

China Merchants Bank Co., Ltd.
Key Points of Key Industries Credit and
Investment Policy
(2025 Version)

I. Objective

China Merchants Bank Co., Ltd. (referred to as "CMB" or "the Bank") has established and continuously refined its credit and investment policies for key industries with primary reference to the guiding principles of the Central Financial Work Conference, the *Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and the Long-Range Objectives through the Year 2035 of the People's Republic of China*, the *Report on the Work of the Government* delivered by the State Council, the *Catalogue for Guiding Industry Restructuring (2024 Version)* issued by the National Development and Reform Commission, the *Standard Conditions for the Iron and Steel Industry* issued by the Ministry of Industry and Information Technology, the *Benchmarking Levels for Energy Efficiency in Key Industrial Areas (2023 Edition)* issued by the National Development and Reform Commission and other relevant authorities, as well as other important policies and regulations concerning economic, industrial and financial sectors issued by competent industry authorities and financial regulators.

II. Scope of Application

This policy applies to corporate loans, project loans, investment banking, and other financing businesses.

III. Credit and Investment Policies for Key Industries

CMB has established differentiated credit and investment policies tailored to key industry sectors.

1. Coal

(1) Applicable Business Scope: Corporate loans, project loans, investment banking, and other financing businesses.

(2) Primary Client Sectors: Coal mining, coal-fired power generation, and related infrastructure sectors.

(3) General Principles: Total volume control, structural optimization, and list-based management.

(4) Priority Supporting Areas: Approved clients and industry-leading enterprises with core competitiveness and comparative advantages. Increased support will be provided under market-oriented principles to policy-aligned projects such as safe, efficient, green, and intelligent coal mining; clean and efficient coal processing; clean and efficient coal-fired power utilization; industrial clean fuels and heating; residential clean heating; comprehensive coal

resource utilization; and coalbed methane exploration and utilization.

(5) Prohibited and Exit Areas: Strictly enforce the requirements of the *Opinions of the State Council on Reducing Overcapacity in the Coal Industry to Achieve Development by Solving the Difficulties*, and the *High-Quality Development Guidelines for the Coal Industry During the 14th Five-Year Plan Period* by China National Coal Association to exit coal enterprises failing to meet standards in safety, technology, environmental protection, or operational requirements. Prohibit new client involvement in sectors with major problems or ineffective rectification identified during inspections from environmental protection departments, while accelerating risk mitigation and implementing exit strategies for existing clients. Halt new financing for coal enterprises publicly announced by provincial coal mine safety regulators for severe or major production safety liability accidents or failure to rectify critical hazards, followed by risk mitigation measures, gradual reduction and recall of existing financing.

In addition, since 2021, CMB has strictly complied with the national policy of not building new overseas coal power projects.

2. Oil and Gas

(1) Applicable Business Scope: Corporate loans, project loans, investment banking, and other financing businesses.

(2) Primary Client Sectors: Oil and gas exploration and development.

(3) General Principles: Prioritize high-quality resources and selective support.

(4) Priority Supporting Areas: Projects aligned with national oil and gas industry planning and overall industrial layout requirements, as well as projects involving clean and efficient utilization of conventional fossil energy such as oil and gas.

(5) Prohibited Areas: While maintaining policy stability in the oil and gas sector, the Bank will adhere to market-oriented principles to provide timely and high-quality financial services, and proactively exit outdated enterprises lacking sustained industry competitiveness or failing to meet environmental protection standards.

3. Agriculture

(1) Applicable Business Scope: Corporate loans, project loans, investment banking, and other financing businesses.

(2) Primary Client Sectors: Grain cultivation, seed industries, pig farming, poultry farming, forestry, and grain processing, etc.

(3) General Principles: Policy-driven, regionally segmented, selective support, and rigorous risk control.

(4) Priority Supporting Areas: Major crop production bases; leading enterprises and high-quality businesses in industrialized green food production bases; agricultural industrialization leaders with scaled advantages, brand recognition, or listed in official directories published by the Ministry of Agriculture and Rural Affairs; large-scale integrated breeding enterprises compliant with environmental protection standards, robust disease prevention and quality control systems; sustainable and technologically advanced aquaculture enterprises possessing high-quality aquatic resources, as well as nationally leading fisheries and fishing enterprises; government-led afforestation and forest breeding projects.

