

**ICBCIL Finance Co. Limited**

**工銀國際租賃財務有限公司**

**ICBC Leasing Green Bond 2019**

**工銀租賃 2019 年綠色債券**

## **Environmental Method Statement**

**HKQAA Assessment Number: 14649300-CA, 14649124-CA**

**Certification date: 11<sup>th</sup> May 2019**

ICBCIL Finance Co. Limited ("ICBCIL Finance") Green Finance Framework serves as the documented Environmental Method Statement for this Green Finance Certification Scheme (GFCS) application. It states ICBCIL Finance's method to achieve the intended positive environmental effect of the specified Green Bond.

**<Brief introduction of Issuer>**

ICBCIL Finance Co. Limited ("ICBCIL Finance"), incorporated in HK, is wholly-owned by ICBC International Leasing Co Ltd ("ICBCIL"), Ireland which, as alleged, is ultimately owned by ICBC in Beijing ("ICBC Group"). ICBC Financial Leasing Co. Limited ("ICBC Leasing") does not retain any equity interest of ICBCIL. Pursuant to the internal policy of the ICBC Group, ICBC Leasing is responsible for the management of the business of ICBCIL, and all material decisions in the operation of ICBCIL must be reported to, and authorised by ICBC Leasing.

ICBC Leasing has developed complete financial leasing product and service systems, focusing on the leasing market of aircraft, vessels, and big-ticket equipment, covering transportation, energy and power, social development and infrastructure.

<Enclosed Green Finance Framework for reference>

### Breakdown of Environmental Method Statement:

HKQAA obtained below information in assessment stage. This serves as a breakdown of above Environmental Method Statement against relevant requirement.

Use of Proceeds	
<b>Green Projects category 1: Renewable Energy</b>	
<b>Category in Green Project Classification<sup>1</sup></b>	<input checked="" type="checkbox"/> Green Track 6. Renewable Energy 6.1 Wind Power Generation 6.2 Solar Photovoltaic (PV) Power Generation 6.6 Hydropower Generation 6.7 Other New Energy Application  <input type="checkbox"/> Red Track  <i>Please specify the project technology and justification</i>
<b>Major related environmental dimensions<sup>2</sup></b>	Boost Renewable Energy
<b>SDG's Target(s) and Indicator(s)<sup>3</sup></b>	<b>SDG 7: Affordable and Clean Energy</b> 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix 7.a: By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology
<b>Eligibility Criteria</b>	Projects related to <ul style="list-style-type: none"> <li>• Generation and transmission of energy from renewable energy sources.               <ul style="list-style-type: none"> <li>○ Renewable energy sources include offshore and onshore wind, solar, tidal, hydropower subject to conditions, biomass and geothermal.</li> </ul> </li> </ul> <p>The objective and benefits of this eligible category are on renewable energy, including KWh of power generated from renewable energy and Tonnes of CO<sub>2</sub>e (or other GHG) avoided.</p>
<b>Significant / major environmental and social impact constituted by this type of project activities</b>	ICBC Leasing has established a comprehensive environmental and social assessment mechanism including the relevant procedure and evaluation methodology. Detail Environmental Impact Assessment ("EIA") will be conducted to evaluate the environmental and social impact when necessary.

Use of Proceeds	
<b>Green Projects category 2: Low Carbon and Low Emission Transportation</b>	
<b>Category in Green Project Classification<sup>1</sup></b>	<input checked="" type="checkbox"/> Green Track 5. Sustainable Transportation 5.1 Railway Transportation 5.2 Public Transportation 5.5 New Energy Vehicle 5.6 Transportation Information System  <input type="checkbox"/> Red Track

