportion of “Two Highs” loans in their lending portfolio decreased in 2010, but their outstanding balance with overcapacity industries increased. We believe that the total increase in environmental concern depends on the bank. We hope that the total amount and proportion of loans to “Two Highs” and overcapacity industries has decreased, and will continue to decrease. One example of this is Industrial Bank. Compared with the end of 2009, Industrial Bank's loans to "Two Highs" industries decreased by 1.13 billion RMB, a 2.24% decline in relation to the bank's other corporate loans. The situation of “Two Highs” loans is shown in Table 3.5.

**Table 3.5**

<b>Bank Name</b>	<b>Score</b>	<b>2011 Ranking</b>	<b>2010 Ranking</b>
Industrial and Commercial Bank of China (ICBC)	0.121736982	3	2
Bank of China	0.073807832	5	9
China Construction Bank	0.170863863	1	4
Agricultural Bank of China	0.059826063	7	-
Bank of Communications	0.071488618	6	8
China CITIC Bank	0.034253038	9	6

China Minsheng Bank	0.034253038	9	7
China Merchants Bank	0.055125261	8	1
Industrial Bank	0.166588308	2	5
Shanghai Pudong Development Bank	0.079373279	4	3
China Everbright Bank	0.014371918	16	-
Bank of Beijing	0.021637768	12	10
Huaxia Bank	0.034253038	9	10
Shenzhen Development Bank	0.021252194	13	10
Nanjing Bank	0.020584401	14	10
Ningbo Bank	0.020584401	14	10

### 3.6 Loans to Energy-Efficient and Environmentally-Friendly Industries

Except for China Everbright Bank, Shenzhen Development Bank, and Bank of Ningbo, the remaining 13 banks have disclosed in their 2010 CSR reports information about environmental protection loans. From the disclosed information:

First of all, banks disclosed varying amounts of statistics on environmental protection loans, and some statistical items are too general and vague thus it is impossible to determine their field of investment (e.g., 'Environmental Protection Loan' of China Construction Bank, 'Energy-saving and Environmental Protection Project Loans' of Agricultural Bank of China, China CITIC Bank's 'Energy-saving and Environmental Protection Loans', China Merchants Bank's 'Environmental Protection Field Loans', Bank of Nanjing 'Public Utilities and People's Livelihood Project Loans'). From the currently available information it can be understood that each bank has "environmental protection loans" or "green loans" in areas of clean energy, new energy development and utilization of energy-saving technological innovations, urban sewage treatment and solid waste recycling, and Clean Development Mechanisms projects (CDM).

Second, the amount of environmental protection loans disclosed by 13 banks in 2010 has amounted to 1.220677 trillion RMB.

Finally, compared with 2009, Bank of China and Industrial Bank's performance in environmental lending has shown significant progress, with the banks' rankings going up from ten and seven to two and one, respectively. Bank of China 2010 annual green credit balance

came out to be 1,921.12 billion RMB, with 41.79 billion RMB being added green credit, an increase of 27.8% from last year. Among other investments, credits to wind power, environmental protection, energy saving, new energy vehicles, new energy equipment projects increased by 50%, 30%, 63%, 14% and 30%, respectively. Industrial Bank's 2010 annual payments to energy saving loan were 31.285 billion RMB for water environment management industry as well as wind, solar, geothermal, hydropower, biogas, biomass and utilization of renewable energy projects, etc. In 2010, the bank implemented 75 *Equator Principles* projects, total investment in which amounted to 99.365 billion RMB. Industrial and Commercial Bank of China (ICBC), Bank of China, China Construction Bank, Agricultural Bank of China, Bank of Communications all had relatively large proportion of investments in the field of environmental protection. For example, Industrial and Commercial Bank of China (ICBC) investments in green economy amounted to 507.452 billion RMB at the end of 2010; Bank of China in 2010 invested a total of 1,921.12 billion RMB in green credit, with new green credit of 41.79 billion RMB, an increase of 27.8%; China Construction Bank green credit loans totaled 1,958.06 billion RMB in 2010, an increase of 8.12% from the previous year; Agricultural Bank of China Bank's loans to energy-saving and environmental protection project totaled 59.713 billion RMB; finally, Bank of Communications loans totaled 62.2 billion RMB in 2010. The above-mentioned banks have also disclosed project-specific information. China Merchants Bank disclosed less information on environmental lending but in 2010 it released two green finance projects: green equipment buyer's credit and green finance lease; the bank also signed on to two Sino-French credit programs for the support of domestic enterprise capacity to carry out renewable energy and industrial energy efficiency projects.

Other banks had outstanding performance in environmental protection loans. (See table 3.6).

**Table 3.6**

<b>Bank Name</b>	<b>Score</b>	<b>2011 Ranking</b>	<b>2010 Ranking</b>
Industrial and Commercial Bank of China (ICBC)	0.096415171	4	2
Bank of China	0.141177726	2	10
China Construction Bank	0.121848712	3	2

Agricultural Bank of China	0.044859049	8	–
Bank of Communications	0.065982329	6	6
China CITIC Bank	0.029013376	10	5
China Minsheng Bank	0.019599777	13	11
China Merchants Bank	0.061199478	7	2
Industrial Bank	0.182383147	1	7
Shanghai Pudong Development Bank	0.096415171	4	1
China Everbright Bank	0.013416965	16	–
Bank of Beijing	0.028684642	12	8
Huaxia Bank	0.04253345	9	9
Shenzhen Development Bank	0.013605395	15	13
Nanjing Bank	0.029013376	10	14
Ningbo Bank	0.013852235	14	12

### 3.7 Social Criticism

This section highlights only the banks whose investment behavior posed potential risks or caused negative environmental and/or social impacts, and who were consequently subject to criticism by the public as well as environmental or other social groups. In 2010, Bank of China, Industrial and Commercial Bank of China (ICBC), China Construction Bank, Agricultural Bank of China and Bank of Communications came under social criticism for their investments in controversial overseas projects. (See Table 3.7.1)

**Table 3.7.1**

<b>Bank Name</b>	<b>Project</b>	<b>Host Country</b>
Industrial and Commercial Bank of China (ICBC)	Shwe Gas and Pipelines Projects	Myanmar
	Gibe III Dam	Ethiopia
	Enbridge Northern Gateway Pipes	Canada
Bank of China	Sasan Ultra Mega Power Project	India
	Belinga Iron Ore Project	Gabon



	Shwe Gas and Pipelines Projects	Myanmar
	Rio Blanco Copper Mine	Peru
	Kajbar Dam	Sudan
China Construction Bank	Mining in Goa/ Sesa Goa	India
	Shwe Gas and Pipelines Projects	Myanmar
	Rio Blanco Copper Mine	Peru
Agricultural Bank of China	Rio Blanco Copper Mine	Peru
Bank of Communications	Shwe Gas and Pipelines Projects	Myanmar

First of all, although the above-mentioned controversial projects are all Chinese banks' overseas investment projects, this does not mean that these investment banks did not cause negative environmental and/or social impacts domestically. On the contrary, the vast majority of domestic environmental pollution incidents in recent years has frequently had the banks' financial support. However, due to difficulties in obtaining information, it is hard to see the society's criticism of the banks' negative environmental performance in their investment projects.

Second, the controversial projects are all focused around development and utilization of natural resources and construction of infrastructure. These two industries are the main focus of overseas expansion of Chinese capital but also the areas that are most likely to cause environmental controversies; thus, other international financial institutions are cautious to get involved in these areas. Finally, as seen from the project-triggered disputes, destruction of the natural environment, biodiversity, cultural traditions and disregard for indigenous peoples' interests are the main aspects of the sensitive issues caused by the above investments; the lack of necessary environmental and social impact assessments before the projects' implementation is another important issue.

At the time of publication of this report, no information has been found on other social criticism cases of other banks' controversial investment projects. For banks' rankings, see Table 3.7.2.

