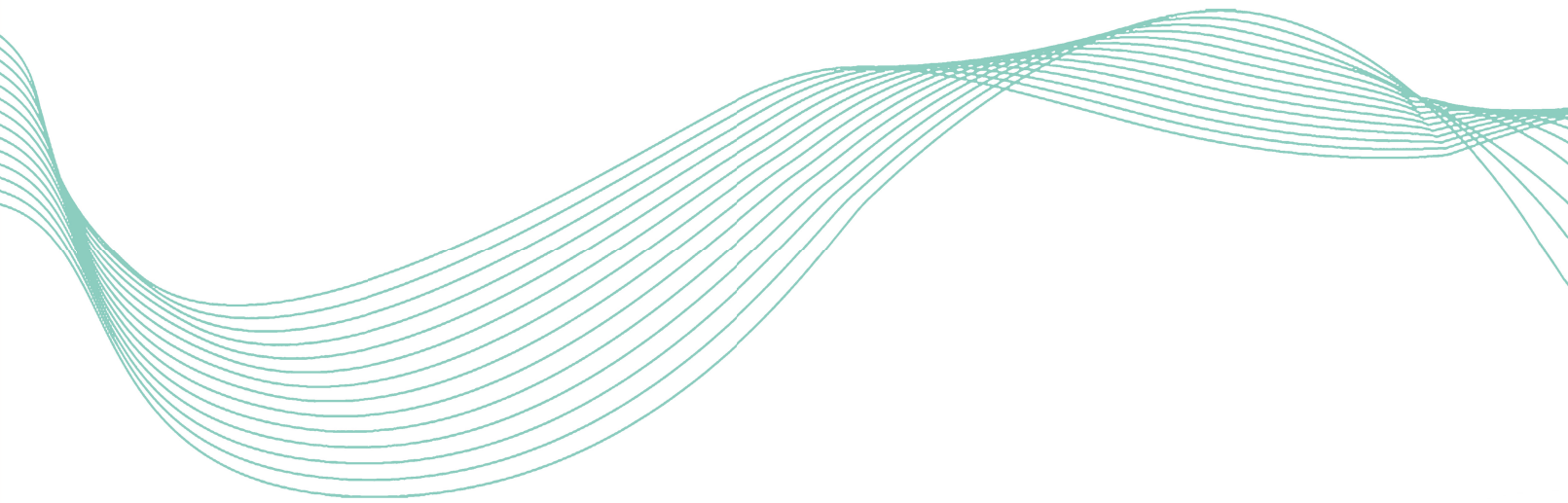
GIP
Green
Investment
Principles

STEPPING INTO THE NET ZERO ERA

2021 ANNUAL REPORT



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Stepping into the Net Zero Era

Green Investment Principles (GIP) for the Belt and Road

2021 Annual Report

With support from:
CIFF CHILDREN'S INVESTMENT FUND FOUNDATION
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About the GIP

China's Belt and Road Initiative (BRI), first proposed in 2013 as a global initiative to boost investment and trade through mobilising capital for infrastructure investments and improving economic connectivity between nations. Members of the BRI include many developing countries and emerging economies, with major infrastructure investment needs for sustainable development.

The Green Investment Principles (GIP) for the Belt and Road was launched by the Green Finance Committee of China Society for Finance and Banking and the City of London's Green Finance Initiative (now UK-China Green Finance Centre) in 2018 with the aim to accelerate green investments along the Belt and Road. The GIP is centred around seven principles to which all signatories commit:

Principle 1: Embedding sustainability into corporate governance

Principle 2: Understanding Environmental, Social and Governance Risks

Principle 3: Disclosing environmental information

Principle 4: Enhancing communication with stakeholders

Principle 5: Utilising green financial instruments

Principle 6: Adopting green supply chain management

Principle 7: Building capacity through collective action

Since its launch in November 2018, the Green Investment Principles have received

strong backing from major financial institutions in China, the UK, Europe, and across the Belt and Road. They are joined by global and regional BRI investors and project developers. Combined, these institutions hold or manage assets in excess of USD 49 trillion, and are major lenders to Belt and Road projects.[1]

The GIP is becoming a global platform for action and to date has 40 signatories and 12 supporting institutions, representing 14 countries and regions. It is continually expanding, with 3 new signatories joining the initiative and one regional chapter in Central Asia being launched in the last year.

Inaugurated in 2020, the GIP annual report summarises signatories' progress and ambition to scale-up green investments along the Belt and Road. It also highlights areas that need further work and efforts against the mid-to-long term goals and the changing environment. For example, as more and more countries are announcing carbon neutrality goals, including those along the Belt and Road, this year's annual report is focusing on the theme of net zero to reflect the updated ambitious goal of many GIP members.

1. Calculated from annual reports published by signatories.

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Foreword

Climate change has become a global priority in 2021. Extreme weather events, the continued sweep of the COVID-19 pandemic demonstrating the crisis "black swan" events can cause, and new scientific assessments all served as a reminder just how vulnerable our global economy and our societies could be. It's high time for us to take actions to decarbonise the economies and investments.

The last year also saw strong rays of hope, however. Developing countries - including many Belt and Road countries - stepped up to the decarbonisation challenge by announcing net zero targets. Not least, the world's second largest economy, China, announced a target of peaking carbon emissions by 2030 and reaching carbon neutrality by 2060 at the UN General Assembly in September 2020. Soon after China's announcement, many other developing countries, including Brazil, Indonesia, Kazakhstan, and Mauritius, have also declared their carbon neutrality goals.

As of now, developing countries that have made carbon neutrality pledges have accounted for over 60% of GDP in the developing world.[1] The implications these pledges are enormous, which will radically transform almost all economic sectors, and promise to open up trillions in investment opportunities in developing and emerging market economies.

Indeed, the changes at hand will likely be so thorough that it seems that we have entered a new phase of the net zero era, in which more and more powerful actors - not least government - are aligned in the need to race toward net zero. We have titled this year's annual report, the second progress report of the GIP, 'Stepping into the Net Zero Era' to reflect this change.

In this net zero era, initiatives such as the Green Investment Principles take on all the more importance. Our goal of working together with signatories to accelerate green investments in the Belt and Road is critical to the realisation of the new low-carbon, net-zero era. The

1. Calculation based on GDP data provided by the World Bank and carbon neutrality tracker by the Energy and Climate Intelligence Unit (https://eciu.net/netzerotracker).

development pathways of the emerging economies which make up the Belt and Road will determine to a large degree how much more carbon emissions the world emits and to what extent we will meet the upper limit 2-degree warming target of the Paris Agreement.

Since the beginning of this journey in November 2018, the GIP has grown into one of the world's largest sources of green financing, with strong support from both private and public sectors, including the governments of China, the UK and those along the Belt and Road. Over the past years, GIP members have progressively increased their financing and commitments to green investment, enhanced their disclosure standards and environmental risk management practices, and applied many innovative green finance products. In 2021, GIP also launched its first regional chapter (in Central Asia) with a view to disseminating best practices among local financial institutions in the region.

This year, based on feedback from participants, we have continued to promote green finance knowledge among, and build capacity in signatories, with our member-led Working Groups hosting webinars and developing casebooks on key areas of concern for the GIP community. It is through this process of collaboration, skill sharing and feedback that we will progress to help signatories meet the challenges and grasp the opportunities of investment in and for the Net Zero Era.

