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| |  |  |  |  |  | | --- | --- | --- | --- | --- | | |  | | --- | | **China Sustainable Finance Newsletter** | | | | | | **Issue #14** |  |  | **April 26, 2012** | |
| |  |  |  |  | | --- | --- | --- | --- | | |  | | --- | | **This is the quarterly newsletter following developments in sustainable finance in China. It offers updates on what Chinese banks, stock markets, government regulatory departments, civil society and international stakeholders are doing to promote sustainable finance initiatives for China’s financial sector. We invite these stakeholders to read the below updates and contribute their own information on relevant sustainable finance work in China.** | | We hope you find this update useful to your work and encourage you to send any feedback to [Michelle Chan](mailto:MChan@foe.org). | | **In this issue**    [Sustainability in China’s financial sector](mailbox://C:/Documents%20and%20Settings/Gebruiker/Application%20Data/Thunderbird/Profiles/2bszv2lu.default/Mail/mail.nivohost.com/Sent?number=192274227" \l "_Toc313578780)  1. Chinese banks report on sustainability in 2011  2. CDB lending to renewable energy companies  3. New report highlights Chinese lending to unsustainable extractive projects in Latin America    [Policy developments](mailbox://C:/Documents%20and%20Settings/Gebruiker/Application%20Data/Thunderbird/Profiles/2bszv2lu.default/Mail/mail.nivohost.com/Sent?number=192274227" \l "_Toc313578781)  4. CBRC releases Green Credit Guidelines  5. CSRC moves to improve information disclosure    [Civil society activities](mailbox://C:/Documents%20and%20Settings/Gebruiker/Application%20Data/Thunderbird/Profiles/2bszv2lu.default/Mail/mail.nivohost.com/Sent?number=192274227" \l "_Toc313578782)  6. Chinese NGOs release third annual benchmarking of Chinese listed banks  7. BankTrack welcomes new network member from China  8. Friends of the Earth-US holds investor briefings on the ESG risks of CNPC    [International Cooperation developments in sustainabilty](mailbox://C:/Documents%20and%20Settings/Gebruiker/Application%20Data/Thunderbird/Profiles/2bszv2lu.default/Mail/mail.nivohost.com/Sent?number=192274227" \l "_Toc313578783)  9. China Social Investment Forum launched with help of ASrIA and TruCost  10. CCICED makes recommendations to the State Council on investment and trade | | |
| |  | | --- | | **SUSTAINABILITY IN CHINA’S FINANCIAL SECTOR**  **1. Chinese banks report on sustainability in 2011**  As of mid-April, at least ten major Chinese banks had issued corporate social responsibility reports for 2011. These include Bank of China, Industrial and Commercial Bank of China, China Merchants Bank, Bank of Communications, Hua Xia Bank, China Construction Bank, Agricultural Bank of China, China Minsheng Bank, Shanghai Pudong Development Bank and Shenzhen Development Bank. For an analysis of the progress major Chinese listed banks have made toward sustainability, see #6, below.  **2. CDB lending to renewable energy companies**  In 2012, China Development Bank (CDB) continued its massive lending to renewable energy companies. Notably, the policy bank signed a RMB 35 billion (USD 5.5 billion) financial agreement with Xinjiang Goldwind Science Technology and Co., China’s second-largest wind-turbine maker in January and a USD 324 million framework agreement with Yingli Green Energy Holding Co., another Chinese solar equipment maker, to facilitate the company’s imports of raw materials in April.  CDB’s lines of credit to wind energy companies in 2011 helped China become the leader in debt financing to the industry that year, accounting for USD 6.8 billion of the USD 11 billion total offered worldwide, according to market research firm Mercom Capital Group. Denmark and Spain had USD 1.9 billion and USD 1.7 billion in debt respectively, and the US came in fifth with USD 201 million. The single largest deal in 2011 was CDB’s USD 5 billion credit facility to Guandong Ming Yang Wind Power Industry Group Co. However, the European Investment Bank was reportedly the biggest funder, with involvement in eight major transactions, followed by the International Finance Corporation with seven transactions.  **3. New report highlights Chinese lending to unsustainable extractive projects in Latin America**  A March report from Tufts University Global Development and Environment Institute found that between 2005 and 2011, the China Development Bank and China Export-Import Bank loaned roughly USD 75 billion to Latin American governments, which was greater than World Bank and Inter-American Development Bank lending in the region. The report found that more than half of loan commitments from the Chinese policy banks were backed by the sale of oil or minerals to Chinese companies, however, contrary to popular belief, Chinese policy banks are not forcing Latin American governments to sell their resources at low prices. In the long run, the report pointed out, the prominence of resource-backed loans was unsustainable for Latin Americans because of the high environmental impacts of resource extraction and underdeveloped environmental standards offered by Chinese banks. | |
| |  | | --- | | **POLICY DEVELOPMENTS**  **4. CBRC releases Green Credit Guidelines**  In February 2012 the China Banking Regulatory Commission (CBRC) released the [Green Credit Guideline](http://www.banktrack.org/manage/ems_files/download/0_1/20120309_civ_society_letter.pdf) (绿色信贷指引). Building from the foundation of 2007’s Green Credit Policy, the seven-chapter and 30-provision directive for the first time spells out in detail how banks should fulfill their environmental and social responsibilities, including green credit policies and management systems, capacity building, monitoring and supervision, information disclosure, and more. The guideline applies to Chinese policy banks, commercial banks, rural cooperative banks, and rural credit cooperatives. Notably, the document:  - Emphasizes the effective management of both environmental and social risks;  - Makes specific reference to greater transparency and disclosure of information; and  - Makes specific reference to Chinese commercial banks' overseas investments and activities, and the incorporation of international standards.  In March 2012, nine Chinese NGOs published comments on the new CBRC Green Credit Guidelines, available in Chinese and English.  **5. CSRC moves to improve information disclosure**  In February, China’s security regulator for the first time published a full list of companies looking to list shares on the country’s stock markets in an effort to promote greater transparency of the initial public offering (IPO) application process. The list, published on the China Securities Regulatory Commission (CSRC) website, is updated weekly. Companies applying for an IPO on the Shanghai or Shenzhen stock exchanges are listed by name, industry, sponsoring organization and other data. However, no application date is provided, making it unclear when many of the share listings would take place.  Other means to improve the monitoring of China’s IPO process include the Green IPO Policy, for which companies within certain highly polluting and energy intensive industries must obtain permission from the Ministry of Environmental Protection in order to list shares on China’s stock markets. This process entails a 10-day public comment period during which citizens may voice concerns to MEP about the companies’ behavior. The MEP’s 2009 approval of the IPO of Gold East Paper, a subsidiary of Asia Pulp & Paper that was found to have violated several water pollution laws and illegally harvested old growth forests in China, illustrated that the government still had some ways to go to provide adequate environmental safeguards during the IPO process. | |
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