**Table 3.7.2**

<b>Bank Name</b>	<b>Score</b>	<b>2011 Ranking</b>	<b>2010 Ranking</b>
Industrial and	0.01511692	15	14

Commercial Bank of China (ICBC)			
Bank of China	0.011502028	16	11
China Construction Bank	0.020736469	14	13
Agricultural Bank of China	0.03005299	12	–
Bank of Communications	0.03005299	12	11
China CITIC Bank	0.081139873	1	8
China Minsheng Bank	0.081139873	1	6
China Merchants Bank	0.081139873	1	10
Industrial Bank	0.081139873	1	1
Shanghai Pudong Development Bank	0.081139873	1	1
China Everbright Bank	0.081139873	1	–
Bank of Beijing	0.081139873	1	1
Huaxia Bank	0.081139873	1	9
Shenzhen Development Bank	0.081139873	1	6
Nanjing Bank	0.081139873	1	1
Ningbo Bank	0.081139873	1	1

Response from ICBC: for the part of formulation that states “as seen from the project-triggered disputes, destruction of the natural environment, biodiversity, cultural traditions and disregard for indigenous peoples' interests are the main aspects of the sensitive issues caused by the above investments; the lack of necessary environmental and social impact assessments before the projects' implementation is another important issue”, ICBC responded that it has received environmental impact assessment reports issued by environmental protection departments of local governments for all its environment-related projects prior to financing these projects.

### 3.8 Accession to International Environmental Standards

At present, accession to international environmental standards of Chinese banks remains minimal. The acceded banks are as follows:

Industrial Bank adopted the *Equator Principles*, and joined United Nations Environment Programme Finance Initiative (UNEP FI) and Carbon Disclosure Project;

China Merchants Bank joined United Nations Environment Programme Green Finance Initiative (UNEP FI);

Industrial and Commercial Bank of China (ICBC) joined Carbon Disclosure Project.

In 2009, China Construction Bank joined preparatory work on the *Equator Principles*; China Minsheng Bank in 2009 conducted a special study of the *Kyoto Protocol* and the *Equator Principles*; China CITIC Bank has launched a study of the *Equator Principles* but has not yet acceded to the principles. Other banks have not acceded to or joined any international environment guidelines for the preparation of information.

In particular, Industrial Bank is the only Equator Bank in China and it also actively participates in international environmental standard-setting. In 2010, the bank participated in the review of the *Equator Principles* “performance standards” and the revision of the guidance notes, and was invited to propose changes to the performance standards and guidance. In November 2010, the bank's Legal Compliance Department officials were invited to the Elected Global Reporting Initiative Stakeholders Committee and asked to become its members starting January 1, 2011 to actively participate in the revision of the G3 framework. In December 2010, the bank was invited to participate in “Equator Principles Strategy Seminar” organized by the Equator Principles Steering Committee, and to take part in the Equator Principles Development Strategy in the next five years to discuss, from the special perspective of China, and to promote through the media platform the concept of sustainable development and green living.

Each bank's ranking in this indicator is shown in Table 3.8.

**Table 3.8**

<b>Bank Name</b>	<b>Score</b>	<b>2011 Ranking</b>	<b>2010 Ranking</b>
Industrial and Commercial Bank of China (ICBC)	0.123034518	2	3
Bank of China	0.04104336	5	8
China Construction	0.04104336	5	4

Bank			
Agricultural Bank of China	0.04104336	5	–
Bank of Communications	0.04104336	5	8
China CITIC Bank	0.04104336	5	6
China Minsheng Bank	0.04104336	5	5
China Merchants Bank	0.078290079	3	2
Industrial Bank	0.228949297	1	1
Shanghai Pudong Development Bank	0.04104336	5	7
China Everbright Bank	0.04104336	5	–
Bank of Beijing	0.04104336	5	10
Huaxia Bank	0.04104336	5	10
Shenzhen Development Bank	0.077205787	4	10
Nanjing Bank	0.04104336	5	10
Ningbo Bank	0.04104336	5	10

### 3.9 Internal Energy-Saving and Environmental Protection Activities

Although the environmental footprint of banks' internal operations is far outweighed by that of their lending policies and credit flows, classifying and ranking banks' internal energy-saving and environmental protection activities is still important. Overall, the majority of the 16 listed Chinese banks have consistently reported on their internal environmental performance.

It is clear that the listed banks' efforts to advocate for and implement internal environmental policies are indeed making a difference. The majority of the banks' have introduced electronic banking, implemented paperless offices, instituted recycling programs for office equipment, reduced the use of disposable cups, decreased lighting energy use, facilitated remote meetings, and participated in WWF's "Earth Hour."

Some further practices include:

1. Supplier Management. China Construction Bank developed a supplier management procedure that focuses on environmental awareness and protection in procuring company vehicles, IT equipment and office supplies, as well as other products; Bank of China uses the

ISO 14000 standard when procuring business supplies to ensure that all of their providers abide by current environmental protection and safety qualifications; China Merchants Bank considers green and environmentally-friendly products when making new purchases; Shanghai Pudong Development Bank evaluates the green credentials of their contractors and suppliers when renovating office buildings and bank branches; and China Minsheng Bank includes environmentally-friendly practices as a pre-contract requirement for suppliers.

2. For the first time among this group of banks, China Construction Bank launched a program to statistically measure their environmental performance and increase internal energy savings.

3. China Merchants Bank implemented a working group on low-carbon operations; the working group is responsible for evaluating, supervising, and strengthening the bank's low-carbon performance.

Our ranking of listed banks' internal environmental performance is shown in Table 3.9.

**Table 3.9**

<b>Bank Name</b>	<b>Score</b>	<b>2011 Ranking</b>	<b>2010 Ranking</b>
Industrial and Commercial Bank of China (ICBC)	0.108959207	4	2
Bank of China	0.072757486	5	9
China Construction Bank	0.11048945	3	6
Agricultural Bank of China	0.028185114	11	-
Bank of Communications	0.046369437	7	5
China CITIC Bank	0.15386335	2	8
China Minsheng Bank	0.04910244	6	4
China Merchants Bank	0.045027136	9	3
Industrial Bank	0.197179347	1	1
Shanghai Pudong Development Bank	0.027369212	12	7
China Everbright Bank	0.016843276	16	-
Bank of Beijing	0.024309051	14	10
Huaxia Bank	0.026016621	13	13

Shenzhen Development Bank	0.045209127	8	11
Nanjing Bank	0.019738794	15	12
Ningbo Bank	0.028580951	10	14

### 3.10 Outreach Activities

Except for Bank of Nanjing, Bank of Ningbo, Bank of China, and Bank of Beijing, the other 12 banks all discussed environmental advocacy with customers and peer companies in their corporate social responsibility reports. In terms of environmental advocacy, these 12 banks reported on: participating in environmental forums and seminars, engaging with the community on themes of “low-carbon living” and “green finance,” and supporting employees that are involved in environmental protection activities. In addition, some banks have implemented unique environmental programs. For example:

1. Industrial Bank has begun using media as a method for community environmental advocacy. The bank has environmental publications and advertisements on Sina.com, 21st Century Business Herald's “low-carbon weekly,” SOHU green channel, and Fujian television station. Industrial Bank also launched a public blog for clients and community members to better understand the *Equator Principles*.

2. Industrial Bank also stood out for exemplary cooperation with international organizations in the area of sustainable finance operations: the bank continued to communicate with, and work alongside the International Finance Corporation (IFC) to increase sustainable finance capacity and innovation; worked with the Standard Bank of South Africa to develop an environmental and social risk management system and reach a consensus to promote the *Equator Principles* in emerging market countries; communicated with the Japanese Mizuho Bank on expanding the *Equator Principles* in China; and hosted representatives from China CITIC Bank as part of an exchange to learn more about the *Equator Principles*.

Table 3.10 shows our ranking of listed Chinese banks' peer company and client advocacy.