	<i>Please specify the project technology and justification</i>
<b>Major related environmental dimensions<sup>2</sup></b>	Boost Renewable Energy
<b>SDG's Target(s) and Indicator(s)<sup>3</sup></b>	<p><b>SDG 3: Good health and well-being</b> 3.9: By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination</p> <p><b>SDG 9: Industry, innovation and infrastructure</b> 9.1: Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all</p> <p><b>SDG 11: Sustainable cities and communities</b> 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons 11.a: Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning</p>
<b>Eligibility Criteria</b>	<p>Projects related to</p> <ul style="list-style-type: none"> <li>Low energy or emission transportation assets, systems, infrastructure, components and services excluding any infrastructure or rolling stock assets used for the transportation of fossil fuel products <ul style="list-style-type: none"> <li>Examples include Rail Tram, Metro, Bus Rapid Transit Systems, Electric Vehicles</li> </ul> </li> </ul> <p>The objective and benefits of this eligible category are on Tonnes of CO<sub>2</sub>e (or other GHG) avoided, Km of tracks built and number of passenger</p>
<b>Significant / major environmental and social impact constituted by this type of project activities</b>	ICBC Leasing has established a comprehensive environmental and social assessment mechanism including the relevant procedure and evaluation methodology. Detail Environmental Impact Assessment ("EIA") will be conducted to evaluate the environmental and social impact when necessary.

#### Use of Proceeds

##### Green Projects category 3: Energy Efficiency

<b>Category in Green Project Classification<sup>1</sup></b>	<p><input checked="" type="checkbox"/> Green Track</p> <p>1. Energy Conservation and Efficiency 1.1 Industrial Energy Saving 1.2 Sustainable Building 1.3 Sustainable Infrastructure 6. Renewable Energy 6.3 Smart Grid and Energy Internet 6.4 Distributed Energy Resource</p> <p><input type="checkbox"/> Red Track</p> <p><i>Please specify the project technology and justification</i></p>
<b>Major related environmental dimensions<sup>2</sup></b>	Boost Renewable Energy
<b>SDG's Target(s) and Indicator(s)<sup>3</sup></b>	<p><b>SDG 7: Affordable and Clean Energy</b> 7.3: By 2030, double the global rate of improvement in energy efficiency 7.a: By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy</p>

	infrastructure and clean energy technology
<b>Eligibility Criteria</b>	<p>Projects related to</p> <ul style="list-style-type: none"> <li>• Development of products or technology and their implementation that reduces energy consumption of underlying asset, technology, product or system(s) <ul style="list-style-type: none"> <li>○ Examples include improved chillers, improved lighting technology, and reduced power usage in manufacturing operations</li> </ul> </li> <li>• Improved efficiency in the delivery of bulk energy services <ul style="list-style-type: none"> <li>○ Examples include district heating/ cooling systems, smart grids, energy recovery technology, and the storage, transmission and distribution of energy that results in reduced energy losses</li> </ul> </li> </ul> <p>The objective and benefits of this eligible category are on KWh of energy saved per year; and Percentage energy efficiency achieved.</p>
<b>Significant / major environmental and social impact constituted by this type of project activities</b>	ICBC Leasing has established a comprehensive environmental and social assessment mechanism including the relevant procedure and evaluation methodology. Detail Environmental Impact Assessment ("EIA") will be conducted to evaluate the environmental and social impact when necessary.

#### Use of Proceeds

##### Green Projects category 4: Sustainable Water and Wastewater Management

<b>Category in Green Project Classification<sup>1</sup></b>	<input checked="" type="checkbox"/> Green Track 4. Sustainable Water 4.1 Water Saving and Unconventional Water Use 4.3 Wastewater Treatment 4.4 Sustainable Urban Drainage Systems  <input type="checkbox"/> Red Track  <i>Please specify the project technology and justification</i>
<b>Major related environmental dimensions<sup>2</sup></b>	Improve Soil & Water
<b>SDG's Target(s) and Indicator(s)<sup>3</sup></b>	<b>SDG 6: Clean water and sanitation</b> 6.3: By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally 6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
<b>Eligibility Criteria</b>	<p>Projects related to</p> <ul style="list-style-type: none"> <li>• Water collection, treatment, recycling, re-use, technologies and related infrastructure <ul style="list-style-type: none"> <li>○ Examples include water pipes and collection facilities to collect water/rainwater, dams, treatment plant facilities</li> </ul> </li> </ul> <p>The objective and benefits of this eligible category are Amount of water saved; and Amount of waste water treated.</p>
<b>Significant / major</b>	ICBC Leasing has established a comprehensive environmental and social

