

CHINA SUSTAINABLE FINANCE NEWSLETTER

Issue #15



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This is the quarterly newsletter following developments in sustainable banking in China. It offers updates on what Chinese banks, Chinese 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

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Policy developments

1. CBRC working on evaluation criteria for Green Credit Policy

The Ministry of Environmental Protection [reported in May 2012](#) that “China is working on criteria with which to evaluate the implementation of its green credit policy by banks and enterprises.” The central government may eventually rank banks on Green Credit Policy compliance, and create a blacklist of banks, MEP reported. A top CBRC official was quoted as saying ““We will evaluate the enforcement of the green credit policy by China's financial institutions and use it as a reference for regulatory rating, institutional access, business access and the promotion of top executives.”

A June 13 article in Economic Information Daily reports that, according to the Ministry of Environmental Protection, city commercial banks are laggards in implementing the green credit policy.

2. Green credit policy implementation at local levels

Various Chinese provinces have reported on their efforts to implement the Green Credit Policy. In May 2012 the [Ningbo municipal government](#) reported: “According to Ningbo Office of China Banking Regulatory Commission, since the last year, the banks in Ningbo have adhered to the conception of ‘green credit’ to promote energy saving and discharge reduction in enterprises. By the end of April in this year, 7 large banks in Ningbo have granted loans to 667 energy saving and discharge reduction projects, 82 ones in this year. The loans add up to 13.082 billion yuan, up by 16.2% this year. 10 enterprises were squeezed of 121 million yuan for they were not up to the environment standard.”

In June 2012, the Ministry of Environmental Protection announced that it would be [cooperating with Gansu province](#) to implement a suite of environmental protection activities, including “pilot and experimental projects on green credit, pollution liability insurance.”

SUSTAINABILITY IN CHINA’S FINANCIAL SECTOR

3. China Development Bank releases Corporate Social Responsibility report

In June, China Development Bank (CDB) released its 2011 corporate social responsibility (CSR) [report](#). CDB is the world’s largest development bank by total assets (almost USD 1 trillion) and China’s biggest lender, financing cross-border transactions and investment in over 90 countries and regions. The report shows that the bank’s overseas financing continues to increase, along with its portfolio of environmental lending. Today, CDB is a leading financier of environmental projects at both home and overseas; for example, it provides major support for the expansion of Chinese companies into renewable wind and solar energy abroad. Commenting on the report, Michelle Chan, Director of Economic Policy Programs at Friends of the Earth – US, said “CDB’s concerted efforts to finance environmentally beneficial activities shows that the bank has tremendous potential to catalyze ecologically and socially sustainable development. By working hand-in-hand with stakeholders, including Chinese civil society, CDB has the potential to show global leadership in this area.” For further analysis and commentary on CDB’s global footprint by Friends of the

Earth-US, see #5 below.

4. Agricultural Bank of China reports green loans

[Agricultural Bank of China](#) released its 2011 CSR report in April 2012. Unlike many international banks, ABC and other Chinese banks often report on how many transactions they turn down on the basis of environmental impacts. ABC states that last year, “the Bank rejected 106 credit applications totaling RMB4.157 billion due to non-compliance with environmental protection standards. As of the end of 2011, the Bank granted a total of RMB 88.168 billion to 599 energy-saving and environmental protection projects.” The bank also reported that “In 2011, the Bank delisted 1,099 clients in industries with high energy consumption, high pollution and overcapacity with a repayment of RMB44.427 billion in total loans.” A press statement from the bank also states that one of the ways the bank implements their environmental policies is by creating a system to track 3000 customers in 12 key industries by name.

5. Chinese banks lack transparency, according to anti-corruption watchdog

Chinese banks ranked at or near the bottom on a list of 105 international firms with respect to transparency, according to a [report](#) by the anti-corruption monitoring organization Transparency International that was released in early July. Among the four Chinese banks included in the study, Industrial and Commercial Bank of China, the country’s largest lender, was 76th, the highest-ranked of the four. Out of 24 international financial firms surveyed, the bottom three were state-owned Chinese banks — China Construction Bank, Bank of Communications and Bank of China, with the latter two comprising the bottom of the broader list of companies. The study compared the 105 biggest publicly traded companies in the world by market capitalization on the Forbes Magazine annual ranking. Criteria for evaluation included disclosure of anti-corruption measures, corporate structures, tax payments and revenues. The ranking was based on data from 2011.

While Chinese financial institutions did not fair well in the study, neither did the financial sector as a whole, with 24 financial companies scoring an average of just 4.2 on an index of 10. In contrast to the financial sector, resource firms, which are high-risk in terms of corruption, were among the highest ranked in terms of transparency as a result of long-standing pressure from advocacy groups.

CIVIL SOCIETY ACTIVITIES

6. New FOE-US report details risks of China Development Bank's increasing global footprint

The China Development Bank (CDB) is rapidly becoming a key player in international development finance, but it currently lacks the environmental and social standards that are expected of a world-class financial institution. That is the conclusion of a [report](#) released by Friends of the Earth-US and BankTrack in early July. The report, China Development Bank's Overseas Investments, is the third report related to the Chinese banking sector that the two organizations have jointly published (earlier reports were released in 2007 and 2008). It describes the bank's global footprint, and identifies the ways in which the bank raises and disburses financing. It also describes the bank's environmental and social financing policies, and includes case studies describing the on-the-ground reality faced by communities around the world who are impacted by CDB's transactions, for example, its investments in the Shwe gas and pipelines project in Burma, tar sands development in Canada and illegal logging in Indonesia.

