

China ESG Development - September 2022

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CHINA'S EVOLVING CLIMATE REGULATIONS ACCELERATE LOW-**CARBON TRANSITION**

2016

Seven Ministries (PBOC, CBRC, MEE, CSRC, CIRC, NDRC, MOF): Guidelines for Establishing the Green Financial System from China's 13th Five-Year Plan, outlining multiple financial tools to mobilise private capital to invest in clean industries

2018

 Asset Management **Association of China: Guidelines to Promote** Green Investment

2019

 National Development and **Reform Commission: Green Industry Guiding** Catalogue: defines "green" and promote mutual understanding in energy efficiency, clean energy, environmental protection, infrastructure, etc

2020

- People's Bank of China: updated Green Bond Endorsed Project Catalogue, Emission Trading Scheme removed "clean use of coal"
- People's Bank of China: Green Banking Guidelines, incorporating green banking into macro-prudential assessment and Mediumterm Lending Facility
- China pledges to achieve carbon peak by 2030 and carbon neutrality by 2060
- PBOC. CBIRC. CSRC): **Guidelines on Climate** Change Investment and Finance in October, using financial tools to address climate change

2021

- **Ecology**: Launch of National (ETS) in February and Start trading in July
- National Development and Reform Commission: Circular **Economy Roadmap in July**
- **coal financing** in September
- MEE released consultation on mandatory environmental information disclosure for • Five ministries (MEE, NDRC, corporates in September
 - State Council: Guidelines for CO2 Peak and Neutrality and Action Plan for Carbon Peak by 2030, serving the top-level **Committee** released China policy framework for China's climate policy
 - **PBOC**: Carbon reduction lending facility

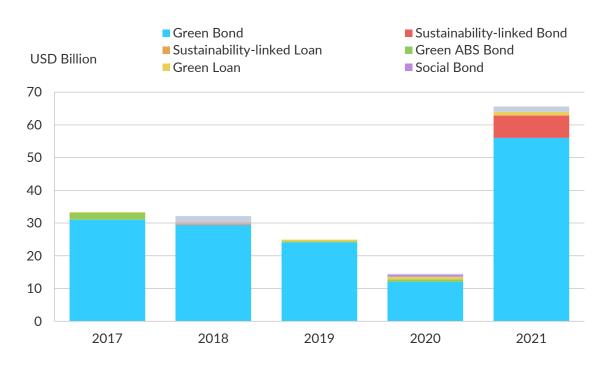
2022

- Ministry of Environment and
 MEE proposed "Measures and Administration of Corporate Environmental **Information** Disclosure
- China Banking and Insurance **Regulatory Commission** issued Green Finance Guidelines For Banking and • China pledges to **end overseas** Insurance Industry
 - Industry groups introduced voluntary ESG Standard **Disclosures Rules**
 - National Association of **Financial Market Institutional Investors** issued guidelines on transition bonds
 - China Green Bond Standard Green Bond Guideline



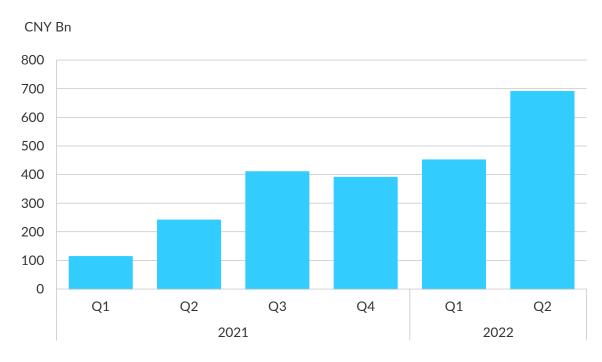
GREEN BOND MOMENTUM CONTINUES IN 2022

China Sustainable Debt Market Grows Rapidly



Source: Sustainable Fitch, Bloomberg.