<b>environmental and social impact constituted by this type of project activities</b>	assessment mechanism including the relevant procedure and evaluation methodology. Detail Environmental Impact Assessment (“EIA”) will be conducted to evaluate the environmental and social impact when necessary.
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Use of Proceeds	
<b>Green Projects category 5: Sustainable Maritime</b>	
<b>Category in Green Project Classification<sup>1</sup></b>	<input checked="" type="checkbox"/> Green Track 1. Energy Conservation and Efficiency 1.1 Industrial Energy Saving 2. Pollution Prevention and Control 2.1 Pollution Prevention and Control  <input type="checkbox"/> Red Track  <i>Please specify the project technology and justification</i>
<b>Major related environmental dimensions<sup>2</sup></b>	Safeguard the Oceans
<b>SDG's Target(s) and Indicator(s)<sup>3</sup></b>	<b>SDG 14: Life below water</b> 14.1: By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution 14.2: By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans
<b>Eligibility Criteria</b>	Projects related to <ul style="list-style-type: none"> <li>• Energy-efficient vessels, application of pollution prevention, water management systems               <ul style="list-style-type: none"> <li>○ Examples include LNG Bunkering Vessels, LNG-fuelled Vessels, SOx Scrubber Systems, Ballast Water Management Systems, Upgraded Propeller Boss Cap Fins, Wind Challenger Project</li> </ul> </li> </ul> The objective and benefits of this eligible category is Tonnes of CO <sub>2</sub> e (or other GHG) avoided.
<b>Significant / major environmental and social impact constituted by this type of project activities</b>	ICBC Leasing has established a comprehensive environmental and social assessment mechanism including the relevant procedure and evaluation methodology. Detail Environmental Impact Assessment (“EIA”) will be conducted to evaluate the environmental and social impact when necessary.

Green Project Evaluation and Selection	
<b>Mechanism</b>	<p>ICBC Leasing's Green Finance Working Group (“GFWG”) is responsible for governing and implementing the GFF.</p> <p>Eligible Green Assets are proposed by Project Teams in business units of ICBC Leasing. Respective Project Team will identify Potential Eligible Green Assets based on the eligibility criteria outlined in the GFF's Use of Proceeds section.</p> <p>ICBC Leasing conducts feasibility studies and environmental risk assessments for all of its projects.</p> <p>The GFWG will include departments including Financial Market Department; Project&amp; Investment Review Department; and Accounting and Operation Department.</p>

<b>Process to determine Green Projects</b>	<p>Potential Eligible Green Assets will be submitted to GFWG for review and confirmation. The GFWG will evaluate their compliance. The following aspects are also part of the consideration:</p> <ul style="list-style-type: none"> <li>• Description of the project and the engineering approach setting out the environmental benefits to be obtained versus alternative approaches;</li> <li>• Preliminary or final certificates received in respect of compliance with relevant standards.</li> </ul> <p>If such project is considered as an Eligible Project by the GFWG in accordance with GFF, it may be earmarked as the use of proceeds.</p> <p>The GFWG will review the allocation of the GFT Use of Proceeds and to facilitate ongoing reporting.</p> <p>In order to provide full transparency and avoid double counting, ICBC Leasing commits to only allocate GFT proceeds to Eligible Green Assets which are fully owned by ICBC Leasing and haven't been earmarked as Eligible Green Assets (as defined in the ICBC Green Bond Framework) by ICBC Group</p>
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Management of Proceeds	
<b>Mechanism</b>	<p>ICBC Leasing commits to allocation proceeds of each GFT to Eligible Projects on a timely basis. The proceeds of each GFT will be deposited in the general funding accounts and to be earmarked to Eligible Green Projects.</p>
<b>Process for tracking proceeds</b>	<p>ICBC Leasing has internal procedures and will maintain a register to keep track of the use of proceeds for each GFT. The register will contain the following information including Type of Funding Transaction and Allocation of Use of Proceeds.</p> <p>Any balance of issuance proceeds which are not yet allocated to Eligible Projects will be held in accordance with ICBC Leasing's normal liquidity management policy. ICBC Leasing commits not to invest any unallocated proceeds to projects in the Exclusion criteria set in the Use of Proceeds section.</p> <p>ICBC Leasing aims to maintain a substantial buffer of Eligible Assets which ensure that if an Eligible Project in a Green bond is sold or become ineligible, there will be a correct replacement.</p>
<b>Intended type of temporary investment instruments</b>	<p>Any balance of issuance proceeds which are not yet allocated to Eligible Projects will be held in accordance with ICBC Leasing's normal liquidity management policy. ICBC Leasing commits not to invest any unallocated proceeds to projects in the Exclusion criteria set in the Use of Proceeds section.</p>