(5) Prohibited Areas: Enterprises involved in major negative public opinions related to food safety incidents.

4. Power

(1) Applicable Business Scope: Corporate loans, project loans, investment banking, and other financing businesses.

(2) Primary Client Sectors: Hydropower, nuclear power, wind power, photovoltaic power, and other electricity production fields.

(3) General Principles: Prioritized support, client focus and ecological focus for hydropower; selective support, and construction and operational risks focus for nuclear power; total quantity control, policy compliance, prudent regional selection, and selective entry for wind power; selective support for qualified owners and premium projects for photovoltaic power.

(4) Priority Supporting Areas: Development of clean energy such as hydropower and nuclear power, with emphasis on large-scale hydropower projects in southwestern China, nuclear power projects meeting third-generation safety standards, and power generation projects aligned with the new round of power system reform policies; Onshore and offshore wind power projects with abundant wind resources and conditions for grid connection and power absorption, grid-connected solar power projects in areas rich in solar resources, and

distributed photovoltaic and biomass power generation projects.

(5) Moderate Supporting Areas: Daily operational working capital needs of new energy power generation enterprises.

(6) Prohibited Areas: Projects that incur strong public opposition, and may cause the environmental protection goals of sensitive areas to fail to meet the corresponding standard requirements, or waste-to-energy projects that do not meet the national environmental protection distance standards.

5. Mining

(1) Applicable Business Scope: Corporate loans, project loans, investment banking, and other financing businesses.

(2) Primary Client Sectors: Metal mining and mineral processing industry, including the extraction of ferrous minerals (such as iron ore, manganese, chromium, and vanadium and other ores used as auxiliary or raw materials in the steel industry), common non-ferrous minerals, and rare metal minerals.

(3) General Principles: Risk prevention, environmental compliance, client prioritization, and structural optimization.

(4) Priority Supporting Areas: Target clients are large-scale mining enterprises with advanced production technologies, compliant with energy-saving and emission reduction standards, optimized production costs, and standardized operational management. Clients must obtain a pollutant discharge permit, ensure that pollutant emission indicators align with national industrial policies and energy consumption/clean production requirements issued by relevant ministries, and secure annual environmental monitoring reports issued by the municipal (or higher-level) environmental authority.

(5) Restricted and Exit Areas: Restrict access to mineral enterprises with insufficient environmental and safety investments, and resolutely exit enterprises with unresolved environmental or safety issues.

6. Biodiversity

To enhance ecosystem diversity, stability, and sustainability, the Bank explicitly mandates support for projects involving ecological agriculture, forestry, animal husbandry, and fishery, ecological conservation, and ecological restoration that contribute to biodiversity

protection. It strictly complies with the "Three Lines and One List" (ecological conservation redlines, environmental quality baselines, resource utilization ceilings, and environmental access lists) requirements. The Company rigorously follows laws, regulations, and policy frameworks for biodiversity conservation, closely monitors the impacts of client operations and project construction on biodiversity, and prohibits credit support for activities causing severe biodiversity damage.

In October 2021, during the first phase of the 15th meeting of the Conference of the Parties to the United Nations Convention on Biological Diversity (COP15), the Bank, together with 35 Chinese banking institutions, 24 foreign banks, and international organizations, released the *Joint Declaration of Banking Sector to Support Biodiversity Conservation*. In December 2022, at the side event themed "Banking Sector's Action on Nature and Climate" at the second phase of COP15, the Bank joined over 120 global financial institutions in launching the *Joint Action Plan for Banking Sector to Support Biodiversity Conservation*.

The Bank commits to taking actions in biodiversity strategy, risk control, preferences, investment and innovation, information disclosure, and collaboration. The Bank will fully practice the joint declaration and action plan on

biodiversity conservation, explore the provision of integrated financial services for biodiversity protection, and contribute to CMB's efforts for the cause of biodiversity conservation.