Ma Jun
Co-chair of the GIP Steering Committee
Chairman, Green Finance Committee of China Society for Finance and Banking
President, Institute of Finance and Sustainability

William Russell
Co-chair of the GIP Steering Committee
Lord Mayor, City of London Corporation

Executive Summary

The year 2021 marks the third full year since the launch of the Green Investment Principles (GIP) for the Belt and Road. Despite the continuous disruption of the COVID-19 pandemic, the GIP endeavours to formalise its working mechanisms, promote implementation, build capacity in its members, encourage more green investments and pave way for broader engagement with key stakeholders.

The past year saw GIP signatories grow from 37 in September 2020 to 40 by end-August 2021, which are holding or managing a total asset volume of US $ 49 trillion. It has also seen the ongoing hard work of the GIP community and the Secretariat: 4 capacity building webinars were successfully held, touching upon transition finance, environmental risk assessment, and climate-related financial disclosure practices; the online tools, Climate and Environmental Risk Assessment Toolbox (CERAT) and the Green Project Databases both entered the second development phase, incorporating more functions as per the demand of GIP members; meanwhile, the first GIP regional chapter was officially launched in Central Asia, with support from the World Economic Forum and the Astana International Financial Centre; three thematic reports, respectively on climate disclosures, innovative green financial products, and transition risks, are to be delivered by the end of 2021.

With the mandatory annual reporting mechanism initiated in 2020, the GIP manages to track the progress of signatories with a comprehensive survey consisting of both quantitative and qualitative questions grouped under four key metrics: governance and strategy, climate and environmental risk assessment capabilities, disclosure and engagement, and investment and corporate footprint. This, the second annual report, shows improvements compared to the performance of the previous year. Signatories are gradually moving towards more advanced stages of the performance spectrum (elaborated in Chapter 4):

- **Governance and strategy:** signatories have made major progress as increasing numbers of banks are building up structures and procedures for the oversight of climate and environment related issues at board and senior management level, while demonstrating higher levels of climate ambitions with regards to coal divestment and carbon neutrality.
- **Climate and Environmental Risk Assessment:** signatories have also made progress on risk assessment, and to some extent risk management, with expanding scope of risks assessed, increasing presence of quantitative elements, and more frequent internal communication. Environmental Risk Analysis (ERA) has gained more popularity among members in the forms of scenario analysis and stress testing on the sectoral level.
- **Investment and Corporate Footprint:** green investments and green financing are picking up pace, while members are becoming increasingly stringent on their financial support for carbon-intensive sectors. Near three quarters of signatories have considered the feasibility of at least limiting, halting, or exiting from investments in high emission projects.
- **Disclosure and Engagement:** Signatories are showing positive signs as the scope of climate-related disclosure continues to expand and deepen, while sustainability issues are increasingly becoming an element of stakeholder engagement.

"Vision 2023", a medium-term strategic plan for the GIP, was proposed at the 2nd Plenary Meeting in September 2020 and set out five key actions to drive change: signatories are expected to **assess** their exposure to climate and environmental risks, **disclose** related strategies, commit to transitioning their investment practices, scale up their green investments, and work together to **grow** the overall capability and reach of the GIP. A set of KPIs were also put forward as benchmarks for measuring effectiveness of our work. To date, four of the seven Vision 2023 milestones set for 2020 were met, with the other three closely lined up with the expected outcomes:

1) **"Assess":** 81% of GIP signatories established appropriate governance and oversight of environmental and climate risk; 50% are undertaking ERA of some sort; and notably, 50% are developing policies on coal/fossil fuel divestment and increasing ambition of existing commitments towards total phase-out;
2) **"Disclose":** 42% have made their environmental risk disclosure aligned to TCFD while another 10% is planning to do in 2021; 31% are quantifying and disclosing exposure to carbon-intensive sectors, closely lined up with what was expected from signatories.
3) **"Commit":** 64% are aligning BRI transactions with global mainstream

standards such as IFC Performance Standards/Equator Principles, also slightly lower than the goal of 70%; 58% are setting quantitative green investment targets in terms of volume or proportion, which significantly outpaced what was expected.

4) **"Invest":** Data on green investments in the Belt and Road region were provided by some signatories, which indicated a year-on-year growth of 38%, but more efforts are needed to establish the overall baseline for the whole GIP community.
5) **"Grow":** 39 global institutions had officially signed up to the GIP by the end of 2020 and the number rose to 40 as of the writing of this report, representing 15 countries and regions.

Against the headwinds of the pandemic and an unpredictable global economy, the GIP and its signatories have made significant progress towards accelerating green finance. We see marked improvement in performance on all four metrics compared to 2019–2020, and the overall performance landscape is moving towards where we envisioned in a rather fast pace.

However, with the scaling up of climate ambitions worldwide, the GIP now enters a new net-zero era and stronger actions will be needed from signatories to navigate through the risks and opportunities brought by climate-related commitments. There is also a need for signatories to accelerate actions, as the net zero era will bring with it a faster changing policy environment and greater expectations for market players to align with the Paris Agreement's 2-degree target, to which all players still fall short.

Transparency and data availability around materiality of climate risks remains a major challenge for GIP members, alongside the capability to analyse and mitigate them on different levels of operation. Going into 2022, disclosure of carbon intensive and green investments will be a priority focus for the GIP. In addition, the global move away from coal power investments and an increased focus on biodiversity risks are expected to rise up the agenda. GIP signatories will need to assess the risks associated with the areas of biodiversity, pollution and carbon emissions in a more holistic manner.

The GIP Secretariat, together with the member-led Working Groups, will continue to address these key areas and foster knowledge sharing among peers in the coming years.

1. Introduction

As we enter the post-pandemic world, we are also more clearly than ever entering a world on its way to carbon neutrality. The COVID-19 pandemic has so far proven to be a double-edged sword for global development. While it has caused an unprecedented public health crisis and brought economies to a halt and caution on the behalf of investors, it has also convinced governments across the world, including those along the Belt and Road, that sustainability is central to the post-COVID recovery. A summer of extreme weather events has also put the spotlight on emissions and the need for sustainable development that can ensure a hospitable planet for generations to come.

Though for many countries the pandemic continues, governments, corporations and banks are already positioning themselves for a greener recovery. At the UN General Assembly in October 2020, China announced that it will endeavour to peak its carbon emissions in 2030 and reach carbon neutrality by 2060. The landmark announcement was followed shortly after by the two other major East Asian economies, Japan and Korea, pledging to reach net zero by 2050. Some emerging economies along the Belt and Road have also announced net zero targets over the last year, including Indonesia, Brazil and Kazakhstan. These announcements will re-shape the investment landscape over the coming decades, underscoring the opportunities available to banks and institutions that are making efforts to provide green investments.