Information Disclosure and Reporting	
<b>Mechanism</b>	<p>ICBC Leasing plans to publish a Green Finance Report on an annual basis until the maturity date of GFT. The annual Green Finance Report shall be posted to ICBC Leasing's official website (<a href="http://www.icbcleasing.com">http://www.icbcleasing.com</a>) and will contain information on allocation and impacts which stated on its GFF.</p>
<b>Types of information will be reported</b>	<p>(1) Allocation Reporting</p> <p>ICBC Leasing will provide below information for the net proceeds of the all GFTs during the period:</p>

	<ul style="list-style-type: none"> <li>• The aggregate amount allocated to various Eligible Green Assets</li> <li>• The remaining balance of funds which have not yet been allocated and type of temporary investment</li> <li>• Examples of Eligible Green Assets (subject to confidentiality disclosures)</li> </ul> <p>(2) Impact of Reporting</p> <p>Where possible, ICBC Leasing will report on the environmental and social (where relevant) impacts resulting from Eligible Green Assets. Subject to the nature of Eligible Green Assets and availability of information, ICBC Leasing aims to include, but not limited to, the following Impact Indicators.</p> <p>ICBC Leasing will also make disclosure through other channels where feasible, such as corporate social responsibility reports, which will also be published on <a href="https://www.icbcleasing.com">https://www.icbcleasing.com</a>.</p>
<b>Method to disclose information</b>	ICBC Leasing will also make disclosure through other channels where feasible, such as corporate social responsibility reports, which will also be published on <a href="https://www.icbcleasing.com">https://www.icbcleasing.com</a> .
<b>Reporting frequency</b>	Green Finance Report information will be provided on an annual basis.

