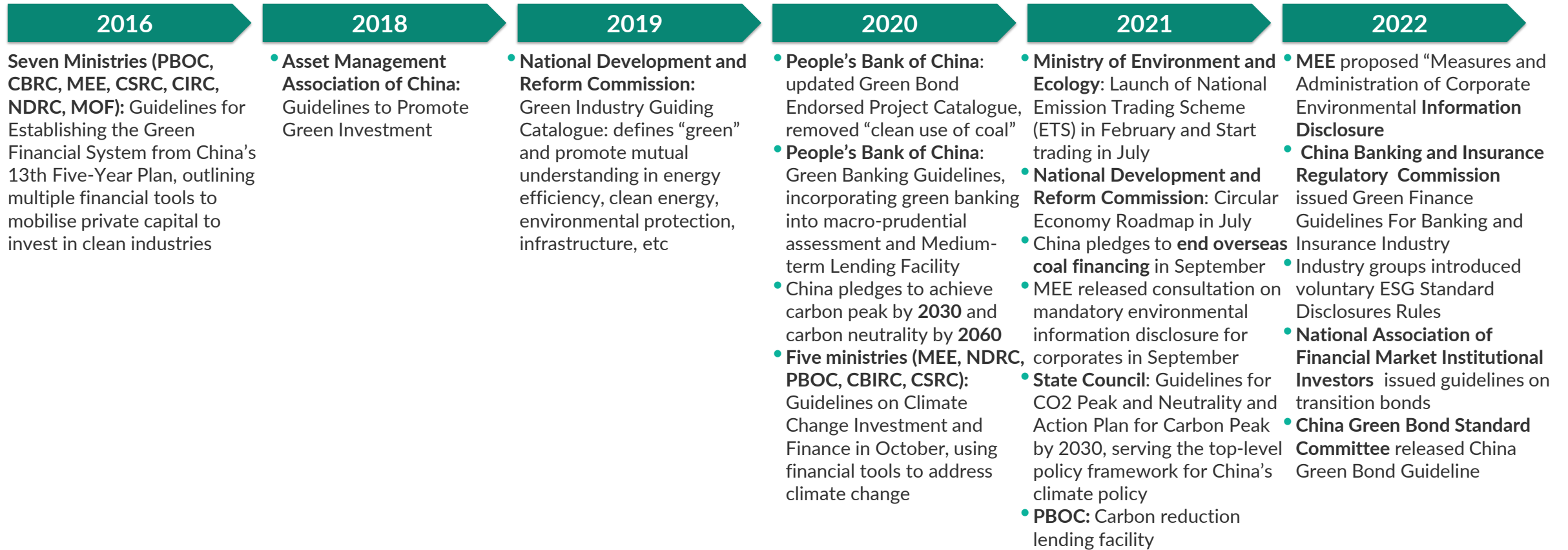


China ESG Development – September 2022

Jingwei Jia, Associate Director
ESG Research, Sustainable Fitch

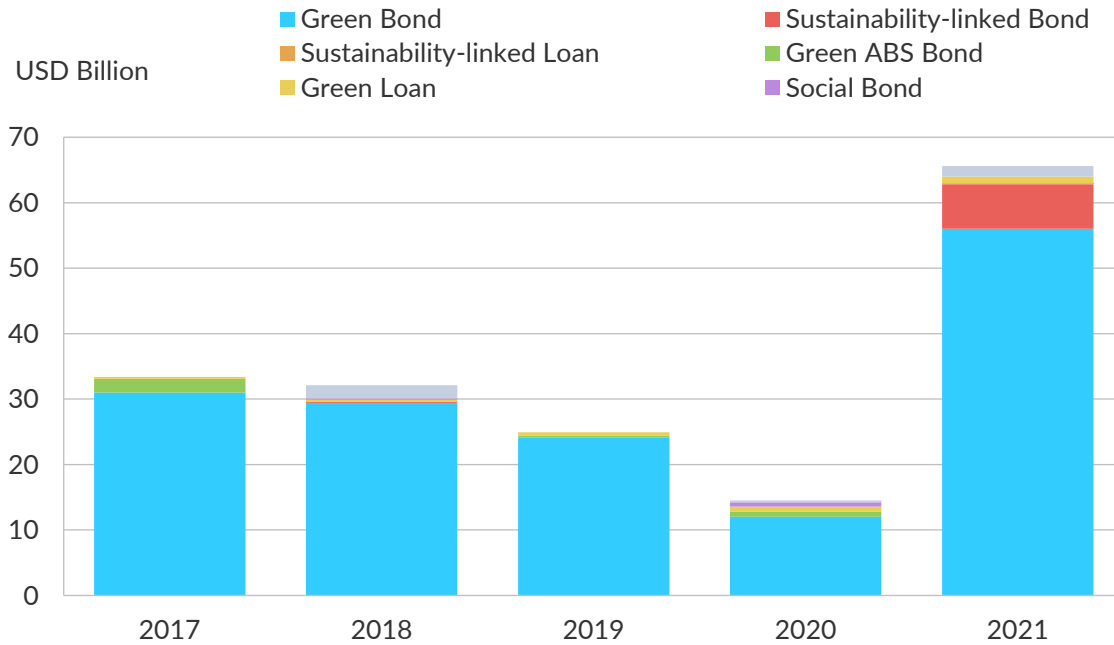