**Table 3.10**

Bank Name	Score	2011 Ranking	2010 Ranking
Industrial and Commercial Bank of China (ICBC)	0.116807362	3	4

Bank of China	0.02168076	13	4
China Construction Bank	0.052717293	6	11
Agricultural Bank of China	0.033932224	11	-
Bank of Communications	0.034321096	10	13
China CITIC Bank	0.052119984	7	6
China Minsheng Bank	0.051191235	8	8
China Merchants Bank	0.079266767	4	2
Industrial Bank	0.219620152	1	1
Shanghai Pudong Development Bank	0.153216413	2	3
China Everbright Bank	0.048341971	9	-
Bank of Beijing	0.019057189	14	7
Huaxia Bank	0.054070304	5	8
Shenzhen Development Bank	0.027615448	12	12
Nanjing Bank	0.017792574	16	8
Ningbo Bank	0.018249227	15	14

### 3.11 Overseas Investments Performance

Before giving a brief overview and evaluation of the banks' overseas investments records, it should be noted that the original intent of the “Overseas Investments Performance” indicator is to evaluate the banks' investment in the overseas projects, business scope and environmental impact of these projects, and the development of overseas investment policy. From the available information it can be seen that, in 2010, Bank of China overseas investment were disclosed in its CSR report, Industrial and Commercial Bank of China (ICBC) described its overseas investments in the questionnaire response, and Industrial Bank and Shenzhen Development Bank are yet to carry out overseas investment activities. The other banks did not voluntarily disclose their overseas investments and related policies, and because of limitations of the existing information channels, we were unable to collect more information available from other sources. Therefore, it was challenging to complete a full investigation and compare indicators based on a series of complex variables.

Banks' initiative to disclose information (through Corporate Social Responsibility Reports and responses to our questionnaire) shows the following facts:

1. At the end of 2010, Bank of China had outstanding loans to foreign institutions, equivalent to 7,036.98 billion RMB, including investments in Hong Kong, Macao and Taiwan regions – 4,539.17 billion RMB, and in other countries and regions – 2,497.81 billion RMB; in 2010, the bank supported Sinopec, State Grid Corporation, CNOOC and other domestic enterprises to complete overseas merger & acquisition loans for 25 projects.

2. In 2010, the main overseas investment sectors of Industrial and Commercial Bank of China included oil and gas development industries as well as mineral extraction, processing and manufacturing industries. ICBC investments were placed in key regions and countries: Angola, Botswana, Nigeria, and Zambia in Africa; Argentina, Venezuela and the US in the Americas; Kazakhstan, Japan, Singapore, Australia and Oceania in Asia; and Russia in Europe. ICBC lent a total of 45 billion RMB, which accounted for 0.66% of its total loans, a 50% increase since 2009.

3. Industrial Bank and Shenzhen Development Bank said that they were not engaged in any overseas investment activities.

In reply to our questionnaire, Industrial and Commercial Bank of China provided the following information on its overseas investment business:

- in 2010, the bank relied on the existing environmental policies for overseas investment loans but also in the process of investing abroad it adhered to environmental standards in China and in the host counties as well as followed international standards;

- the bank has not set up a special environmental affairs department to be in charge of overseas investment loans;

- overseas investment loans are based on the premise of the classified management of green credit and are subject to more careful analysis and judgment as well as strict management;

- the bank fully considers the impact of foreign investment loans on local religions, customs and cultures. For example, the participation in the Middle East dictated, according to the local culture and business practices, the use of Islamic financing modes;

- the bank usually employs lawyers to conduct audits on projects relating to labor rights and protection; it also works to provide capacity-building and employment opportunities for disadvantaged groups, such as in Kazakhstan, Russia, and other countries and regions, and requires that projects are designed to contain a certain percentage of local employees;



- the bank set up a public relations department specifically to address various issues raised by the media and the public;
- attaches great importance to the potential impact on China's international reputation. First, to prevent political risk, the bank ensures access to foreign governments and environmental authorities for approval, and complies with international environmental conventions, promoting local economic development. Second, to prevent policy risk, it supports Chinese enterprises in going global, while complying with national macro-control policies and with local laws and regulations. Finally, to guard against business risks, the bank ensures loans' security through the comprehensive consideration of the borrower and the guarantor capacity through structural arrangements, and continuously improves its own international competitiveness and China's international reputation;
- in nearly three years of lending overseas loans for investment projects in the environmental and social areas the bank has not had one controversial project.<sup>31</sup>

Other banks have not disclosed information on overseas investments. In its 2009 Corporate Social Responsibility report China Merchants Bank disclosed its overseas investments by industry, nation, and region, as well as the total of overseas investments, but this year no such information was disclosed.

The information we have acquired from alternative channels show that, at least, China Construction Bank has participated in a project financing or corporate loans in India, Myanmar and Peru; furthermore, Agricultural Bank of China has also participated in investment activities in Peru,<sup>32</sup> and some of the projects it has financed have already caused a controversy and criticism of the international community, yet this information was not disclosed in the bank's Corporate Social Responsibility Report. In addition, while Bank of China and Industrial and Commercial Bank of China have disclosed information about their overseas investments, it was limited to the balances of loans and investment by country; project-specific information and local environmental and social impacts were not mentioned.

Each bank's ranking in the indicator is shown in Table 3.11.

**Table 3.11**

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<sup>31</sup> This is inconsistent with section 3.7 of the report regarding social criticism of the banks overseas investment projects.

<sup>32</sup> See section 3.7 of this report.

<b>Name</b>	<b>Bank</b>	<b>Score</b>	<b>2011 Ranking</b>	<b>2010 Ranking</b>
	Industrial and Commercial Bank of China (ICBC)	0.20780292	1	3
	Bank of China	0.11323904	2	3
	China Construction Bank	0.03817893	5	3
	Agricultural Bank of China	0.03817893	5	–
	Bank of Communications	0.03817893	5	3
	China CITIC Bank	0.03817893	5	3
	China Minsheng Bank	0.03817893	5	3
	China Merchants Bank	0.03817893	5	1
	Industrial Bank	0.11040544	3	2
	Shanghai Pudong Development Bank	0.03817893	5	3
	China Everbright Bank	0.03817893	5	–
	Bank of Beijing	0.03817893	5	3
	Huaxia Bank	0.03817893	5	3
	Shenzhen Development Bank	0.11040544	3	3
	Nanjing Bank	0.03817893	5	3
	Ningbo Bank	0.03817893	5	3

Response from ICBC: ICBC believes that for reasons of confidentiality requirements, any disclosed information about its overseas investments as well as domestic investments are limited to loans balances, and is not available on project-level; local environmental and social impacts are not mentioned for the same reason.

### 3.12 Summary

Under the 11 indicators, the 2010 environmental performance of the listed banks in China has generally improved when compared with 2009. However, more practical and effective actions are still needed to satisfy policy requirements and social demand.

- We are delighted to find some changes in the field of information disclosure. Quite a few banks have begun to follow internationally accepted norms (for instance, the G3 Guidelines launched by Global Reporting Initiative (GRI)) when preparing their CSR reports. Nevertheless, the reports did not contain much substantive information nor did they cover extensive shareholders as is required by the G3 Guidelines. Moreover, some CSR reports failed to meet quality standards proposed by the G3 Guidelines. In particular, although the banks all mentioned many policy documents in their CSR reports, the original content or texts were inaccessible except for a few policy texts disclosed by Industrial Bank.

- In general, there was no change in how banks respond to public's need for information disclosure, which was demonstrated by the number of banks that have ignored our questionnaires. However, some banks have always done well in this respect (Industrial Bank and Shanghai Pudong Development Bank) while some others were improving (Industrial and Commercial Bank of China and Shenzhen Development Bank).

- As for environmental policies and measures, except for few banks (e.g. Industrial Bank), most listed banks still constrained their environmental and social risk management toward credits and investments in policies and measures such as “one-vote veto”, “customer list system management” and “differentiated credit policy”. These policies in themselves lacked the basic elements for determining, evaluating and preventing banks' environmental and social risks. Furthermore, they often were not executed efficiently in practice. According to the requirements of the *Equator Principles* (EPs), or following international standard norms, banks' investment decisions and social/environmental guidebooks should contain at least the following elements: Ex-ante EIA, Project Review of the EIA, Industry-Specific Social and Environmental Standards, Ensure Compliance with Host Country Environmental Laws & Regulations, Public Consultations with Communities Affected by the Project, Grievance Mechanism, Independent Monitoring and Review, Establishing Covenants Linked to Compliance and Ex-post EIA<sup>33</sup>. However, these elements were often absent from the environmental policies and measures

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Kevin P. Gallagher, Amos Irwin, Katherine Koleski (February 2012), *The New Banks in Town: Chinese Finance in Latin America*, available at: [http://www.icas.ac.cn/eng/press/2012/02/2012020101.htm](#), visited on 17 Feb, 2012.

disclosed by the 16 listed banks in China.