### Green Project Monitoring

Mechanism	<p>ICBC Leasing's Green Finance Working Group ("GFWG") is responsible for governing and implementing the GFF.</p> <p>Eligible Green Assets are proposed by Project Teams in business units of ICBC Leasing. Respective Project Team will identify Potential Eligible Green Assets based on the eligibility criteria outlined in the GFF's Use of Proceeds section.</p> <p>The GFWG will include departments including Financial Market Department; Project&amp; Investment Review Department; and Accounting and Operation Department.</p>													
Performance indicator (KPI)	<table><tr><th>Eligible Green Asset Categories</th><th>Impact Indicators</th></tr><tr><td>Renewable energy</td><td><ul style="list-style-type: none"><li>• KWh of power generated from renewable energy</li><li>• Tonnes of CO<sub>2</sub>e (or other GHG) avoided</li></ul></td></tr><tr><td>Low Carbon and Low Emission Transportation</td><td><ul style="list-style-type: none"><li>• Tonnes of CO<sub>2</sub>e (or other GHG) avoided</li><li>• Km of tracks built</li><li>• No. of passenger</li></ul></td></tr><tr><td>Energy efficiency</td><td><ul style="list-style-type: none"><li>• KWh of energy saved per year</li><li>• Percentage energy efficiency achieved</li></ul></td></tr><tr><td>Sustainable water and wastewater management</td><td><ul style="list-style-type: none"><li>• Amount of water saved</li><li>• Amount of waste water treated</li></ul></td></tr><tr><td>Sustainable Maritime</td><td><ul style="list-style-type: none"><li>• Tonnes of CO<sub>2</sub>e (or other GHG) avoided</li></ul></td></tr></table>		Eligible Green Asset Categories	Impact Indicators	Renewable energy	<ul style="list-style-type: none"><li>• KWh of power generated from renewable energy</li><li>• Tonnes of CO<sub>2</sub>e (or other GHG) avoided</li></ul>	Low Carbon and Low Emission Transportation	<ul style="list-style-type: none"><li>• Tonnes of CO<sub>2</sub>e (or other GHG) avoided</li><li>• Km of tracks built</li><li>• No. of passenger</li></ul>	Energy efficiency	<ul style="list-style-type: none"><li>• KWh of energy saved per year</li><li>• Percentage energy efficiency achieved</li></ul>	Sustainable water and wastewater management	<ul style="list-style-type: none"><li>• Amount of water saved</li><li>• Amount of waste water treated</li></ul>	Sustainable Maritime	<ul style="list-style-type: none"><li>• Tonnes of CO<sub>2</sub>e (or other GHG) avoided</li></ul>
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Sustainable Maritime	<ul style="list-style-type: none"><li>• Tonnes of CO<sub>2</sub>e (or other GHG) avoided</li></ul>													
Underlying methodology for KPI	<p>As indicated in the GFF, ICBC Leasing will report on the environmental and social (where relevant) impacts resulting from Eligible Green Assets. Subject to the nature of Eligible Green Assets and availability of information, ICBC Leasing aims to include, but not limited to, the Impact Indicators.</p>													

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KPI measurement –  Reference standard	<input type="checkbox"/> International Standard
	<input type="checkbox"/> National Standard
	<input type="checkbox"/> Industry Standard
	<input checked="" type="checkbox"/> Self-development Standard
	<input type="checkbox"/> Others, Please specify: _____

Impact Assessment	
Mechanism	As indicated in the GFF, ICBC Leasing will report on the environmental and social (where relevant) impacts resulting from Eligible Green Assets. Mechanisms are defined for assessment of environmental impacts, including performing Environmental Impact Assessment for assets going through the internal mechanism, and the results will be published on the company website for public information.
Method	Ditto
Time frame	The GFWG will meet yearly to review the allocation of the GFT proceeds and to facilitate ongoing reporting.
Identification of negative impacts and mitigation measures	GFWG will identify the environmental implications and social impact according to the ICBC Leasing and local requirements.

Stakeholder Engagement	
Mechanism	ICBC Leasing is highly concern the social responsibility issues. The social responsibility report publishes annually on their webpage. Detail project will communicate with local community and care about the protection of the vulnerable groups. From Environmental Impact Assessment to commencement of the project's pollutant emission. They all require to be published and noticed the local community.
Method	Ditto
Time frame	The assessment will be conducted before submission to the GFWG for consideration.

**Remarks:**

Reference Number	Title
1	HKQAA, Green Finance Certification Scheme Handbook: Green Project Classification
2	United Nations Environmental Programme (UNEP), Sustainable Development Goals: United Nations Environment Programme: Annual Report 2015  <a href="https://wedocs.unep.org/bitstream/handle/20.500.11822/7506/-Sustainable_Development_Goals_-_UNEP_annual_report_2015-2016UNEP-AR-2015-SustainableDevelopmentGoals.pdf.pdf?sequence=3&amp;isAllowed=y">https://wedocs.unep.org/bitstream/handle/20.500.11822/7506/-Sustainable_Development_Goals_-_UNEP_annual_report_2015-2016UNEP-AR-2015-SustainableDevelopmentGoals.pdf.pdf?sequence=3&amp;isAllowed=y</a>
3	UNEP, About the Sustainable Development Goals on UNEP  <a href="https://www.unenvironment.org/explore-topics/sustainable-development-goals/aboutsustainable-development-goals">https://www.unenvironment.org/explore-topics/sustainable-development-goals/aboutsustainable-development-goals</a>