Over the last year a number of Belt and Road countries in Asia have also announced major revisions in the direction of their energy sector policies, with greater interest in renewables and a dramatic steer away from coal-based power. Vietnam saw over 7GW of rooftop solar installed in 2020[1], while countries such as the Philippines, Pakistan and Bangladesh made moves to limit the expansion of coal power capacity and encourage investments in solar and wind projects.[2]

1. https://ieefa.org/ieefa-vietnams-extraordinary-rooftop-solar-success-deals-another-blow-to-the-remaining-coal-pipeline/
2. https://globalenergymonitor.org/report/south-and-southeast-asias-last-coal-plants/

These ongoing policy shifts towards greener development pathways underscores the vital need for increased availability of green financing. The International Energy Agency's (IEA) first ever roadmap to a net zero global energy sector by 2050, released in May 2021, emphasises just how rapidly the world needs to develop its clean energy infrastructure and phase out support for fossil fuels.[1] Nowhere is this more apparent than in the dynamic economies that make up the Belt and Road, where investments in carbon intensive infrastructure now would see carbon lock in for decades to come.[2]

We are pleased to see that over the last year GIP signatories have been playing a role in these ongoing shifts and answering the accelerating demand for green financing. To date, a total of 8 members have announced their own carbon neutrality targets publicly and 9 have made commitments to end financing for coal power plants. A total of 28 signatories have put policies in place to increase their green financing, while 21 have set quantitative targets.[3] This year's annual report also finds that signatories continued to increase their financing volume and means, with innovative products such as transition finance, sustainability-linked products, and carbon-neutrality bonds, in spite of the investment pressures created by the pandemic.

Against the headwinds of the pandemic and an unpredictable global economy, the GIP and its signatories have made significant progress towards accelerating green finance. We see marked improvement in performance on all four metrics when comparing that of 2019-2020. Chapter 4 provides a breakdown of signatories' performance in sub-sectors across the four metrics.

1. https://www.iea.org/reports/net-zero-by-2050
2. Vivid Economics, Tsinghua University Center for Finance and Development & Climateworks Foundation, 2019. Decarbonising the Belt and Road: A Green Finance Roadmap.
3. Calculated based the 2021 GIP annual questionnaire and publicly available documents from signatory websites.

2. The Belt and Road in the Net Zero Era

With as much as US $ 2.3 trillion worth of in-pipeline projects, the Belt and Road Initiative (BRI) is among the largest international development initiatives in the world.[1] It therefore holds enormous potential to contribute to the build out of the new infrastructures required for the achievement of a net zero world.

As it stands, however, the development trajectories of Belt and Road countries (B&RCs) represent a major stake to meeting the 1.5-degree goal of the Paris Agreement. A 2019 study by Tsinghua University found that, under a "business-as-usual" scenario, from Belt and Road countries could account for 66% of global emissions by 2050. Even if all other countries align their emissions trajectories with the Paris goal, such a scenario could push the world beyond the 2 degree upper limit goal of the Paris Agreement.[2] Pulling these trajectories away from "business as usual" – a mode that threatens to lock emerging economies into carbon-intensive development patterns – is therefore of critical importance to the whole world. The climate and economic policies made by B&RCs, investment decisions made by market players, and the types of financing available are central to avoiding this scenario.

In order to align development pathways in 126 B&RCs with a 2-degree scenario, there is an estimated gap of US$11.8 trillion in infrastructure investment across sectors such as power, transportation, building and manufacturing.[3] The past year has seen increasing demand from B&RC governments to attract investments into these areas. An Ernst & Young report on green recovery opportunities in just eight countries and regions in Asia identified over 800 "shovel-ready" projects worth a total investment opportunity of US$316 billion.[4] The IFC have also identified at least US$29 trillion in green and climate investment opportunities in emerging markets up

1. Refinitiv, BRI Connect, 5th edition, https://www.refinitiv.com/content/dam/marketing/en_us/documents/reports/belt-and-road-initiative-in-numbers-issue-5.pdf
2. Vivid Economics, Tsinghua University Center for Finance and Development & Climateworks Foundation, 2019. Decarbonising the Belt and Road: A Green Finance Roadmap.
3. Vivid Economics, Tsinghua University Center for Finance and Development & Climateworks Foundation, 2019. Decarbonising the Belt and Road: A Green Finance Roadmap
4. https://assets.ey.com/content/dam/ey-sites/ey-com/en_sg/topics/power-and-utilities/ey-green-recovery-opportunities-report.pdf? download

to 2030.[1] The BRI and participating financial institutions are well positioned to fill this infrastructure gap and recent years have shown positive signs that BRI investments are moving in this direction. In 2020, Chinese overseas power sector investments saw more non-fossil fuel investments than fossil fuel investments, reflecting the growing demand for carbon-free energy in the net-zero era.[2]

Across the world, governments have shown increasing interest in moving away from fossil fuel towards renewables. Some major economies along the BRI significantly altered their power sector plans over the last year in favour of renewable power development.[3] **Vietnam**, for example, cancelled and postponed 13 planned coal fired power plants and saw a boom of over 7GW in rooftop solar installation last year.[4] The **Philippines** introduced a moratorium on coal fired power plants and is opening bidding for tenders for 40 non-coal related energy infrastructure projects. Companies and financial institutions participating in the BRI can join the momentum, as Chinese companies have played a prominent role in renewable energy development in the **UAE**, **Myanmar and Vietnam**, to name a few.

Other sectors, though harder to decarbonise, are also seeing a shift towards low-carbon technologies. **Bangladesh**, for example, is targeting a revival of water borne transportation on its inland waterways as part of its decarbonisation of the transport sector, an initiative that will require significant financial support from both public and private sources.[5] **Indonesia's** 2070 net-zero announcement meanwhile will require deep decarbonisation across all sectors, particularly emerging heavy industry such as stainless steel and nickel production. Further net zero announcements from major developing economies along the BRI are expected in the coming years, changing the investment landscape and opening up even more green investment opportunities.

Green finance for net zero

Green finance is one of the fastest growing areas of financial markets. Over the last five years, the total volume of

1. https://www.ifc.org/wps/wcm/connect/03772f12-7841-4da4-bf48-df1ec5291a2c/SBN_Necessary_Ambition_Report_2020_Executive_Summary_final.pdf?MOD=AJPERES&CVID=nbsad-L
2. https://green-bri.org/china-belt-and-road-initiative-bri-investment-report-2020/
3. https://globalenergymonitor.org/wp-content/uploads/2021/01/South-and-Southeast-Asias-Last-Coal-Plants.pdf
4. https://ieefa.org/ieefa-vietnams-extraordinary-rooftop-solar-success-deals-another-blow-to-the-remaining-coal-pipeline/
5. https://www.worldbank.org/en/news/feature/2020/07/13/reviving-bangladeshs-in-land-waterways-for-low-carbon-and-resilient-transport

global green assets has reached over US$ 40 trillion, and may grow to US$ 53 trillion by 2025.[1] Green finance can play a vital role in ensuring adequate financing for green infrastructure is available in the quantity required. Currently there is a critical gap between the financing needs of developing economies and the policy frameworks to unlock requisite green financing. Major gaps remain in terms of green financing definitions, data and reporting, and the participation of both public and private finance.

A number of B&RCs and emerging economies are making major progress and showing high levels of ambition.[2] The IFC-supported Sustainable Banking Network (SBN) saw much progress in emerging markets over the last year, with seven financial institutions joining the network in 2020. In July 2021, the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Markets joined the network and will work with the SBN to develop a national framework to help Kazakh financial institutions to manage social and environmental risk. The first half of 2021 also saw the Maldives Monetary Authority and the Central Bank of Ecuador join the SBN.[3] The expansion of the SBN will contribute to establishing positive policy frameworks in developing countries and enable greater quantities of green financing.