- Few banks carried out and allocated their environmental and social functions and responsibilities by establishing specialized departments and personnel or by clarifying Green Finance responsibilities for relevant departments. But most banks have no such departments or personnel.
- Although it is not possible for us to make an accurate assessment on how banks limit loans to energy-intensive and highly polluting industries or increase investments to environmental-friendly projects due to diversified standards and limited access to information, we do see a growing tendency for banks to move towards these two directions.
- Banks that have adopted international environmental-protection principles are still isolated.
- Banks all made efforts on internal environmental activities and outreach, but such work barely contributed to sustainable and responsible finance.
- Without fully disclosed information, Chinese finance capital has created increasing environmental and social controversies in its overseas investments which often involve natural resource exploitation and infrastructure construction projects that have adverse impacts. What's worse, the frequent pollution occurring domestically prevent us from being optimistic about the implementation of China's Green Credit policy as there might be irresponsible banking capital behind these incidents.

The environmental performance ranking of listed banks in China in 2010 shows: Industrial Bank, Industrial and Commercial Bank of China, Shanghai Pudong Development Bank, China Merchants Bank, and Shenzhen Development Bank stands at the top five, while Agricultural Bank of China, Bank of Beijing, Bank of Nanjing, Bank of Ningbo and China Everbright Bank at the bottom. Compared with 2009 and excluding the factor that Agricultural Bank of China and China Everbright Bank are newly ranked, banks which made strides towards green credit include: Industrial and Commercial Bank of China, China CITIC Bank, Industrial Bank, Shanghai Pudong Development Bank, Hua Xia Bank and Shenzhen Development Bank, while banks that performed otherwise are: China Construction Bank, Bank of Communications, China Merchants Bank, Bank of Beijing, Bank of Nanjing and Bank of Ningbo. Bank of China and China Minsheng Bank remain the same as 2009.

- Industrial Bank, Industrial and Commercial Bank of China and Shanghai Pudong Development Bank have always excelled in environmental performance than other listed banks in China. In 2010, the three banks are at the top of the ranking list and they also have risen in their place compared with 2009.

- As the first and only Equator bank in China, Industrial Bank had better performance than other listed Chinese banks on indicators of Environmental Information Disclosure, Formulation of Environmental Policies, Loans to Environmentally friendly industries, Adoption of Relevant International Principles, Internal Environmental Activities.

- As the bank that has the most abundant funds in China (and in the world), Industrial and Commercial Bank of China ranks among the best on all eleven indicators except Criticism from Society. And the bank has improved tremendously on Environmental Information Disclosure and Formulation of Environmental Policies. However, ICBC remained one of the most criticized Chinese banks. It has received the most criticism from international community on its environmental and social performance. For example, the bank has met objections from international environmental protection groups and affected communities for investing in projects such as Shwe Gas and Pipelines Projects in Myanmar, Gibe III Dam in Ethiopia, The Enbridge Northern Gateway Pipelines Project in Canada and the Canadian Oil Sand Project.

- Shanghai Pudong Development Bank has made efforts to strengthen its social responsibility work in response to the Green Finance policy. The bank has been actively engaged in dialogues with the public and made innovations on environmental protection measures. Unfortunately, the bank has not established specialized departments or jobs for environmental affairs; neither has it adopted any international environmental principles.

- Shenzhen Development Bank was the fastest rising bank among the 14 banks evaluated last year, and it was also at the front of the list this year. The major reason was the bank's improvement on its information disclosure. The bank used to disclose no environmental or social information and it used to resist public enquiries. In contrast, this year the bank has for the first time followed the GRI's G3 Guidelines and the supplemented Guidelines on Financial Service in its CSR report and introduced in details its environmental and social responsibilities. Furthermore, the bank was one of the three banks that answered our questionnaires in written form, and has communicated to us its views on information disclosure of environmental and

social related issues. Although it is still unclear how the bank will actually perform on its promises, at least it is moving in the right direction. Lastly, the bank has begun to steer its loans to environmental-friendly projects by taking measures such as the list system management on energy-intensive and highly polluting projects and differentiated standards on review loans. Nevertheless, due to unavailable data on its loans to energy-intensive and highly polluting industries as well as loans to Green projects, we cannot make an accurate assessment on its execution of these environmental policies.

- Among the top five banks, China Merchants Bank is the only that saw its position dropping. That was mainly because of its weaker performance on information disclosure and response to public enquires. In addition, the bank's loans to energy intensive and highly polluting industries have risen significantly. However, the bank has made improvement in innovation for Green Finance products, which was still praiseworthy.

- China CITIC Bank and Hua Xia Bank have also climbed in the ranking list, with the latter taking a big leap upward. It was because China CITIC Bank has performed well in Environmental Information Disclosure and Energy Conservation Performance while Hua Xia Bank has made efforts in Formulation of Environmental Policies and Public Advocacy for Environmental Protection.

- Two banks added this year (Agricultural Bank of China and China Everbright Bank) are at the bottom of the ranking list, and China Everbright Bank takes the last position.

- Agricultural Bank of China has a poor performance overall. Firstly, the bank did not have relevant regulations on disclosure of environmental-related information. As a result, its data and information on loans to energy-inefficient and highly-polluting industries, loans to environmentally friendly industries and internal energy consumption were few and far between. Secondly, the bank claimed that it has applied varied measures to limit loans to energy-inefficient and highly-polluting industries and that it has made new policies on loans to industries such as coal chemical, coal carbonization and shipbuilding. But we were not able to assess the relevance of those asserted measures and policies to Green Credit as it has not disclosed detail data. Lastly, there were no special departments or job functions designed for environmental affairs in the bank. Moreover, the bank should have intensified its implementation of environmental measures as there were increasing cases of overseas controversies.

- China Everbright Bank ranks the last for this year's over-all environmental

performance. The bank fairs poorly under such indicators as Environmental Information Disclosure, Establishment of Specialized Departments for Environmental Affairs, Loans to Energy-inefficient and Highly-Polluting Industries, Loans to Environmentally Friendly Industries, Adoption of Relevant International Principles, Internal Environmental Activities and Overseas Investment.

- The three listed local banks in China (i.e. Bank of Beijing, Bank of Nanjing and Bank of Ningbo) have remained behind and their rankings have all fallen compared with last year. The three banks need to improve on most indicators proposed in this report.

- Banks that fell in their rankings also include China Construction Bank and Bank of Communications, in which the former has fallen greatly.

- Along with Agricultural Bank of China, China Construction Bank as a state-owned bank stands at the bottom of the list. The bank had outstanding performance on reduced loans to energy-inefficient and highly-polluting industries, but there was no obvious improvement on many other areas (Environmental Information Disclosure, Formulation of Environmental Policies, Establishment of Specialized Department for Environmental Affairs, Adoption of Relevant International Principles and Overseas Investment.)

- Bank of Communications still has to improve in such areas as Environmental Information Disclosure, Establishment of Specialized Department for Environmental Affairs, Adoption of Relevant International Principles and Outreach and Training. This year the bank has clarified its Green Credit management rules for 31 industries respectively by issuing new rules or revising existing ones. But it is still impossible to accurately assess how its environmental policies and measures have been carried out due to the limited data released by the bank on its loans to energy-inefficient and highly-polluting industries. Table3.11 below compares each bank's overall ranking in 2011 and 2010 reports.