CHINA'S EVOLVING CLIMATE REGULATIONS ACCELERATE LOW-CARBON TRANSITION



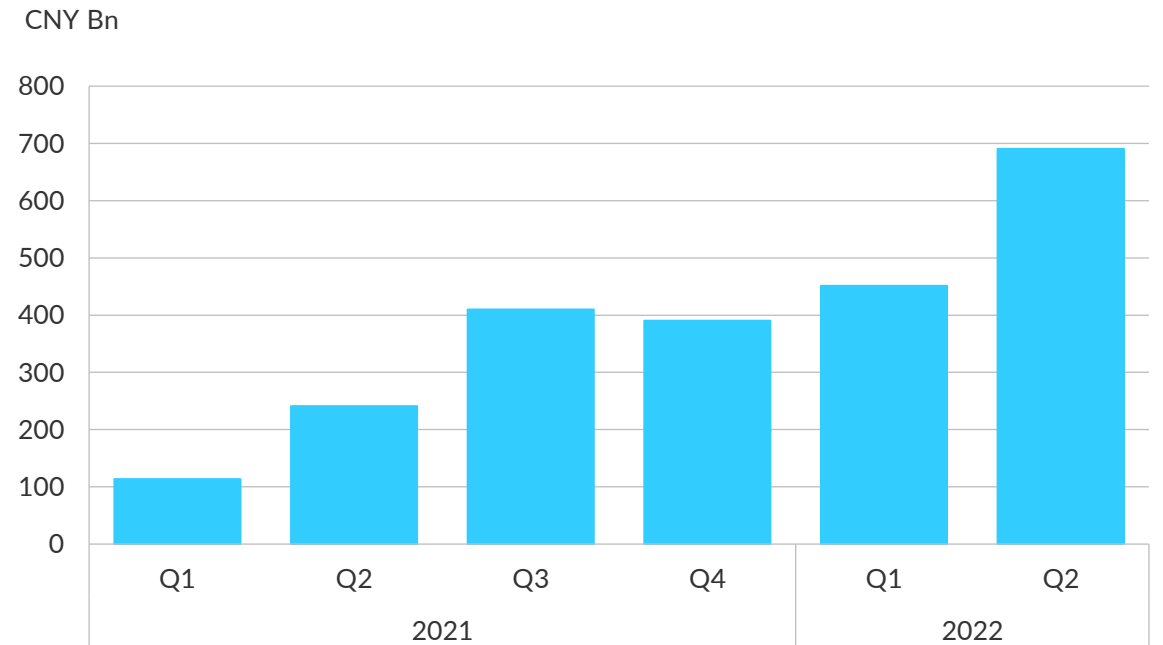
GREEN BOND MOMENTUM CONTINUES IN 2022

China Sustainable Debt Market Grows Rapidly



Source: Sustainable Fitch, Bloomberg.