The report is available on the BankTrack website in English with a summary in Chinese.

7. Civil society events to take place on the sidelines of World Economic Forum in Tianjin

Green Watershed will hold a forum titled "The Road Towards a Green Economy: From Rio to Tianjin" on the sidelines of the Summer Davos meeting of the World Economic Forum, to take place from 11-13 September in Tianjin, China. Green Watershed will also organize a training for Chinese NGOs with the aim to raise awareness and build capacity for Chinese NGOs in the process of green finance and environmental protection. In addition to the training, Green Watershed will also host a roundtable between Chinese banks and Chinese/international NGOs in Beijing in order to promote better understanding and a friendly and productive dialogue on green finance practices. For more information, contact [CHEN Yuxin](#) at Green Watershed.

8. New study will assess the reporting practices of resource companies listed on the Shanghai Stock Exchange

Global Witness and the Chinese sustainability consultancy SynTao are conducting a study on the reporting practices of large Chinese resource extractive companies that have operations abroad and that are listed on the Shanghai Stock Exchange. The study reflects emerging international practice for companies engaged in the commercial development of oil, natural gas and minerals to publish the payments they make to governments and the related regulatory measures at international stock exchanges. The final report is to be published in autumn 2012. For more information, please contact [Lizzie Parsons](#) at Global Witness.

9. G:HUB hosts learning and sharing platform to understand China's role in global environmental governance

Greenovation HUB held a workshop focused on disclosure of environmental information related to banks' lending, and how the public can engage in obtaining such information, in Beijing. This was the second workshop G:HUB has held since March 2012 in its Civil Society Learning and Sharing Platform series, which seeks to establish a platform for civil society, academics and media to come together to learn more about

key issues related to sustainable finance and China's global ecological footprint , and to share their own thoughts.

The workshops include presentations by 2-3 experts in the field, including from the Chinese Academy of Social Sciences, International Rivers, the Policy Research Centre of Environment and Economy of the Ministry of Environmental Protection, Green Watershed, the National Association Commission on Environmental Law, Heinrich Boell Foundation as well as Chinese Academy of International Trade and Economic Cooperation, Ministry of Commerce.

For inquiries, or to receive information about upcoming workshops, please contact Greenovation Hub at contact@ghub.org

INTERNATIONAL COOPERATION AND DEVELOPMENTS IN SUSTAINABILITY

10. CBRC trains banks on implementing new Green Credit Guidelines

Following the publication in February of the “[Green Credit Guidelines](#)” by the China Banking Regulatory Commission (CBRC), the banking regulator commenced a series of training sessions for Chinese banks, with the assistance of WWF. The first training, on 13 April, focused on the promotion of renewable energy and was attended by 22 banks. This training offered a platform for Chinese and foreign banks, securities brokers and businesses to discuss about opportunities and challenges in the renewable energy sector. As a follow-up, on 8 June, the CBRC and WWF organized a specific training for China Merchants Bank, the sixth largest commercial bank in China. For more information see WWF’s [China For a Global Shift](#) website.

The “Green Credit Guidelines” for the first time spells out in detail how banks should fulfill their environmental and social responsibilities. The guidelines apply to Chinese policy banks, commercial banks, rural cooperative banks, and rural credit cooperatives, and include provisions regarding both domestic and international investments. An official English [translation](#) of the guidelines is now available on the website of the CBRC.

11. CBRC and IFC organize International Green Credit Forum in Beijing

During 16-17 May 2012, the China Banking Regulatory Commission (CBRC) and the International Finance Corporation (IFC) jointly organized the International Green Credit Forum in Beijing, which was attended by banking regulators from 10 countries, senior executives of the top 20 Chinese banks, representatives of Equator Principles financial institutions, regional banks, other international institutions, academia and NGOs from around the world. The Forum provided a platform for knowledge sharing on the subject of sustainable finance in the banking industry. Participating banking regulators agreed to set up an informal knowledge network to share experiences and resources on sustainable finance, with support from CBRC and IFC. The next Green Credit Forum will be held in Dhaka, Bangladesh. For more information contact Wei Yuan, in the IFC’s Beijing office.

12. Green finance advanced workshop

From May 30 – June 1, 2012 the United Nations Environment Programme – Financial Initiative, the Ministry of Environmental Protection and the People's Bank of China, and the China Banking Association hosted an “advanced workshop” on Green Finance and Sustainable Banking. The event attracted over 42 banks and 7 regional Banking Associations. The participants noted that “environmental information asymmetry and poorly-placed penalty and bonus mechanisms” were barriers to implementing green credit. For more information see the [UNEP FI June 2012](#) bulletin or email Mr. CAI Mengqi at asiapacific@unepfi.org.



BankTrack www.banktrack.org

Vismarkt 15, 6511 VJ, Nijmegen, the Netherlands

(t)+31 24 3249220 / Contact@BankTrack.org

Mailing List:

<http://www.banktrack.org/show/pages/maillinglist>



Friends of the Earth-US www.foe.org

(t)+415.544.0790 x220 / (f)+415.544.0796

311 California St. Suite 510 San Francisco, CA 94104

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