**Table 3.12 Assessment of the banks' overall performances**

<b>Bank Name</b>	<b>Score</b>	<b>2011 Ranking</b>	<b>2010 Ranking</b>
Industrial and Commercial Bank of China (ICBC)	0.09823905	2	3
Bank of China	0.05370959	8	8
China Construction Bank	0.05072117	11	5

Agricultural Bank of China	0.04511684	12	-
Bank of Communications	0.05170512	10	7
China CITIC Bank	0.05891892	7	9
China Minsheng Bank	0.0641152	6	6
China Merchants Bank	0.06800756	5	1
Industrial Bank	0.16042118	1	2
Shanghai Pudong Development Bank	0.07345934	3	4
China Everbright Bank	0.04321836	16	-
Bank of Beijing	0.04496652	13	10
Huaxia Bank	0.05296449	9	13
Shenzhen Development Bank	0.07033811	4	14
Nanjing Bank	0.04469942	14	11
Ningbo Bank	0.04337943	15	12

We hope that this report and the two previous annual reports can provide listed banks in China with civil society insights to reflect on their fulfillment of environmental and social responsibilities, present reference to decision-makers and governor to promote China's Green Finance policy framework and enforcement, and establish a platform for the general public to understand Green Credit concept and oversee the banks' performance.

## **Chapter IV. Environmental Performance of China's banking sector by Banks**

### **4.1 Industrial and Commercial Bank of China**

- Tier 1 World Ranking (2010): 7
- 2010 year report green credit evaluation system of ranking: 2

Also in the forefront of the environmental performance, the Industrial and Commercial Bank of China in 2010 is one of the most solid banks in China and a global asset. Among the 11 indicators of this report, the ICBC scored top ratings in 10 of the indicators and got a low rating only in the indicator of social criticism. Compared to 2009, the Industrial and Commercial Bank



of China has made more significant progress in environmental information disclosure and environmental policymakers. Although there was no new environmental and social information disclosure policy developed, through the bank website, the website of the regulatory authorities, media, and other media appropriate environmental and social has been disclosed to a certain extent in the form of annual reports, CSR reports, announcements, and performance reports and via the detailed questionnaire responses. In 2010 the bank introduced of several new green credit policies. With the implementation of its global strategy, the Industrial and Commercial Bank of China had to strengthen the familiarity and acceptance of international standards and guidelines. Although its currently not a signatory of the *Equator Principles*, in 2010 the bank adopted the Global Reporting Initiative guidelines, which to some extent reflects the positive attitude of the bank to public disclosure of its environmental, economic, public services and social responsibility performance. Industrial and Commercial Bank of China, however, is still one of the largest Chinese banks whose environmental and social performance has been deemed highly controversial by the international community. In recent years, the ICBC invested in Shwe Gas and Pipelines Projects in Myanmar, Gibe III Dam in Ethiopia, and the Enbridge Northern Gateway Pipes project in Canada, all of which have been opposed by the international environmental organizations and the local communities.

## 4.2 Bank of China

- Tier 1 World Ranking (2010): 14<sup>th</sup>
- Our Green Credit Ranking: 8<sup>th</sup>

Bank of China's comprehensive environmental performance is not outstanding, especially given its position as the second largest holder of domestic assets among listed Chinese Banks. Bank of China's social and environmental transparency barely improved compared to 2009; and the bank's policy on corporate disclosure and stakeholder information rights does not include any requirements for social or environmental information disclosure. While the bank disclosed environmental loan and energy consumption data, it did not release any lending data for “Two Highs” industries, and did not respond to the open questionnaire from civil society organizations. In 2010, Bank of China did release a report titled *Energy-reduction and emission-reduction lending*, but did not make any substantive efforts to implement new environmental policies or programs. Furthermore, it is clear from Bank of China's credit controversies overseas that its

environmental policies and measures are far from sufficient. Bank of China has also shown no progress towards either setting up a dedicated environmental protection department or adopting international environmental standards.

### **4.3 China Construction Bank**

- Tier 1 World Ranking (2010): 15<sup>th</sup>
- Our Green Credit Ranking: 11<sup>th</sup>

Out of the four large Chinese state-owned banks, China Construction Bank's Green Credit Ranking is comparatively poor. In 2010, we saw no improvement in the bank's environmental and green credit policies, environmental information disclosure, or overseas lending reporting. The bank has also yet to establish an environmental department or adopt international environmental lending standards. For the above reporting, policy, and implementation performance indicators, China Construction Bank ranked among the last of the 16 Chinese listed banks. For the “Two Highs” performance indicator, though, China Construction Bank's earned first place for their outstanding work, withdrawing a total of 104.55 billion RMB from “Two Highs” Industries. This excellence, however, has not carried into the bank's overseas lending. China Construction Bank is involved in many projects abroad that have been criticized by the international community, including: Gomantak iron ore project in India, Shwe gas reservoir and pipeline in Myanmar, and the Shirakawa copper mine in Peru; China Construction Bank's environmental lending measures and policies need to be strengthened.

### **4.4 Agricultural Bank of China**

- Tier 1 World Ranking (2010): 28<sup>th</sup>
- Our Green Credit Ranking: 12<sup>th</sup>

The Agricultural Bank of China has only recently become a listed Chinese bank. As such, this is the first year that we have included Agricultural Bank of China in our report. Our research concluded that the Agricultural Bank of China's overall environmental performance for 2010 was not very strong. First of all, the bank has not released any environmental policies. Secondly, Agricultural Bank of China has disclosed relatively little information regarding its energy consumption and lending to companies in the environmental sector. While the bank uses a variety of environmental measures to control lending to “Two Highs” and overcapacity

industries, the bank has not released outstanding loan balances for these industries. Third, the bank claimed they developed new credit policies and guidelines in 2010, including lending policies for coke, coal chemicals, and shipbuilding industries. However, they did not publicly release the policies, and as such we are unable to evaluate their relevance to green credit. Fourth, Agricultural Bank of China has not yet established a department to address environmental concerns and responsibility. Looking at the bank's overseas investment controversies as well, it is clear that Agricultural Bank of China needs to strengthen their environmental lending policies and measures both domestically and abroad.

#### **4.5 Bank of Communications**

- Tier 1 World Ranking: 49<sup>th</sup>
- Our Green Credit Ranking: 10<sup>th</sup>

The Bank of Communications comprehensive environmental performance ranking has fallen this year. To its benefit, the bank's internal green credit policies and implementation have remained relatively strong. The bank has added an industry-specific 31-point green credit operation and management plan, but has not disclosed any details about the plan. Moreover, Bank of Communications completed the “3 color 7 indicator” classification standard as part of their 2008 environmental protection operating manual, setting a norm for quantifying and managing the technology, products, equipment regulations, and environmental standards for steel and iron industries, along with 15 other “Two Highs” and overcapacity industries. The bank also implemented credit limit management for nine key industries to encourage energy and emission reduction. However, due to little reporting on lending to “Two Highs” industries, we are unable to evaluate the bank's implementation of their environmental policies and measures. Bank of Communications also has a lot of room for improvement in the following areas: environmental information disclosure, public outreach, adopting international standards, and environmental advocacy. Lastly, Bank of Communications is involved in controversial projects abroad.

#### **4.6 China CITIC Bank**

- Tier 1 World Ranking: 67<sup>th</sup>
- Our Green Credit Ranking: 7<sup>th</sup>

China CITIC Bank's environmental disclosure and internal environmental performance saw improvements in 2010, but there investments in the environmental sector still need to be increased. China CITIC Bank's corporate social responsibility report included guidelines formulated in relation to the Shanghai Stock Exchange as well as the Global Reporting Initiative's "Sustainable Reporting Guidelines," but the bank's report on their "information disclosure management system" did not mention environmental and social reporting. The bank has initiated environmental outreach programs for members and professional clients as well as internal environmental programs. Above and beyond the traditional measures of e-banking, a paperless office, and energy-saving measures, the bank has also implemented a professional recycling program for electronic devices, ATM machines, and POS machines, as well as included environmental topics as a section in internal publications. In 2010, China CITIC Bank's outstanding loan balance for the environmental sector was 16.11 billion RMB, placing the bank's ranking in the middle of Chinese listed banks. Because of the bank's limited disclosure of lending information, we do not know the specific areas or industries with credit at China CITIC Bank.