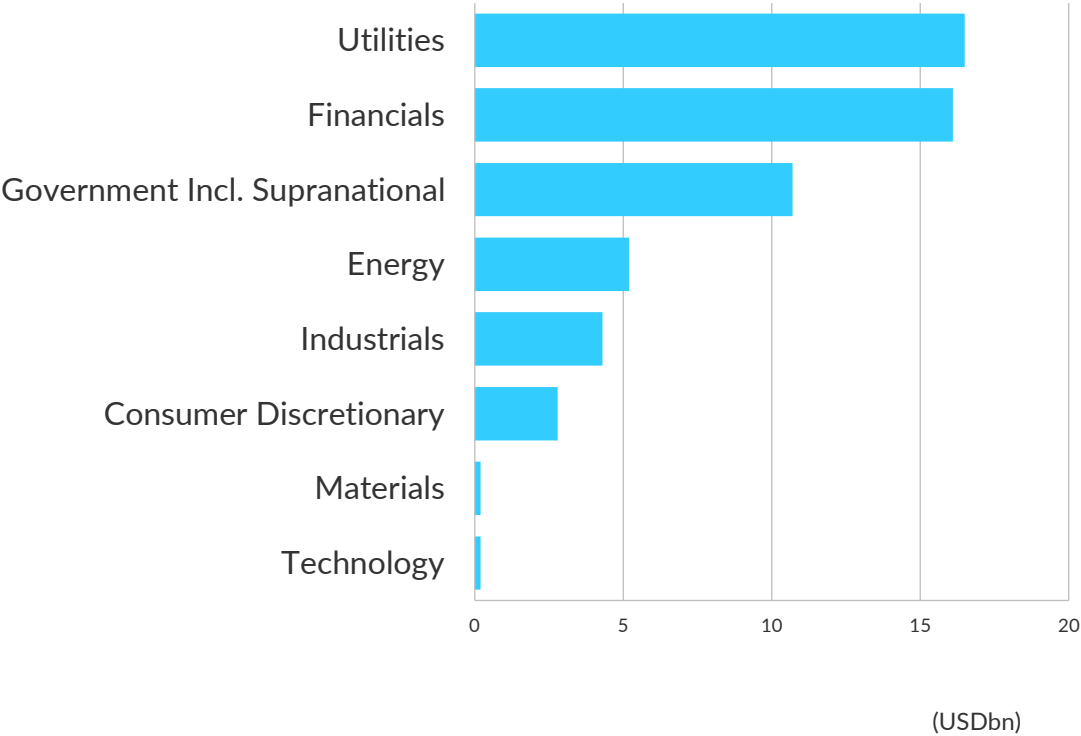
Onshore Green Bond Issuance Grows Significantly Since 2021



Source: Sustainable Fitch, Wind.

