

# Sustainable Finance in China

Newsletter 7, February 2010

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.

*We hope you find this update useful to your work and encourage you to send any feedback to [Adina Matisoff](#).*

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## **SUSTAINABILITY AT CHINESE BANKS**

### **1. Industrial Bank launches first Equator Principles project in China**

In December, China's Industrial Bank announced that it is financing the first project in China that will adhere to the [Equator Principles](#), the global initiative among banks to implement strong environmental and social standards for project finance. The EPs will be applied to a RMB 730 billion 2x300 MW expansion project of Hua Dian Power Generation Co. in Yong'an, Fujian Province. According to the bank's press release, the project aims to control the power plant's air pollution through technology that reduces emissions of SO<sub>2</sub> and nitrogen oxides. IB stated that because this is an Equator Principles project, it conducted environmental and social impact assessments and included environmental and social considerations in the loan contract, such as how the company will address issues such as environmental and social management systems, employee safety, emission reduction, local community impacts and land confiscation. IB's disclosure about its Equator transaction goes far beyond what most Equator banks have disclosed on a project basis, and it represents the kind of transparency that many NGOs would like to see required of all Equator adopters.

### **2. MEP signs MOU with banks to support environmental protection in China**

In recent months the Ministry of Environmental Protection (MEP) signed cooperation agreements with Bank of China (BOC) and Standard Chartered Bank (China) Ltd. (Standard Chartered) to promote green credit in China. The MEP website reported that it signed an agreement with BOC on the sidelines of the "[Summit on Development of China's Environmental Protection Industry](#)", which was co-sponsored by BOC and hosted by MEP in Beijing on 15 December 2009.

Additionally, MEP signed a cooperation agreement with Standard Chartered during the [China Green Credit and Economic Restructuring Forum](#) in Beijing on 27 January, according to information from Syntao. This cooperation will entail policy research, green credit management and risk assessment training activities, and development of green financial products.

### **3. ABC and Dutch asset manager announce sustainable private equity fund**

Agricultural Bank of China (ABC) is partnering with Robeco TEDA (Tianjin) Investment Management Company to launch a [private equity firm](#) focusing on sustainable investments. The fund will invest in energy saving and pollution reduction companies in China and abroad. ABC will administer the fund. [Robeco TEDA](#) is an investment management firm formed by a joint-venture between the Dutch asset manager Robeco and the government of Tianjin.

## **POLICY DEVELOPMENTS**

### **4. Chinese government releases 2009 loan stats for high-energy industries; reaffirms commitment to Green Credit Policy in 2010**

Chinese commercial banks increased their lending to energy-intensive industries at a much lower rate than the average loan growth in 2009, said the Chairman of China Banking Regulatory Commission Liu Mingkang during a financial forum in December 2009. According to the Chairman, from late 2008 to late September 2009 loan growth for steel, electrolytic aluminium and sheetglass grew by 13%, 19% and -45%, respectively; compared to the average loan growth of 31% for the same period. (States News Service, 25 December 2009)

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Looking ahead, in December 2009 the central government reaffirmed its intention to use the country's banks as an 'innovator' in promoting low-carbon financial services. This was mentioned by President [Hu Jintao](#) at the Central Economic Working Conference in Beijing from 5-7 December. CBRC Chairman Liu followed up President Hu's statements later that month with some requirements for commercial banks, including developing management mechanisms, incentive appraisal systems and other financial services that will promote long-term environmental protection and energy conservation, as well as continuing to implement the green credit policy.

## **5. Green Credit Policy Advisory Project in Sichuan holds sustainability training**

On 26-27 January, the Ministry of Environmental Protection (MEP) and Syntao, a Chinese social responsibility consulting firm, organized a sustainable banking training for Chinese banks in Beijing. The training was the latest activity of the on-going China Iron and Steel Sector Green Credit Policy Advisory Project, which was jointly launched by the MEP and Syntao with funding from the British Embassy of Beijing in September 2009. The January sustainable banking training covered global sustainable banking policies and practice, such as the Equator Principles, and also environmental policies and practice at domestic commercial banks and bank regulators. Around 40 people representing banks, environmental agencies, and academia attended the training. The banks in attendance included Bank of China, ICBC, China Construction Bank, Shanghai Pudong Development Bank, Merchant Bank, China Export-Import Bank, and HSBC. For more information, please contact [Syntao](#).