#### **4.7 China Minsheng Bank**

- Tier 1 World Ranking: 80<sup>th</sup>
- Our Green Credit Ranking: 6<sup>th</sup>

In 2010, China Minsheng Bank introduced green credit policies and guidelines as part of the bank's green credit approval system (the bank has not yet disclosed specific information about the system). In the Dongcheng District of Beijing, China Minsheng Bank also established the first green financial institution focused on developing Dongcheng District into a "green financial business district."<sup>33</sup> The institution provides energy contract management financial services to Beijing Environmental Exchange, as well as financial services for Dongcheng District (including merger and acquisition lending, separation trading, and short and medium-term financing) with a focus on increasing green credit in the area. China Minsheng Bank further established an internal division to coordinate the bank's social responsibility efforts and ensure that each of the bank's divisions fulfills its commitments to social responsibility. However, China

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<sup>33</sup> NetEase News, "China Minsheng Bank, the first green finance franchise organizations to start in Beijing," <http://news.163.com/10/0617/01/69BI6VD300014AED.html>

Minsheng Bank's 2010 information disclosure for lending to “Two Highs” industries and the environmental sector was very limited. According to China Minsheng Bank's CSR report, the bank reduced and eliminated a total of 427.5 million RMB in loans over the course of the year in accordance with state guidelines for restricting and phasing out obsolete projects. In 2010, the bank extended a total of 2.9 billion RMB in loans to 27 clients for major energy-saving, emission-reduction, technological innovation, and product promotion projects. In 2009, China Minsheng Bank claimed to be researching the *Kyoto Protocol* and *Equator Principles* frameworks for energy industries and energy finance, but the bank has yet to join or adopt any international environmental standards.

#### 4.8 China Merchants Bank

- Tier 1 World Ranking: 81<sup>st</sup>
- Our Green Credit Ranking: 4<sup>th</sup>

China Merchants Bank comprehensive environmental performance fell in 2010. The bank's positive attitude in responding to public demand from 2009 has changed. In 2010, they did not respond to the civil society research questionnaire, and their “information disclosure management system” does not mention environmental and social reporting.<sup>34</sup> The bank issued a notice on “Implementing measures for low-carbon operations;” although the bank did not disclose specific details about the notice, it is clear from the notice's title and news reports that it only affected the bank's internal operations and did not apply to the bank's lending or investment projects. We have yet to see the bank announce any green credit measures. By the end of 2010, China Minsheng Bank's “Two Highs” outstanding loan balance was 105.08 billion RMB, accounting for 13.45 percent of domestic business lending, a 1.43 percent reduction from the beginning of the year. All told, the bank's “Two High” lending grew 9.18 percent over the previous year, lower than the average growth rate of 20.79 percent for other domestic corporate loans, but the total amount of the bank's “Two Highs” loans is still rather large. China Minsheng Bank's outstanding balance for environmental lending was 46.25 billion RMB in 2010, an increase of 16.14 percent from the previous year. In 2010, China Minsheng Bank launched two new green financial products: 1) Green equipment buyers' credit. Green equipment includes new

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<sup>34</sup> Merchants Bank Website News, “The Chengdu Branch leveraging low-carbon operations, boosting second transformation,” <http://branch.cmbchina.com/0028/branchnews/c4.htm>

energy industry supply chain equipment, as well as a variety of products used for energy reduction and environmental protection. Green equipment purchasers (individual users as well as energy efficiency service companies) can receive financing, and green equipment suppliers can also apply for financing from China Minsheng Bank once they have signed a contract with buyers. This financial product provides funding for purchasing equipment from designated suppliers and also promotes green equipment sales. 2) Green financial leasing. This product is available for financial leasing companies, as well as renewable energy enterprises to finance cooperation between energy reduction service companies and consumers. China Minsheng Bank's green financial products facilitate three party cooperation for financial leasing operations in order to improve financial support for renewable energy and energy efficiency projects.<sup>35</sup>

#### 4.9 Industrial Bank

- Tier 1 World Ranking: 97<sup>th</sup>
- Our Green Credit Ranking: 1<sup>st</sup>

As the only Equator Bank, the Industrial Bank has led the industry in comprehensive environmental performance. In 2010, the Industrial Bank rose again in ranking from 2<sup>nd</sup> to 1<sup>st</sup> place due to their excellence in comparison to the other listed banks in the areas of: information disclosure, environmental policy, environmental protection, environmental measures, adopting international environmental standards, internal environmental performance, external advocacy, and more. In addition to many periodic and one-time reports, the bank also strengthened its public green credit advocacy, increasing interaction and communication with bank members and broader society. Industrial Bank's "low-carbon living" and "Equator Principles" sections on its official microblog are useful and innovative ways to increase communication. In replying to the civil society questionnaire, though, Industrial Bank still maintains that the bank is only responsible to report information in accordance with regulation and not in response to inquiries from either the media or public inquiry. This response reflects the shortcomings of the Industrial Bank and the *Equator Principles* in the areas of transparency and openness to public inquiry. Furthermore, when it comes to the bank's scope of information disclosure, the Industrial Bank still uses commercial secrets as its primary obligation and reason for withholding information.

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<sup>35</sup> China Business News, "Merchants Bank recently launched two green financial products," <http://www.cb.com.cn/1634427/20101015/156921.html>

Simultaneously, though, the bank also expressed that for matters concerning the environment and society, the bank will fully consider the public interest even if it involves commercial secrets. This includes communicating with investors and regulators to disclose relevant information and seek appropriate solutions, as well as complying with public information rights. Commercial banks and government bureaus continue to use “trade secrets” as the primary reason for refusing to disclose information, the Industrial Bank's statement on this issue is one step further than other banks have taken so far.

In 2010, the Industrial Bank was actively involved in discussing and revising the *Equator Principles III*, including the following aspects of the *Equator Principles III* strategic framework and direction: the effectiveness and scientific legitimacy of the environmental and social risk assessment system, scope of key indicators, and feasibility of signal and data tools. In 2010, the Industrial Bank also unveiled new policies relating to green statistics, setting a standard for internal green credit data and statistics specifications. Furthermore, the bank strengthened environmental and social risk assessment as part of the bank's preliminary credit approval process. When it comes to limiting “Two Highs” lending and increasing environmental protection lending, the Industrial Bank's performance clearly progressed from 2009 to 2010. The bank's total number of, and cumulative financial amount of, issued environmental protection loans increased substantially, including a broader range of environmental protection projects within the field. The Industrial Bank applied the *Equator Principles* to a proportion of these loans.

#### **4.10 Shanghai Pudong Development Bank**

- Tier 1 World Ranking: 108<sup>th</sup>
- Our Green Credit Ranking: 3<sup>rd</sup>

Shanghai Pudong Development Bank's comprehensive environmental performance earned the highest ranking for 2010. Shanghai Pudong Development Bank's corporate social responsibility report claimed that the bank developed a CSR strategic plan for 2011-2014 and a five-year Green Finance development plan. For the first time the bank's ten major responsibilities include economic, environmental, and social responsibilities. Furthermore, in respect to fulfilling the bank's commitment to social responsibility, the bank has for the first time required social responsibility management throughout the entire year. However, as Shanghai Pudong

Development Bank has not yet released the full texts of their CSR strategic plan and Green Finance development plan, we are therefore unable to fully evaluate them. The bank has engaged in positive dialogue with civil society; in response to the open letter from civil society groups to Chinese listed banks, Shanghai Pudong Development Bank issued a statement that they did not offer any loans to the companies involved in the Luliang chromium pollution incidents. In the area of environmental protection, the bank introduced new financial services for emissions trading, completed the first chemical oxygen demand (COD) and sulfur dioxide emission rights mortgages, and is the only bank so far to collaborate with Tianjin Climate Exchange on CER registration and trusteeship. In 2010, the bank continued to withdraw from “Two Highs” industries and strengthen international cooperation on environmental protection lending operations. However, Shanghai Pudong Development Bank has yet to establish an environmental division or task force, and has also yet to join or adopt international environmental standards.