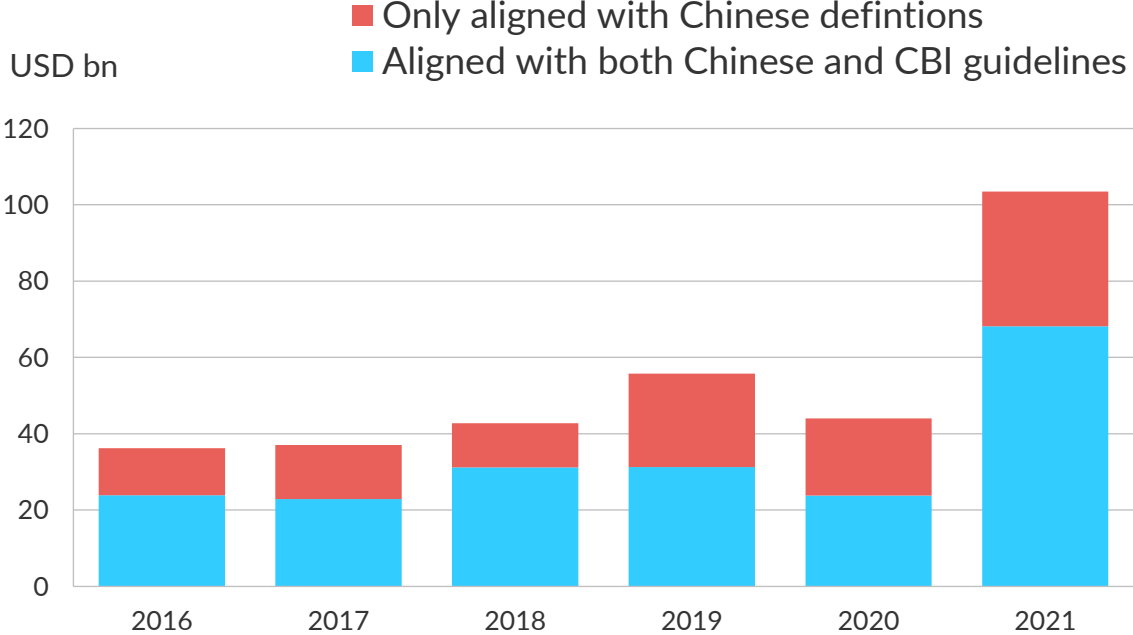
A DIVERGENT GREEN BOND MARKET UNDER CLIMATE PLEDGES

Chinese Utilities Became Top Green Bond Issuers in 2021



Source: Sustainable Fitch, Bloomberg

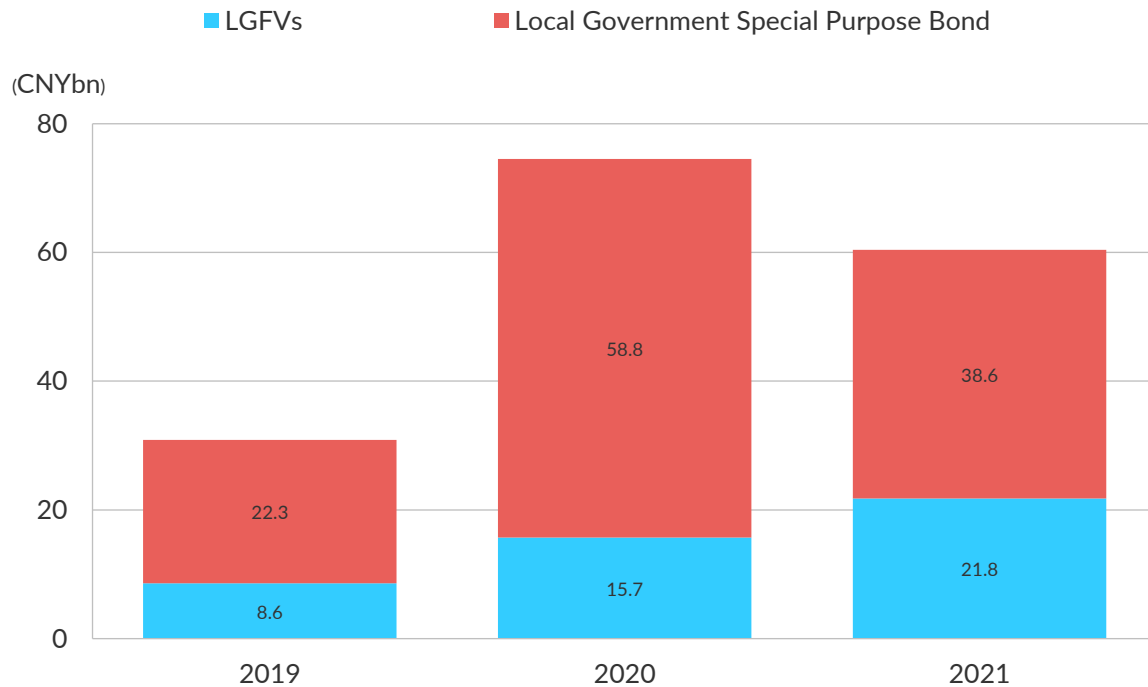
China Labelled Green Bond Issuance 2016-2021



Source: Sustainable Fitch, Climate Bond Initiative.