Increased interest in low carbon infrastructure in the wake of the COVID-19 pandemic and the rise of the "net zero era" demonstrates that green finance has a vital role to play in the development of the world economy over the coming decades. Public and private financial institutions, governments, and academia all have a role to play in ensuring that the green finance sector keeps pace with demand.

Currently a number of barriers remain in the way of the required rapid increase in green financing availability, however. There is still much work to be done on developing consistent green taxonomies across the Belt and Road countries, for example. More broadly, policy frameworks to incentivise the rapid roll out of green financing also require more work, as do transparent and consistent reporting mechanisms. Financial institutions themselves are often in need of further knowledge and capacity building in areas such as environmental risk analysis and disclosure, as identified in this year's questionnaire. The post-pandemic years, which are expected to see a boom in new infrastructure construction across the world as governments look to jump start their economies, will be a critical period for overcoming such barriers to the deployment of green finance.

1. https://www.bloomberg.com/professional/blog/esg-assets-may-hit-53-trillion-by-2025-a-third-of-global-aum/
2. https://www.ifc.org/wps/wcm/connect/03772f12-7841-4da4-bf48-df1ec5291a2c/SBN_Necessary_Ambition_Report_2020_Executive_Summary_final.pdf?MOD=AJPERES&CVID=nbsad-L
3. https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/sustainable-finance/sbn_whatsnew

3. The Role of the GIP in supporting green Belt and Road investments

The Belt and Road has massive potential to promote investment in green and sustainable infrastructure that can make major contributions to meeting the UN Sustainable Development Goals and the Paris Agreement's 2-degree goal. While green investments along the Belt and Road are beginning to increase - for example in renewable energy - there is still much potential to be unlocked. The financial sector has a critical role to play in redistributing financial resources towards more sustainable development pathways along the Belt and Road.

Recognising the great potential of the financial sector in this transformation, the GIP takes a sectoral focus and brings together some of the biggest financiers along the Belt and Road, providing a platform for them to progress towards greening their investments and accelerating the global low carbon transition. Progress on such shared challenges will make a major contribution to decarbonising the global economy.

How the GIP can help address the challenges

The GIP is uniquely positioned with a focus on the financial sector. Through the years the GIP has become a close-knitted community, whose members consist of public and commercial banks, development banks and insurers from China, Europe and Belt and Road countries. It brings together some of the world's leading banks on sustainability and banks with rich experience operating in developing countries, including institutions familiar with investment and policy environments in B&RC contexts, providing a platform for peers from diverse backgrounds to communicate and exchange knowledge and experience with each other. The GIP members have shown high levels of commitment to green investments and the community itself.

In 2020, the GIP outlined its five "steps to change" and its Vision 2023, agreed on by all members at the 2nd Plenary Meeting in September 2020. Both the "steps to change" and the Vision 2023 are designed to encourage and push forward climate responsibility and green financing among signatory banks.

The five steps to change call for:

- First, signatories need to **assess** their

exposure to climate and environmental risks.

- Second, signatories **disclose** their strategies for managing these risks.
- Third, signatories **commit** to setting green investment targets and to phasing out carbon-intensive investment.
- Fourth, signatories **invest** in the growing pipeline of green projects along the Belt and Road.
- Finally, signatories work together to **grow** the overall capability and reach of the GIP.

This is an ongoing process designed to ratchet up banks' ambition and performance on climate related factors.

Last year, the GIP also formulated time bound targets under the Vision 2023, expecting to drive substantial changes towards the following goals:

- **Access:** All signatories will have integrated climate risk into their governance structure.
- **Disclose:** All signatories to have made their first climate disclosures aligned with TCFD.
- **Commit:** 60% of signatories will have set quantitative green investment targets.
- **Invest:** Green investment flows to the BRI will have risen by over 35% from a 2020 baseline.
- **Grow:** The GIP will have more than 70 signatories.

The GIP secretariat tracks progress on these targets on an annual basis, this year's annual report representing the first evaluation of progress towards the Vision 2023 targets. The report provides a full mapping of progress by all members. The secretariat also provides individual feedback on performance to all signatories, including a detailed checklist for further progress towards Vision 2023 KPIs.

4. Progress in 2020—2021

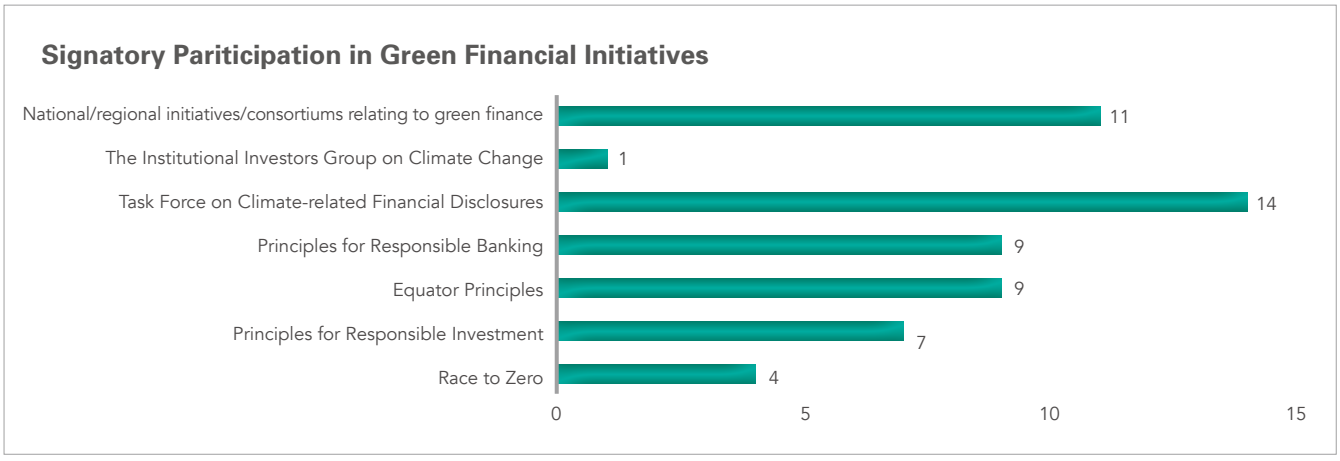
The GIP made solid progress over the last year, in spite of the obstacles posed by the ongoing pandemic. Membership further expanded, a series of in-depth webinars were held, a new chapter was established in Central Asia, and the working groups continued their joint tasks. The GIP will also hold the 3rd Plenary Meeting in September 2021.

4.1 Membership and Leadership

GIP membership expanded from 37 members in September 2020 to 40 members by August 2021, with the addition of two re-insurance companies, China RE and Swiss RE, and one state-owned investment company, Siyuan Investment, the unified managing body for China-Africa Fund for Industrial Cooperation and China-LAC Industrial Cooperation Investment Fund. These institutions together hold a total asset volume of US$ 49 trillion, representing a significant proportion of financing for the Belt and Road region.

Among the 25 signatories that have submitted this year's questionnaire, many have an active presence in national or international initiatives related to green finance. 11 were participating in national or regional cooperation mechanisms and 14 of them became supporters of the Task Force on Climate-related Financial Disclosures (TCFD). A handful have also signed up to global initiatives such as the Principles for Responsible Banking, Equator Principles, and Principles for Responsible Investment.