Onshore Green Bond Issuance Grows Significantly Since 2021

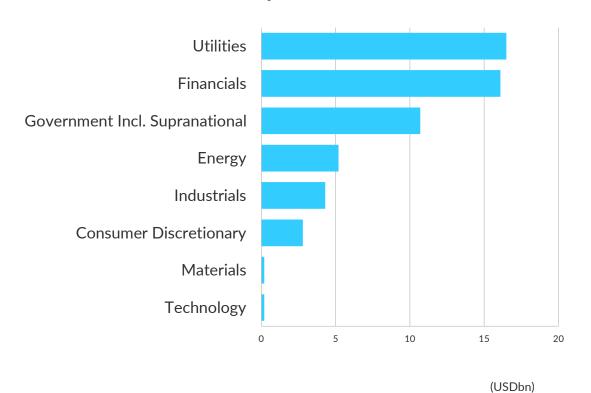


Source: Sustainable Fitch, Wind.



A DIVERGENT GREEN BOND MARKET UNDER CLIMATE PLEDGES

Chinese Utilities Became Top Green Bond Issuers in 2021



China Labelled Green Bond Issuance



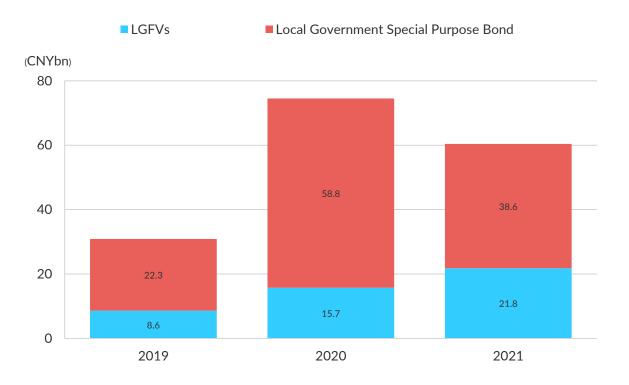
Source: Sustainable Fitch, Climate Bond Initiative.

Source: Sustainable Fitch, Bloomberg

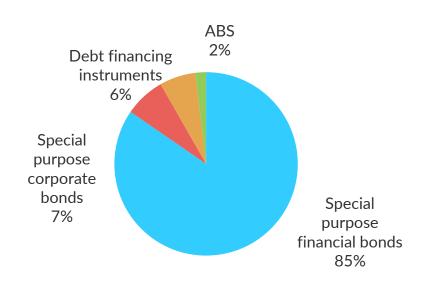


POLICY MANDATES DRIVE SOCIAL AND SUSTAINABILITY BONDS

Green Bond Issuance by Local Governments



Poverty Alleviation Special Bond Issuance 2016-2019



Source: Sustainable Fitch, Wind

Source: Sustainable Fitch, Wind

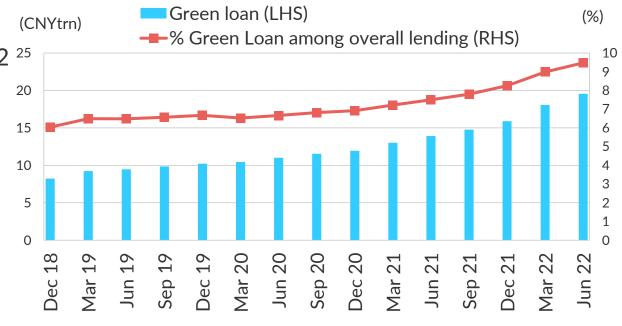


BANKS PLAY DOMINANT ROLE ON BOTH SIDES OF MARKET

- Banks being the issuer and investors of onshore green bonds
- Green loans reached CNY 19.55 trillion by H1 2022 ²⁵
- Supportive monetary policy to promote decarbonization projects

Green Loans Expand Quickly

As of June 2022



Source: Sustainable Fitch, Wind.



ESG STANDARDS TAKE SHAPE

- Risk of "Greenwashing" exists
- Differences with international standards will persist near term
- Development in Taxonomy and Standards:
 - A taxonomy to include climate adaptation activities
 - EU-China Common Ground Taxonomy
 - China's new Green Bond Principles
- Disclosures heading mandatory in environmental aspect
 - New China "Corporate ESG Disclosure Rules" to be effective on June 1, 2022
 - Potentially adopt ISSB framework in China





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