IV. Environmental, Social, and Governance (ESG) Risk Management Framework

The Bank actively researches and explores the integration of ESG risks, including environmental (climate) risks, into a comprehensive risk management system, and strengthens ESG risk management across investment and financing activities via multiple ways. The Bank continuously enhances the policy framework covering risk appetite, credit and investment, and end-to-end business process management. It optimizes environmental risk assessment criteria, strictly controls risks in high-energy-consumption and high-emission industries, and continuously phases out of outdated production capacity sectors.

1. Management Measures

The Bank applies ESG evaluation "one-vote veto mechanism". Projects and clients must comply with national environmental standards in site selection, production technique, resource consumption, and pollutant emissions. The Bank prohibits involvement in "high energy consumption, high emissions, and low efficiency" projects,

rigorously reviews enterprises in environmentally sensitive sectors, and denies credit to projects or clients that fail to meet ESG (including climate) requirements or violate industrial policies. Existing financing for non-compliant entities will be withdrawn.

2. Risk Appetite

Based on external macroeconomic conditions, regulatory policy changes, CMB's strategic planning and current risk management progress, the Bank explicitly integrates green finance requirements into the risk appetite framework, and sets risk appetite related indicators. The Bank tracks the trend of green development in key sectors, and increases support for green, low-carbon, and circular economies. It refines environmental risk assessment standards, strictly controls clients and projects with significant ESG risks, steadily raises the proportion of green financial assets, thus advancing the green transformation of the entire investment and financing structure.

3. Client Classification

The Bank has formulated the *China Merchants Bank Green Classification Management Measures for Corporate Clients and Loans*. Based on the environmental impact of enterprises or projects, as well as the severity of ESG risks related to energy consumption, pollution, land use, health,

safety, resettlement, ecological protection, and climate change, corporate clients and loans are categorized into a "three-color, four-tier" system: Green (Friendly Tier 1, Friendly Tier 2), Blue, and Red.

4. Risk Monitoring

The Bank integrates official information released by government and regulatory authorities such as the National Development and Reform Commission, the Ministry of Ecology and Environment, and the Ministry of Industry and Information Technology, along with feedback from media, the public, and on-site investigations by staff, to dynamically monitor and assess ESG risks associated with investment and financing clients or projects.

5. Post-Loan Risk Monitoring

The Bank regularly evaluates the ESG risk management status of high- and medium-risk projects. Leveraging big data technologies, the Bank monitors corporate clients for violations in areas such as environmental protection and production safety, as well as tracks official environmental credit ratings flagged as "Yellow" "Red" or "Black" by regulatory authorities, promptly issues risk alerts or warnings, conducts client reviews, and mandates corrective actions.

6. Inspection and Supervision

The Bank formulated the *Guidance Opinions on Risk Inspection and Supervision Work for 2025*, explicitly incorporating green finance into the scope of routine risk inspections and supervision, and establishing relevant inspection criteria. During branch inspections, green finance development was included as a key item to promptly identify issues and urge branches to implement corrective measures.

7. Risk Escalation Process

(1) Risk Escalation

(1.1) For clients involved in sudden environmental incidents or environmental violations with significant ESG risks, measures including, restricting new loans, reducing credit exposure, and urging corrective actions will be taken to resolve risks.

(1.2) Access is strictly prohibited for enterprises, projects, or new projects of restricted industries that do not comply with national industrial policies and overall planning requirements, and are classified as "eliminated" under the *Guidance Catalogue for Industrial Structure Adjustment*.

(2) Risk Reporting

Client ESG risks are integrated into the major risk reporting framework. When ESG risks significantly impair clients' operational stability or threaten the Bank's asset security, reports are escalated to appropriate management levels based on the financial magnitude involved. These reports include details on incident backgrounds, impacts and losses, implemented (or planned) mitigation measures, and analysis of future risk trends, etc.

V. Review and Update

This policy is formulated, interpreted, and revised by CMB. The Bank shall periodically review and update this policy in accordance with national policies, regulatory requirements, industry developments, and internal management needs. The English version is the translation of the Chinese version of *China Merchants Bank Co., Ltd. Key Points of Key Industries Credit and Investment Policy (2025 Version)*. Should there be any inconsistencies between the Chinese and English versions, the Chinese version shall prevail.