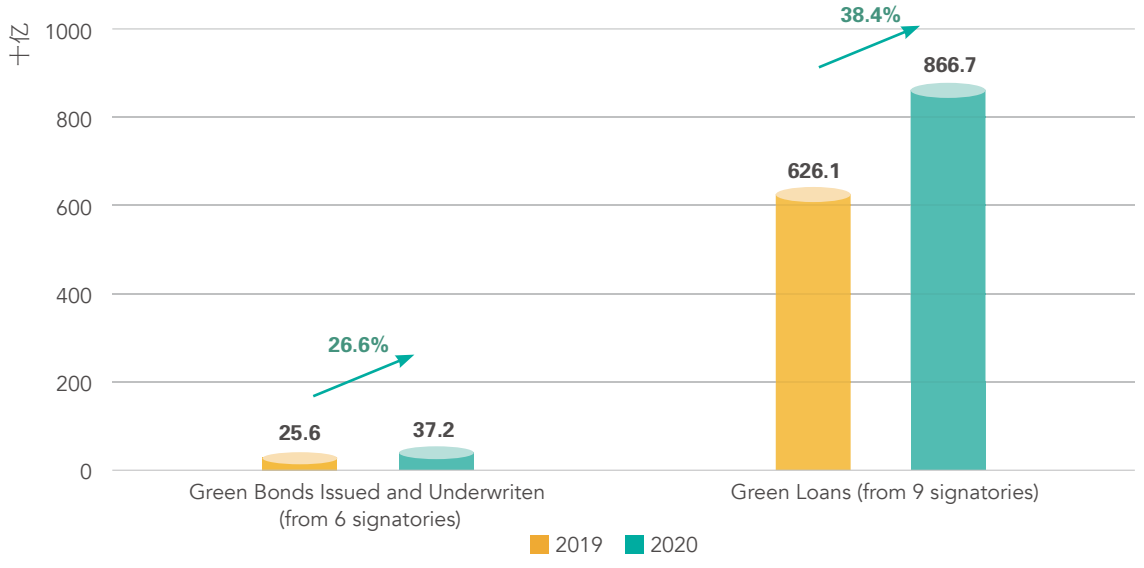
Figure 1: GIP Signatories' Participation in Green Financial Initiatives



Based on data reported to the GIP Secretariat in the 2021 questionnaire (whose reporting cycle is the calendar year of 2020), the outstanding balance of green loans from 9 signatories amounted at US$ 866.7 billion, with a year-on-year increase of 38% compared to their aggregate balance in 2019. A total of US$ 1.684 trillion was recorded when adding information publicly disclosed by another 4 signatories. Green bond issuance and underwriting reported by 6 signatories stands at an aggregate volume of US$ 37 billion. Adding up data from another 6 signatories' public documents, it amounts to US$ 76 billion. The momentum behind increasing availability of quantitative data continues, and was also noted in last year's report.

20 signatories mentioned developing innovative green and sustainable financial products in the past year. A few examples are illustrated in the box below.

Figure 2: Total Volume of Green Transactions Reported by GIP Signatories



Box 1: Innovative Green & Sustainable Financial Products

COVID Bonds & Funds

GIP signatories have played active roles in alleviating the adverse economic impact of the COVID-19 pandemic, by issuing or helping issued COVID-related bonds, granting loans, or setting up charitable funds. One example is the Covid-19 resilience bond issued by the China Industrial Bank, with an issue size of HK$3 billion (US$387.10 million), as the first COVID-19 resilience bond certified by the Hong Kong Quality Assurance Agency (HKQAA).

Sustainability-linked bonds and loans:

Sustainability-linked bonds and loans have emerged as a new branch of green financial products whose interest rates or yields are linked to the performance of enterprises in sustainability, measured by a given set of indicators. For instance, the Bank of China helped China Huaneng Group, a major Chinese energy company, issue its debut 3-year sustainability-linked bond of 1.5 billion as the sole underwriter in May 2021.

Green Consumer Loan by Khan Bank:

In 2020, the Bank introduced a "Green Consumer Loan" product to tackle air pollution and soil contamination, and to raise individuals' and business entities' environmental awareness in the scope of its social responsibility activities. Customers can receive the green loan with favourable conditions, financed by Khan Bank's own funding and their use of proceeds varied between purchase of house insulation materials and household heating systems.

Green Interest Swap by Crédit Agricole:

Crédit Agricole CIB arranged a combined HKD590 million inaugural green interest rate swaps for Goodman Interlink Limited managed by Goodman, a leading global logistics property group. Crédit Agricole CIB worked hand-in-hand with Goodman in designing a sustainable swap solution. This innovative solution was adding a green feature in the hedge wherein the preferential fixed rate paid by the borrower was linked to the underlying facility's green classification. Borrower's fixed rate steps up to non-preferential if the Green Condition fails.

Continuing the momentum in 2020, GIP members have won wide recognition for their leadership in green and sustainable finance, from renowned media to government authorities.

Table 1: Green Financial Awards Received by GIP Members[1]

Year	Recipient	Award title	Awarding institution
2020	HSBC	World's best bank for sustainable finance 2020; Asia's best bank for sustainable finance 2020; Middle East's best bank for sustainable finance 2020; Western Europe's best bank for sustainable finance 2020	Euromoney
2020	BNP Paribas	Western Europe's best bank for corporate responsibility 2020	Euromoney
2020	Agricultural Bank of China	Best Green Bond Bank	Asiamoney, China Green Finance Awards
2020	Industrial Bank	Green Bank of the Year	Asiamoney, China Green Finance Awards
2020	Bank of China	Green Deal of the Year 2020	Asiamoney, China Green Finance Awards
2020	Ernst & Young	Best Green Finance Verification Agency	Asiamoney, China Green Finance Awards
2020	Société Générale	Best Green Belt and Road Project	Asiamoney, China Green Finance Awards
2020	Commerzbank	Global 100 Most Sustainable Corporations in the World	Corporate Knights
2020	DBS	Asia's best bank for corporate responsibility	Euromoney
2020	Industrial Bank	Largest Financial Corporate Green Bond Deal of 2019 & Largest Financial Corporate Green Bond Issuer over the last 10 years	Climate Bonds Initiative
2020	FAB	Middle East's Best Bank for Corporate Responsibility	Euromoney
2021	HSBC	Asia's best bank for sustainable finance 2021; Middle East's best bank for sustainable finance 2021	Euromoney

1. Compiled from public sources.

Year	Recipient	Award title	Awarding institution
2021	BNP Paribas	Western Europe's best bank for sustainable finance 2021	Euromoney
2021	Agricultural Bank of China	Green bank of the year 2021	Asiamoney, China Green Finance Awards
2021	Bank of China	Best green bond bank 2021	Asiamoney, China Green Finance Awards
2021	CDB	Green deal of the year 2021	Asiamoney, China Green Finance Awards
2021	Commerzbank	Global 100 Most Sustainable Corporations in the World	Corporate Knights
2021	Société Générale	Best green financial product, China Green Finance Best Research Achievement Award	Asiamoney, China Green Finance Awards
2021	Société Générale	Best ESG Solution House	SRP
2021	Société Générale	Global award for Outstanding Sustainable Financing in Emerging Markets	Global Finance
2021	Mizuho bank	the Minister of the Environment's Gold Award	Japan Ministry of the Environment's 2nd ESG Finance Awards Japan
2021	Crédit Agricole CIB	Lead manager of the Year, green bonds – Bank	Environmental Finance Bond Awards

4.2 2nd Plenary Meeting

The Second Plenary Meeting of the GIP was held on September 24, 2020, in Beijing, with over 130 representatives from more than 40 global financial institutions and international organisations participating in person or virtually.

