Responsibility to the environment and resources – harmony between humans and nature

In 2008, the Company continued to implement its green credit policy, adjust and optimize credit structure, offers for energy conservation & emission reduction projects under the framework of CHUEE phase II and explore carbon finance, with an effort to facilitate energy conservation & emission reduction and achieve environmental protection through finance innovation. In addition, the Company committed itself to the Equator Principles to establish and improve the internal environmental risk management system, so as to fulfill its responsibilities to the environment and resources while providing products and services.

1. Implementing green credit policy and supporting environmental protection

In 2008, the Company implemented national industry policies and environmental protection policies, adhered to credit business principles of guaranteeing or increasing certain loans while restricting or reducing others, and focused on the adjustment and optimization of its credit structure. The Company took environmental factors into consideration when reviewing and approving credit, examining loan release and monitoring risks, allowed veto towards projects that failed to meet environmental requirements, managed customers and projects with archive records, and especially enhanced the inputting and tracking management of environment and society-related information. Through dynamical tracking, monitoring, feedback and analysis, the environmental and social risks of credit customers, as well as the post loan-release management of key projects were timely managed, thus preventing environmental and social risks. The Company enhanced the guidance for credit orientation, and formulated the strict Detailed Rules for Annual Credit Business Access to release loans to the key industries supported by the State, including environmental protection and energy conservation & emission reduction. Detailed credit policies and instructions were also formulated for steel, paper making, coal, copper metallurgy, electrolytic aluminum, cement and other key industries. Clear principles were made “to ban loans for industries with backward technologies, heavy pollution and resource wasting, industries that had been halted and restricted by the State, and industries for which loans had been prohibited, and to withdraw the granted loans from these industries at appropriate time.

2. Committed to finance innovation and promoting energy conversation & emission reduction

The Company and the IFC took the initiative in launching the China Utility-based Energy Efficiency Finance Program (CHUEE) in China in 2006, which featured an innovative risk sharing mechanism to provide loans for enterprises to save energy and increase efficiency. Phase I of the program was a huge success. In Feb. 2008, the two parties launched the phase II of the program, with the application range of financing being expanded from energy efficiency in the narrow sense to energy conservation & emission reduction in the broad sense. As at the end of 2008, a total of 86 loans with an amount of RMB3.304 billion were offered to energy conservation & emission reduction projects, which were expected to save 3244.2 thousand tons of coal equivalent and reduce 13731 thousand tons of CO2 emission each year. Over the next three years, the Company will provide loans of RMB10 billion to support the undertaking of energy conservation & emission reduction in China, and projects financed by this program are expected to save 60 million tons of coal equivalent and reduce 200 million tons of CO2 emission. Capitalizing the know-how and experience obtained in CHUEE, the Company innovated upon financial instruments to successfully offer loans for carbon emission reduction, and developed two product series for buyer and seller in the carbon trading. The Company
also established cooperative ties with the major carbon finance institutions such as the IFC, the Arreon Carbon UK Ltd, the Climate Change Capital and the KFW Carbon Fund.

3. Adopting Equator Principles and improving environmental risk management system

In order to better fulfill environmental responsibility and realize sustainable development, the Company announced to adopt the Equator Principles on Oct. 31, 2008, thus becoming the 63rd “Equator Bank” in the world and the first one in China. The Company plans to facilitate the “landing” of the Equator Principles in one year, and establish, step by step, the regulations and management process that are in conformity with the Equator Principles. First, with support from the Company leaders, to set up a cross-department work team led by executives of the Company and appoint environmental officers, thus promoting the top-down implementation of the Equator Principles; second, to organize the implementation by setting up a sustainable finance office staffed with designated personnel to manage environmental and social risks; third, to provide strategic supports by formulating the Environmental and Social Risk Management Policy to guide the implementation of the Equator Principles; fourth, to streamline the regulation system of project financing, including establishing project risk categorization standard, picking out pilot industries for implementing the Equator Principles, working out detailed rules for implementation of the Equator Principles, updating credit review and approval procedure, formulating guidelines for duty fulfillment management, establishing expert appraisal mechanism and improving project list management, etc.; fifth, to establish interactive communication mechanism and environmental information disclosure regulations to enhance the communication and cooperation with NGOs; sixth, to enhance personnel training and capability building; seventh, to promote international cooperation by making communications with and learn from Equator Banks such as the Citi Bank, the Mizuho Corporate Bank and the Barclays Bank; eighth, to update the corporate culture by improving the culture based on the social responsibilities and sustainable development, and integrating the Equator Principles into the development strategy and corporate culture of the Company.