## **CIVIL SOCIETY ACTIVITIES**

### **6. Chinese NGOs hold Green Credit trainings in Chongqing and Guangzhou**

Chinese NGO *Green Watershed* organized two training workshops about China's Green Credit Policy for local NGOs of Central and Southwestern China in late November and December. Local NGO co-organizers were the Chongqing League of Environment Volunteers in Chongqing and the Institute for Civil Society of Sun Yat-sen University in Guangzhou. The trainings brought together regional environmental NGOs to learn about the role Chinese NGOs could play in implementing the Chinese government's 2007 Green Credit Policy. Trainers from China and abroad participated in the workshop. For more information, contact [Xiang Hongmei](#) at Green Watershed.

### **7. Global call for EPFIs to reform Equator Principles**

Several Chinese organizations joined more than one hundred civil society organizations from around the world in signing-on to an open letter from *BankTrack*, the global network of NGOs monitoring sustainability at private financial institutions, to Equator Principles Financial Institutions (EPFIs). In the [letter](#), the organizations call upon the EPFIs to make bold steps forward and reform the Principles so that they start to make a real difference in how banks finance large projects. The civil society organizations strongly objected to the continued involvement of EPFIs in unsustainable projects, as well as the EPFIs' lack of transparency, accountability, effectiveness and true compliance with the Principles. The letter was presented to the EPFIs ahead of a meeting between EPFIs and BankTrack members to discuss on-going

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engagement and progress. Chinese NGO representatives also attended this meeting, and noted their hope that Chinese banks would be more forthcoming with project disclosure than the EPFI's have been.

## **INTERNATIONAL COOPERATION AND SUSTAINABLE FINANCE DEVELOPMENTS**

### **8. GRI holds workshop on sustainability reporting for Chinese banks**

In December, the Global Reporting Initiative (GRI) organized a workshop in Beijing for Chinese financial institutions on sustainability reporting. The event profiled trends in reporting and discussion of key issues for banks in their disclosure. The event was organized together with the Global Compact Network and supported by the China Development Bank. For more information, please contact GRI's [Sean Gilbert](#).

### **9. Five Equator Banks cooperate on capacity-building initiative for Chinese banks**

Five Equator Banks including Standard Chartered, ANZ, West LB, HVB (formerly Unicredit Bank AG) and FMO, along with the German Development Agency DEG and the German Export Credit Agency EH have been involved in a joint effort to develop a capacity-building program for

Chinese financial institutions. As part of that effort, DEG and HVB participated in the Finance, Environment and Development Forum organized by China's Ministry of Environmental Protection in Beijing last May. The forum explored the role of banking and financing industries in a low carbon economy and in sustainable development. For more information, please contact HVB's [Karen Wendt](#).

### **10. IFC holds sustainable banking workshop with Chinese banking policy makers**

As part of its on-going cooperation with the China Banking Regulatory Commission (CBRC) on the Green Credit Policy, the International Finance Corporation (IFC) organized a four-day Sustainable Workshop and Policy Dialogue for over 50 senior policymakers from CBRC's Headquarters and 36 branches, as well as IFC banking clients in early February in Hong Kong. The workshop covered issues such as environmental and social risk management, sustainable energy finance, and climate change. Three Equator banks - Itau Unibanco, HSBC and China's Industrial Bank - shared their banks' sustainability practices with the participants.

CBRC and IFC plan to continue cooperation to incorporate international practices into Green Credit Policy implementation. For more information, please contact the [ZHANG Rong](#), Environment and Social Development Department, IFC.