The GIP Secretariat reflected on the progress made in the previous year, including the expansion of membership, the four capacity-building webinars held by working groups, development of an online tool to measure project carbon emissions and a climate and environmental information disclosure framework for GIP signatories, aligned with TCFD recommendations.

The inaugural Annual Progress Report was released at the meeting, evaluating implementation by signatories and setting a baseline for future reporting. The report

gave particular emphasis to climate and environment-related governance and strategy, assessment and management of sustainability risks, greening of investment portfolios, and consistent approach to disclosures, noting that further efforts are needed to address challenges such as varying levels of implementation capacity.

Building on the Report findings, a three-year plan for the GIP, "Vision 2023", was put forward at the meeting. The focus areas for the GIP vision are set out under five key pillars - assess, disclose, commit, invest, and grow. Expectations under the Vision include for all members to have made their first TCFD disclosure by 2023.

Winners of a set of GIP awards were also announced at the meeting. Three signatories were nominated for each award category. Standard Chartered Bank received the Best GIP Implementation Award and Silk Road Fund received the Best GIP Green Finance Transaction Award.

The Secretariat, together with signatories that co-chair the thematic working groups, reported the progress made in the past year and outlined working plans for the year ahead under Vision 2023. The Secretariat stated that the GIP will continue to foster green investment in the Belt and Road region through awareness raising and capacity building in environmental risk management, disclosure, and green financial product innovation among its members.

Dr. Ma Jun, Co-chair of the GIP Steering Committee, delivered the opening remarks at the 2rd Plenary Meeting of the GIP on September 24, 2020.

4.3 Capacity Building Webinars

GIP Webinar on the Climate & Environmental Risk Assessment Toolbox (CERAT)

On September 10 2020, the Industrial and Commercial Bank of China (ICBC) and PwC held a **Webinar on the GIP Climate & Environmental Risk Assessment Toolbox (CERAT)**. SinoCarbon, the technical developer, presented a demo to instruct the audience on the usage of the CERAT and Ben Peel from Carbon Trust was also invited as a guest speaker to present a recent report on preparing the Chinese financial markets for climate transition risks. Over 50 representatives from almost all GIP members attended the webinar.

Working Group 1 (WG1) has been working on the risk assessment toolbox for signatories, including an online tool to assess carbon emission at the project level in order to better inform early-stage investment and business decisions. During the demo session, three main features of the CERAT were presented:

- The online toolbox is available in both Chinese and English and a bilingual user manual can be downloaded upon log-in.
- The toolbox can measure the carbon emission of both green and carbon intensive projects and provides benchmarking against Chinese and EU standards.
- A report will be automatically generated for users. Project information will not be stored in the system to avoid confidentiality concerns.

Feedback from a handful of institutions who have already tried out the toolbox was positive. Most of them found it useful and expressed their expectation for the incorporation of more aspects of environmental and climate risk assessment into the current system, which has been scheduled into WG1's 2020-2021 business plan.

Ben Peel from Carbon Trust also shared the findings of a recent report, "How to Deal with the Green Swan: How Chinese financial markets prepare for dealing with the climate transition risk". He noted that, at policy level, climate is recognised as a systemic risk, often covered as a subset of environmental risk, and policymakers have made limited commitments to act. At the institutional level, meanwhile, most Chinese financial institutions' awareness of climate related risks is at an early stage and the internal motivation to act is insufficient. In addition, most of the internationally developed tools have not been used in China. Some pioneers have made progress in developing China specific tools, however, such as CliTRAM. Nonetheless, high-quality public climate related data is not available.

The webinar concluded that climate and environmental risk assessment will be a

long journey and challenges regarding data availability and institutional capacity persist. WG1 is dedicated to developing useful toolkits for all GIP members in this regard and welcomes suggestions from members on how it can better assist.

GIP Webinar on Environmental Risk Analysis

A second webinar themed Environmental Risk Analysis was held by ICBC and PwC, together with the GIP Secretariat, on December 17, 2020. It featured three expert speakers who shared methodologies and cases from financial institutions.

Dr. Ma Jun, co-chair of the GIP Steering Committee, underlined in his welcome remarks the importance for financial institutions to quantify environmental risks, which has been one of the priorities for capacity building among GIP members. ERA is gaining more attention from the financial sector as well as the regulators, he introduced. The Central Bank and Supervisor's Network for Greening the Financial System (NGFS) recently published an occasional paper and a casebook on Environmental Risk Analysis, which would be presented later during the webinar.

Bernhard Schiessl, COO and director of CICERO Shades of Green, gave a brief overview of climate-related physical and transition risks and how their assessments were incorporated into the certification of green bonds. In the second opinion process for green bonds, experts will bring up a comprehensive set of questions ranging from the identification and assessment of potential climate-related risks – types, exposure, and scenarios – to management and disclosure to ensure more effective communication of such risks to investors and inform decision-making.

Dr. Yin Hong, deputy director of Modern Finance Institute of ICBC and co-chair of the GIP WG1, shared the case from ICBC on environmental stress testing. Dr. Yin presented the general procedure of stress tests and an overview of tests that ICBC has carried out. Illustrating a test conducted in the thermal power sector, she demonstrated how the stress from tightening environmental standards or the presence of a carbon market could transmit under three levels of scenarios and have significant financial impact on small and medium-sized enterprises. The model can potentially be applied to other commercial banks on their portfolios and inform strategy making related to carbon-intensive sectors.

Dr. Sun Tianyin, Senior Researcher at the Research Centre for Green Finance Development at Tsinghua University, a contributing author of the NGFS ERA handbook, demonstrated two risk analysis models, respectively on the transition risks of the thermal power sector and

the physical risks of mortgages. On the transition side, dropping demand and higher cost due to carbon price could potentially drive up the probability of default on thermal power-related loans. On the physical side, with the exacerbation of typhoons by climate change, the future default probability of mortgage could even double or more in extreme scenarios, comparing to that of base scenario without climate change.

GIP Webinar on Financial Support for Transition to Net Zero

The GIP Webinar on Financial Support for Transition to Net Zero was held by Standard Chartered, co-chair of the GIP Working Group 3, on February 23, 2021, with support from the GIP Secretariat and Hong Kong Green Finance Association. The event attracted over 130 representatives from GIP members.

In his opening remarks to the webinar, Thomas Heller, Professor of Political Economy at Stanford University and the Chairman of the Board of Directors at Climate Policy Initiative commented on three important ongoing trends. First is the mainstreaming of climate and the need to transition to a net zero economy. This represents a regime shift and raises questions about timing and coordination. The second is the recent growth in green finance, which demonstrates that the market has potential to drive change, with or without strong state behaviour. In China and much of Asia, however, relatively recent fossil fuel related infrastructure investments pose challenges to the rise of green investment. Thirdly is the rise of transition risks for financiers and investors. Heller emphasised that increasing physical risks demonstrate the need not just for disclosure, but also for the systematic management of risks.

The Webinar on Financial Support for Transition to Net Zero included two sessions, the first of which focused on innovation for the climate transition, the second of which focused on financial products for the net zero transition.