#### **4.11 China Everbright Bank**

- Tier 1 World Ranking: 136<sup>th</sup>
- Our Green Credit Ranking: 16<sup>th</sup>

This year China Everbright Bank is included in our report on listed Chinese Banks for the first time, but the bank's comprehensive environmental performance came in last place. China Everbright Bank has not disclosed any relevant information about its progress in the following areas: environmental information disclosure, creating an environmental division or task force, withdrawing loans from “Two Highs” industries, lending practices, adopting international environmental protection standards, internal environmental performance, or overseas investments. The bank is ranked second from last in the area of implementing environmental measures, as the bank has only repeated national green credit policy requirements. Looking more specifically, China Everbright Bank has not developed any information disclosure systems, and its corporate social responsibility report did not refer to any third-party assurances or guidelines. The CSR report claimed the bank was implementing low-carbon financing, green credit policy, and strengthening the recycling economy. The report also claimed the bank's loans supported the following types of projects: environmental protection, energy saving, and emission reduction. However, we have yet to see the bank develop any green credit or environmental protection policies. Except for announcing China Everbright Bank as a “carbon neutral” bank, the bank has



reported no relevant information or specific measures on implementing national green credit policy. China Everbright Bank is also one of the few banks out of the 16 listed Chinese banks that have not disclosed any information or statistics for either “Two Highs” or environmental protection lending. The bank has also not adopted any international environmental guidelines or established an environmental department or task force. The bank has, along with many other banks, advocated for and established a financial service platform for green electronic payment, launched green zero-carbon credit card products, and in the field of energy saving and emission reduction lending, the bank has developed all-inclusive small and medium size “wide nuclear power” carbon reduction financial services. Regardless, in the area of environmental responsibility, China Everbright Bank is still beginning to conceptualize and formulate policies; and in the areas of information transparency and implementation, the bank has a long road to go.

#### **4.12 Bank of Beijing**

- Tier 1 World Ranking (2010): 155
- Our Green Credit Ranking: 13<sup>th</sup>

Bank of Beijing environment performance ranking has held a bottom position among the 16 banks previously, and fell further in ranking in 2010.

In 2010, the bank did not develop environmental and social information disclosure systems or environmental protection or green credit policies. It merely noted in the business credit guidance that projects funded by its loans should comply with the requirements of environmental protection policies and established the requirements for business units to deliver credit to environmental engineering and focus on new energy industries. In September 2010, Bank of Beijing and ING signed *Carbon Neutral Action and Corporate Responsibility Memorandum of Understanding* (text and content of the contract is unknown). The Memorandum signified the intention of the two sides to strengthen future cooperation on reducing the level of carbon emissions, to develop carbon emissions compensation standards, to participate in carbon emission offset projects and to fulfill corporate social responsibility, but the actual effect of the cooperation and implementation of related projects can be established only after analysis and evaluation. In 2010 Corporate Social Responsibility Report, Bank of Beijing published NPL balance but other “Two Highs” loans data was not disclosed. The bank announced its energy saving project loans balance (23.35 billion) and new loans in 2010 (10.54

million), adding that the main flow of the above-mentioned loans went into the development and utilization of new energy and implementation of energy saving transformation environmental projects by enterprises; however, no information on cases and project level was provided.

Branches of the Bank of Beijing have implemented environmental rehabilitation, daily office management and other internal environmental protection measures. However, the bank is not a party to any international environmental standards, and has not engaged in any environmental advocacy activities.

#### **4.13 Huaxia Bank**

- Tier 1 World Ranking (2010): 178
- Our Green Credit Ranking: 9

Huaxia Bank's environmental performance ranking rose from 13 to 9 in 2009. Huaxia Bank has made a greater progress in environmental policy development and external advocacy. In 2009, Huaxia Bank did not develop any environmental policies, but in 2010, the bank developed a *Compliance Risk Management Approach*, clear compliance risk management objectives, detailed management of compliance risk prevention requirements, and prepared of staff compliance manual. Although the specific text of the policy has not been disclosed, and thus, the extent to which it reflects the bank's position and action to fulfill the environmental and social obligations is unclear, but, considering the previous information gaps, this is a good start. Within external advocacy efforts, the bank opened a law department and continued to participate in the World Bank training on energy efficiency financing and renewable energy, and also in special training and seminars by international banks and government organizations. Huaxia Bank only disclosed the decline in the proportion of "Two highs" loans in the industries of iron and steel, cement, and other types of metals, but specific proportions of loan balances remain unpublished. The bank did not disclose the total environmental loan balances and accounting, but released some of the cases and project-level information. It is worth noting that for the Huaxia Bank there is still much room for improvement in the areas of information disclosure and compliance with international environmental standards. It has not involved the branches in the environmental and social information disclosure systems; the actual disclosure operations are not very full; finally, the bank is not a party to any international environmental standards and has not been seen preparing to sign any such standards.

#### 4.14 Shenzhen Development Bank

- Tier 1 World Ranking (2010): 231<sup>st</sup>
- Our Green Credit Ranking: 5<sup>th</sup>

Shenzhen Development Bank ranked the fastest rising bank out of the 14 banks in the 2009 report, and showed a more excellent performance among the 16 banks in 2010. The significant increase in the overall ranking of the bank is mainly due to the advances in information disclosure. In 2009, the bank had almost no environmental and social information disclosure measures and its public accountability procedures reflected indifference and even conflict, ranking at the bottom of the index. In 2010, while the bank still did not mention environmental and social information disclosure in the Information Disclosure Management System it developed, and there was no development of new environmental and social information disclosure policy, but its Corporate Social Responsibility Report for the first time referred to the Global Reporting Initiative Organization (GRI) Sustainability Reporting Guidelines for its financial services industry as a guiding framework and allocated a greater space for the environment and social responsibility. Shenzhen Development Bank is one of the three banks this year that replied to the civil society questionnaire, claiming in the questionnaire response that it was proactive at environmental and social information disclosure, and at accomplishing the disclosure requirements set forth by regulatory authorities and the media, and that the public has a right to be aware, to inspect and to obtain environmental information that has significant impact on their lives, and the right to require banks to disclose relevant information automatically. However, the bank also insisted that commercial confidentiality is an important principle in regards to the information disclosure and that information involving trade secrets even if have a great impact on the environment and society cannot be made public. At the same time, the bank said that the Board Secretariat should be released to the public information on the financing of projects and enterprises involved major environmental pollution accident. Although we do not know whether, if such a situation occurred, how Shenzhen Development Bank would fulfill its obligations of information disclosure and how it would respond to the demands of the public, but considering its previous performance, we think that the bank is at least welcomes a change in attitude, which is a good start. In addition, the Shenzhen Development Bank began processing its lending flows through the “Two Highs” enterprises list

management system, differentiated loan audit standards and other environmental control measures. Although we have seen the progress of Shenzhen Development Bank, its “Two Highs” and environmental loans have not been disclosed, therefore, the implementation of environmental measures cannot be judged to the fullest accuracy.

#### **4.15 Bank of Nanjing**

- Tier 1 World Ranking: 349<sup>th</sup>
- Our Green Credit Ranking: 14<sup>th</sup>

The Bank of Nanjing's 2010 comprehensive environmental performance was very close to last place. The bank has not yet developed environmental and social information disclosure systems or lending policies, and has yet to adopt international environmental standards or set up an environmental division or task force. In its corporate social responsibility report, the bank has included “controlling lending for high energy, high emission, overcapacity, and resource consuming industries, and firm restraints against lending to repeat construction projects; as well as steps to implement green credit policy, optimize credit resource allocation, support new energy source development, and back new strategic energy reduction and environmental protection industries.” However, we found that the supporting text was mostly rhetoric and have not seen any of these measures put into action. Bank of Nanjing did not publish its lending situation for “Two Highs” industries in 2010. The bank generally announced its “outstanding balance for public business and peoples' livelihood,” which included information on two projects related to urban waste-water treatment and lending to environmental protection industries, but did not disclose specific statistics on loans affected by environmental protection guidelines.