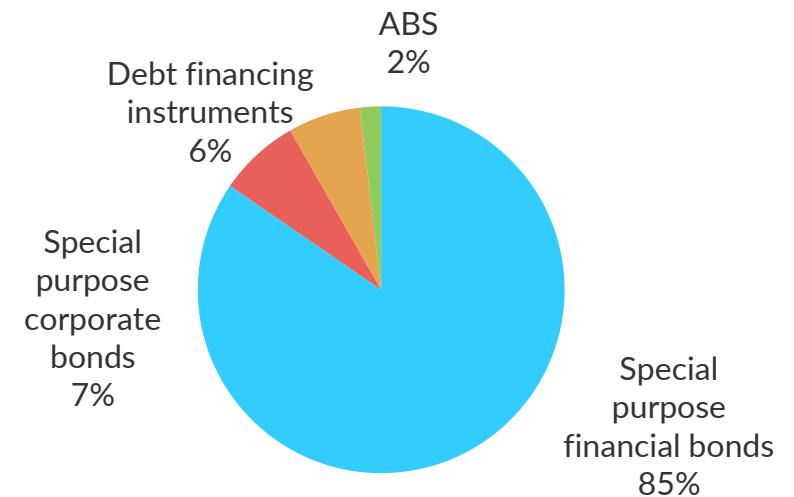
POLICY MANDATES DRIVE SOCIAL AND SUSTAINABILITY BONDS

Green Bond Issuance by Local Governments



Source: Sustainable Fitch, Wind

Poverty Alleviation Special Bond Issuance 2016-2019

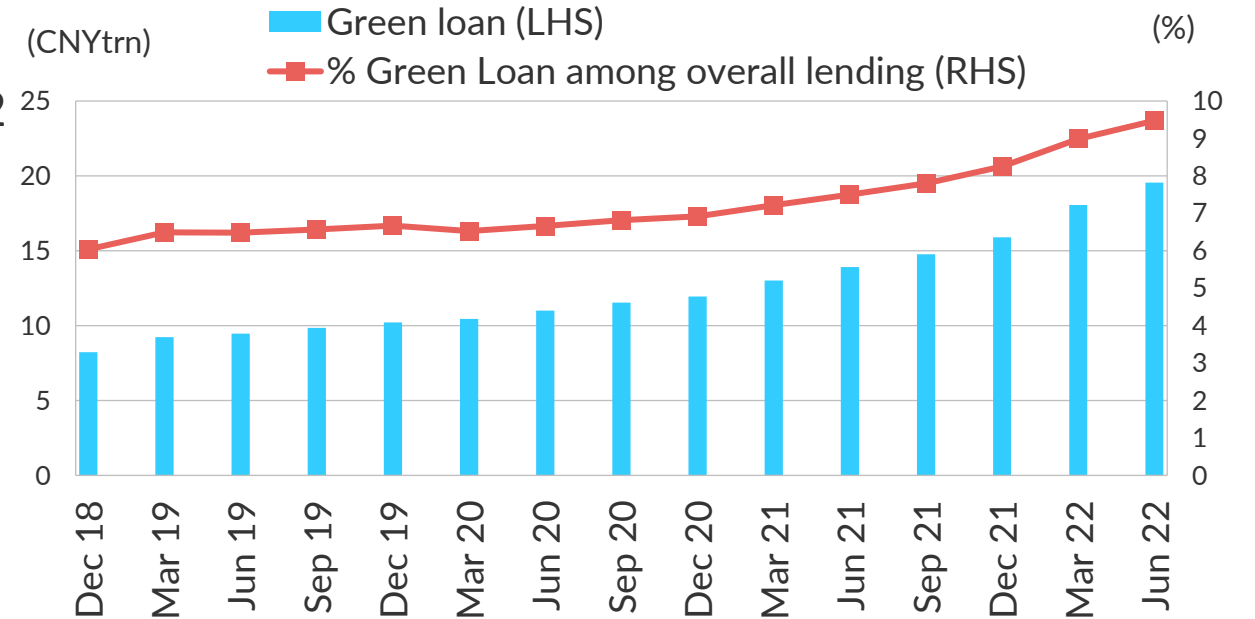


Source: Sustainable Fitch, Wind

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
- 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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DPC- 10185290