Session 1:

Dr. Barbara Buchner, Global Managing Director at Climate Policy Initiative, noted that China has been the largest source of climate finance globally. However, over the next decade, it faces an investment gap of US$1 trillion, three to four times of what is currently provided. There are opportunities to encourage innovation in small and medium-sized banks, green funds, PPP structures, green financial pilot zones, and in BRI countries. Dr. Alexander Fisher, Director of Biodiversity, Climate and Environment at GIZ China, shared Germany's experience of transitioning toward a low carbon economy, including PPP structures, government green bonds and asset swap mechanisms which have helped to consolidate renewable energy assets. Carel Cronenberg, Associate Director of the EBRD, shared his thoughts

on the EU Taxonomy. He noted that it is important to see how different taxonomies can co-exist and provide clarity to green investments around the world

Session 2:

"Transition finance is the gateway to achieving carbon neutrality and requires urgent action and innovation across the whole ecosystem in order to scale up," said Tracy Wong Harris, Head of Sustainable Finance for Greater China and North Asia at Standard Chartered Bank and Deputy Secretary-General of Hong Kong Green Finance Association (HKGFA), in the second session of the webinar. There has been an exponential growth in green and sustainability linked financial products globally, with a focus on social bonds in 2020 in response to the pandemic. The trend reflects increasing awareness and urgency from financial institutions to address decarbonisation. The session saw participants discuss the financial products they offer and ways to scale up current green financing. Suggested catalysts included the incorporation of pricing for climate externalities and education and capacity building in the market on transitioning and sustainability. In addition to improving data disclosure, a key enabler lies in the unification of sustainable finance standards and taxonomies globally. China and the European Union are in discussions to set-up a taskforce for further discussion on this issue.

Session 2 panellists in a discussion.

GIP Webinar on TCFD Leading Practices and Carbon Accounting

The GIP Webinar on TCFD Leading Practices and Carbon Accounting was held on May 13, 2021. The Webinar was run by the GIP secretariat of the Beijing office. Experts from Société Générale Group, PCAF, and CDP were invited to share best practices in TCFD disclosure and carbon accounting.

Adam Vuaran, the Head of CSR APAC at Société Générale, addressed the importance of the TCFD reporting framework and China's role in energy and environmental transition.
"The TCFD framework of reporting on climate governance, climate strategy, environmental risk, management, and the metrics and targets support this transition by providing a framework for taking stock on how much progress we each made thus far, and also how much further we need to go," he said.

Paul Grimal, the Senior Climate Specialist at Société Générale, presented an overview of Société Générale's TCFD reporting. The bank's climate strategy focuses on double materiality, which is how corporates are exposed to risk and how they create risks for others. It also plays a role in accompanying its real-economy clients in the low-carbon transition. A significant chunk of its reporting is on risk assessment and management, including monitoring various risks stemming from climate change and their financial implications, both directly and indirectly.

Chenguang Zhao, Sustainable Finance Policy Manager at CDP, shared some of the findings from CDP's latest Sustainable Finance Financial Service Disclosure Report, including the increasing popularity of sustainable finance products and services, enhanced level of engagement on climate-related issues with clients. More and more financial institutions are assessing portfolio exposure to climate-related issues and requesting climate-related information as part of portfolio due diligence. However, the disclosure of financed emission and exposure to carbon-related assets is still rare.

Jialiang Zhang, the Asia Pacific Lead at PCAF, shared some insights about the PCAF methodologies. The PCAF methodology is currently available and recognised under the TCFD. Built upon the GHG protocol, it helps financial institutions measure and disclose their finance missions from six asset classes, including loans, corporate bonds, and project finance. Zhang also pointed out that data remains one of the key challenges, specifically the emission of individual investors, as the PCAF methodology is the aggregation of all the various investors that make up the actual portfolio.

In the Q&A session, Grimal summarised two takeaways from Société Générale's experience. The first is to have an

appropriate governing body to make effective climate decisions. The second is to allocate resources towards climate reporting. Alignment with the Paris Agreement, measurement of biodiversity-related risks, and strengthening internal incentives will be the future direction.

Underlining the pressing needs for action, Zhang encouraged GIP members to start preparing early and engage with clients, peers, and regulators for collaboration, a sentiment which was echoed by other speakers at the webinar.

4.4 Central Asia Regional Chapter

On May 27, 2021, the Green Investment Principles (GIP) for the Belt and Road launched its first Regional Chapter in Central Asia. The announcement was made by Dr. Ma Jun, Co-chair of the GIP Steering Committee, at the online event, "GFLP in the Context of Net Zero: Inauguration of the GIP Regional Chapter in Central Asia", hosted by the Beijing Institute of Finance and Sustainability (BIFS), the AIFC Green Finance Centre and the Mongolia Sustainable Finance Association.

Chaired by Mr. Yaseen Anwar, former Governor of the State Bank of Pakistan, and supported by the AIFC Green Finance Centre, the GIP Regional Chapter in Central Asia aims to establish closer ties with local financial institutions and regulators and contribute to the local agenda of sustainable development, recognising the important role that Central Asia plays in the Belt and Road Initiative and the pressing needs for low-carbon transition. Specifically, it envisions developing a better understanding of local contexts in addressing environmental and climate challenges with financial tools, identifying prospective GIP members, and collecting green project information for existing GIP members to unlock potential green investment opportunities.

Mr. Yaseen Anwar, Chairman of GIP Central Asia, emphasised in his speech the huge opportunity in showing the world how the GIP Central Asia Chapter can assimilate its knowledge base and resources to develop a clear long-term path to carbon neutrality. "This transition to a net zero economy is the greatest collective endeavour we must undertake going forward. How capital is allocated to support this effort is a priority, and as owners and stewards of capital, we have responsibilities to direct investment to activities that promote sustainable development", he said.

"The IEA predicts that to get to net-zero by 2050 we will need to triple investment in renewable energy to US$1.6 trillion in 2030. The GIP regional chapters are a key part of this. Today's launch of the Central Asia chapter paves the way for a series of regional chapters which will help transform the investment landscape on

the BRI", said **James Pennington, Lead, Circular Economy & China Partnerships at the World Economic Forum.**

In order to expand its reach and influence along the Belt and Road, the GIP plans to launch more regional chapters in the coming years, through close collaboration with the World Economic Forum and other local partners, in key regions with great potential and imminent needs for green investments. In addition to engagement with local stakeholders, the regional chapters will serve to disseminate knowledge and expertise for environmental and climate risk analysis and management, and accelerate the flow of private capital into green projects on the ground.

The initial strategy and work plan for regional chapters will be approved by the Steering Committee, in conversation with the Chair of the chapter in advance of the launch. Work plans and budgets will be presented and approved by the Steering Committee on an annual basis. Day to day governance and management of the regional chapters will be decided by the Chair in discussion with the chapter advisory board and the global secretariat.