#### **4.16 Bank of Ningbo**

- Tier 1 World Ranking (2010): 419<sup>th</sup>
- Our Green Credit Ranking: 15<sup>th</sup>

Bank of Ningbo integrated environmental performance similar to the Bank of Nanjing in 2010, ranking close to the bottom of the rating. The bank has not developed any information disclosure systems, but it prepared the 2010 CSR report with reference to the Global Reporting Initiative's *Sustainability Reporting Guidelines*. We did not see any development of environmental protection or green credit policy, and the measures for the implementation of the

national green credit policy came in a form of slogans in the CRS report, such as “to create green credit policy within the banking practice and to establish effective practice of financial corporate social responsibility, green credit policy must be embedded into the management process, the concept of environmental protection must be embedded in the business practice, strict control of the “Two Highs” industries must be established, as well as the support of circular economy and the technical innovation projects for energy conservation.” The bank reported that it has taken measures to maintain control over the flow of credit, and that it does not and will not provide credit support to the customers if their performance is less than the environmental policy requirements. However, the report did not disclose any project-level data for its “Two Highs” and environmental loans. In addition, in the report, the bank said it has put more emphasis on advocacy and on energy conservation awareness, and taken some measures to reduce internal energy consumption, but the relevant energy consumption data has not been disclosed.

### **Chapter V. NGOs activities.**

Green Watershed is a leading environmental NGO in China. It works to promote participatory watershed management as a widespread practice as well as a focus of research and advocacy by civil society organizations to maximize the potential for sustainable watershed development in China.

Green Watershed is one of the first NGOs in China to advocate for Green Finance, and more specifically, to hold Chinese banks accountable to employ responsible lending and capital investment practices. Through many years of hard-work and dedication, Green Watershed, with the help of its domestic and international NGO partners, has created a growing network of NGO Green Finance Advocacy. Below we will provide a detailed timeline outlining Green Watershed’s activities pertaining to Green Finance over the past decade.

- 2002

While attending the 2002 Phnom Penh Mekong River Delta Watershed Conference, Green Watershed concluded that financial institutions have a significant responsibility to protect the environment and social welfare, and thus have a responsibility to employ environmentally

and socially friendly lending practices. As a result, Green Watershed began advocating for Green Finance at NGO meetings and training events.

- 2005

- Green Watershed translated the “Japanese Bank for International Cooperation’s Environmental and Social Guidelines” into Chinese.
- Green Watershed hosted several conferences to discuss the principles of Green Finance.

- 2006

- In October Green Watershed presented the concept of, and outlined the role that NGOs play in advocating Green Finance at the annual China Environment Alliance Conference. This conference was attended by more than 200 Chinese NGOs concerned with environmental protection.
- In December, Green Watershed, along with three NGO partners, Friends of Nature, Mekong Watch, and Oxfam (Hong Kong), hosted the first “Chinese Finance, Environment, and Harmonious Society International Workshop” in Beijing. This event marked the first workshop held in China discussing Green Finance, and thus represented a significant opportunity for the Chinese government, Chinese NGO’s, and Chinese academics to develop a deeper understanding of Green Finance.

- 2007

Green Watershed translated the “World Bank Citizen Information Handbook” into Chinese.

- 2008

In May, Green Watershed, along with three NGO partners, American Friends of the Earth, Global Environment Research Institute, and Oxfam (Hong Kong), hosted the second “Chinese Finance, Environment, and Harmonious Society International Workshop” in Beijing. This workshop discussed various methods that NGO’s can employ to encourage banks to develop (and implement) Green Finance policies. These policies focus on requiring employees to

engage in socially responsible lending practices. This workshop enabled NGOs to share their achievements and experiences in advocating for Green Finance.

- 2008-2009

Green Watershed, along with eight NGO partners, Friends of Nature, Institute of Public and Environmental Affairs, Green Earth Volunteer, Global Environmental Institute, Civil Society Watch, China Development Brief, Green Volunteer League of Chongqing, Hengduan Mountains Research Society, and one Chinese consulting company, SynTao, hosted two “Green Banking Innovation Award” competitions. Based on these NGOs independent evaluations, the China Industrial Bank was named China’s “greenest” bank in a row.

- 2009

- Green Watershed, along with the Green Volunteer League of Chongqing, and The Institute for Civil Society (ICS) of Sun Yat-sen University (SYSU), developed and hosted the Green Finance Policy and Best Practice Training Seminar in both Chongqing and Guangzhou. International and domestic Green Finance experts were invited to teach attendees about Green Finance’s best practices; workshop attendees included members of 80 NGOs from Southwest and Southeast China. These workshops quickly and conveniently educated the NGO community about Green Finance principles, and spread awareness about environmental related issues. At the same time, these workshops clearly illustrated the role that financial institutions play in these issues. These workshops demonstrated the role that Green Finance can play as a tool to advocate financial institutions to adopt more responsible lending and investment practices, and to thus reduce financial support for projects that adversely impact our environment. These seminars also created the foundation for a Green Finance advocacy network in China.
- Green Watershed brought together various NGOs and journalists to investigate the major Chinese banks’ lending practices, and more specifically, the extent to which those banks implement their stated Green Finance policies. Based on these investigations, Green Watershed published its “Environmental Report on Chinese Banks 2009”.
- Green Watershed became the only Chinese member of BankTrack, a Holland-based global network of civil society organisations and individuals tracking the operations of the private

financial sector (commercial banks, investors, insurance companies, pension funds) and its effect on people and the planet.

- 2010

- To encourage China’s banks to release information regarding the environmental and social impacts of their lending practices, Green Watershed hosted the third annual Green Banking Innovation Award” competition, and offered a special award for the most transparent Chinese bank.
- China Merchants Bank received the Green Finance Innovation Award while China Industrial Bank received the Environmental Impact Transparency Award.
- Green Watershed published its “Environmental Report on Chinese Banks 2010.” This report ranked 14 Chinese listed banks based on their Green Finance policies, and their implementation of those policies. These rankings were specifically based on each bank’s Green Finance performance according to 13 different metrics. This report also highlighted the Green Finance policies and practices of companies operating in various industries all over the world.
- Before releasing its report, Green Watershed contacted all of the banks included in the report to solicit their feedback; only four banks, China Industrial and Commercial Bank (CIBC), China CITIC, China Industrial Bank, and China Merchants Bank, responded to this request. Green Watershed seriously considered and investigated each bank’s response, and attached their comments to the report.
- Green Watershed established the China Green Bank Watch website (CGBW),<sup>36</sup> which serves as an online platform for the public to monitor Chinese banks’ lending practices; hosts a database containing articles and research pertaining to Green Finance; academics and experts utilize this database as a significant research resource; posts training materials for interested NGOs as reference; and provides real-time reports on activities of NGO’s operating in this space.

- 2011

- Green Watershed finished its “Environmental Report on Chinese Banks 2010” which is

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<sup>36</sup> Website link: <http://www.cgbw.org/>



about to be published in April 2012.

- Green Watershed translated Bank Track’s “Close the Gap: Benchmarking credit policies of international banks” into Chinese.
- Green Watershed campaigned for the full public disclosure of financial information regarding the deathful Chromium pollution in Qujing City, Yunnan province, China.<sup>37</sup>

**About our site:** <http://www.cgbw.org/index.html>

The goal of this site is to provide a forum for people to learn about and better understand the world of green finance. The following pages provide basic information and data about green finance for your perusal and reference. The material on this site mainly consists of green finance news, banking industry trends, green investment and financing cases, as well as environmental financial regulatory information. It also includes information on the actions of NGOs that are working on green finance advocacy, with up-to-date information on the status of green finance as well as the environmental and social record of many of China's banks.

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<sup>37</sup> “Southern Weekend”, “China Development Brief”, “China Youth Daily” and “China Environmental News” and other media reported on the action. See: <http://www.infzm.com/content/65994>; <http://www.chinadevelopmentbrief.org.cn/qikanarticleview.php?id=1233>; [http://zqb.cyol.com/html/2012-02/17/nw.D110000zgqnb\\_20120217\\_1-05.htm](http://zqb.cyol.com/html/2012-02/17/nw.D110000zgqnb_20120217_1-05.htm); [http://www.cenews.com.cn/xwzx/hjyw/201202/t20120221\\_712987.html](http://www.cenews.com.cn/xwzx/hjyw/201202/t20120221_712987.html)