4.5 Tools development

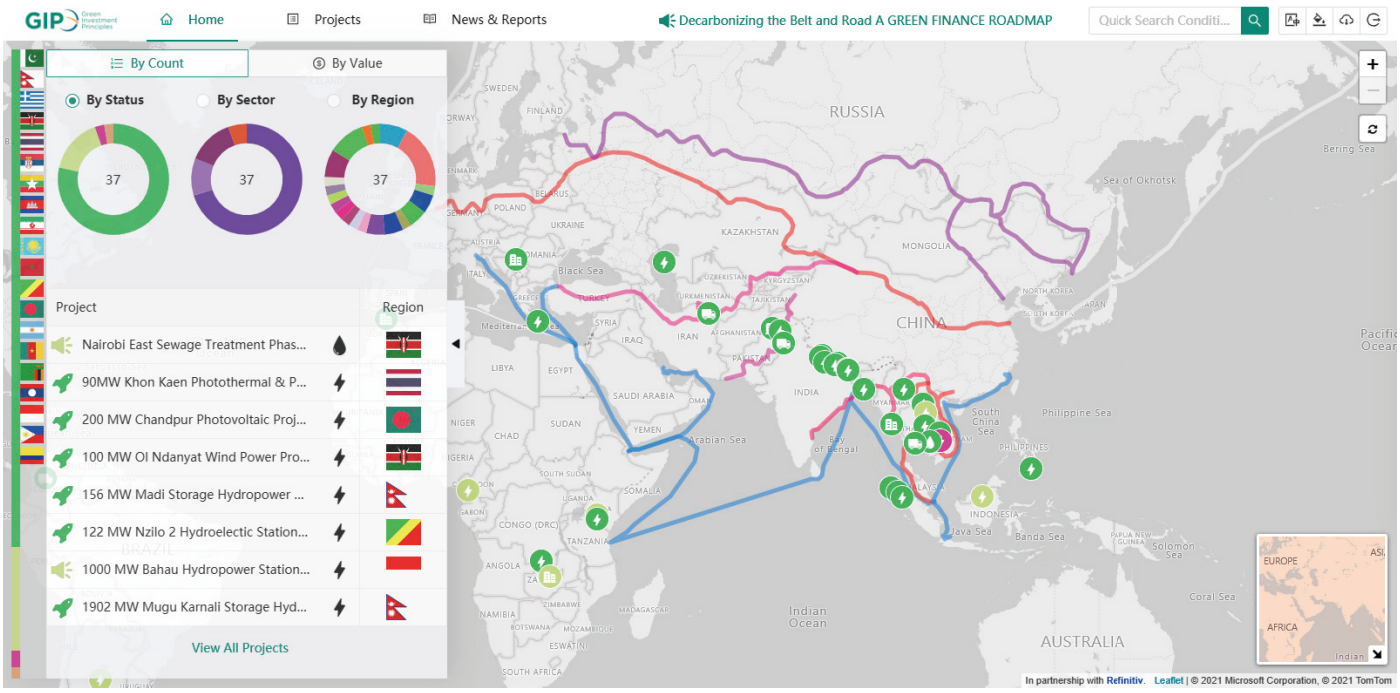
Green Project Database

The Green Project Database provides information on green projects in seven different sectors across the Belt and Road, including contract type, financing status, construction schedule and environmental risk assessments. The database is presented in a map format and can be filtered by sector, project status, project type and more.

The database aims to create a platform to facilitate and promote green investments, reducing search costs and the cost of financing. The database aims to improve the commercial viability of green projects in developing countries, including along the Belt and Road, and ultimately achieve green, low-carbon and sustainable development in the region.

The finance providers of the green projects in the Database are mainly GIP member institutions, including all major banks based in China and other international financial institutions, who are also the mainstream financiers of BRI investment and can provide various debt and equity financing services. Refinitiv, one of GIP's supporting institutions, provided technical support to the development of the Database.

The database has entered the second phase of its development, during which it will be refined and a regular updating mechanism will be introduced.



Demonstration of the Green Project Database.

Climate and Environmental Risk Assessment Toolbox

Climate and Environment Risk Assessment Toolbox (CERAT) is dedicated to help stakeholders quantify the environmental risks and benefits of investment projects, improve transparency, and demonstrate responsibility. The tool integrates existing methodologies that map environmental and climate risks based on project-level technical information. It is available for free access by all stakeholders, including but not limited to banks, investors, construction companies and even regulators and government agencies.

In the first phase, CERAT provides carbon accounting for existing and new projects in industry sectors with high emissions intensity potential, including energy, construction and transportation. Based on project information and anticipated or actual performance, it examines compliance with existing international and national standards, and calculates the carbon emission intensity of the project, benchmarking it against regulatory requirements.

The current CERAT Phase II development includes more quality information on climate, environmental, biodiversity and water risks to help financial or investment institutions understand and evaluate the environmental risks of investment projects, enhance the risk prevention ability of financial system, and guide Chinese enterprises to further standardise

environmental protection behaviour in their overseas investment cooperation, guide enterprises to actively fulfil the social responsibility of environmental protection, and promote sustainable development of overseas investment.

Development of Capacity Building Materials

- **Transition Risk Paper:** The WG1, which focuses on climate and environmental risk assessment, has studied the potential transition risk in China and three other countries from BRI regions. In addition to pointing out the necessity and potential policy shift within the select four countries under its decarbonisation roadmap, the research team analysed in detail the impact pathway of high carbon intensity sectors (covering energy, transportation and etc) and the financial sector (banking and insurance). The drafting of the Transition Risk Paper is a good start for WG1 to further investigate the possible ways of assessing the transition risk.

- **Casebook on TCFD Practices:** The WG2, which focuses on disclosure, is compiling leading practices from GIP members on environmental and climate-related information disclosure. The casebook includes a diverse range of case studies of leading practices in environmental and climate-related disclosures, demonstrating the range of innovation in disclosure approaches. The casebook is organised under the TCFD recommendations, with four sections respectively on governance, strategy, risk, and metrics. Members have provided excerpts from their public documents on how they are managing environmental and climate issues, while WG2 leaders will provide a short review of each case to summarise their highlights.

- **Casebook on Innovative Green Financial Products:** The WG3 is compiling a casebook of leading practices on how innovative financial products are applied to support green projects along the Belt and Road, as reference material for capacity building within the GIP community. The casebook also provides an opportunity for GIP members to demonstrate their excellence in the field. Cases will be sorted by categories, which include but are not limited to loan, bond, fund, and equity. Notably, signatories were asked to reflect on the GIP Principles used in the cases they provided and share insights that may be useful to other GIP members.

5. The GIP Annual Performance Review 2020

To ensure that GIP signatories implement the principles, continue to raise their ambition on green investments and improve their environmental risk management, an annual reporting process was introduced in 2020. The reporting process and performance review also helps the GIP secretariat to identify common obstacles and knowledge gaps in the signatories' implementation of the GIP. This year's performance review is the second such report.

Participation in the annual reporting process is a requirement of membership of the GIP as mandated by the GIP Governance Structure. Signatories can expect individual feedback to support their development and implementation of the principles. Signatories are invited to share their comments and views ahead of the next reporting cycle in 2022.

5.1 Methodology

Based on the release of the 2020 annual report, the Secretariat revised the questionnaire based on the feedback and performance of the signatories, while keeping consistency in format and logic. Meanwhile, considering the differences in institutional characteristics and capabilities among signatories, more flexibility is given in the setting of questions, with a combination of quantitative and qualitative questions. A separate set of questions were developed for stock exchanges and supporting institutions, due to their unique position.

The 2021 questionnaire for signatories consists of 48 questions divided into 7 sections: organisational background, governance and strategy, risk assessment and management, corporate and investment footprint, disclosure and engagement, capacity building, and green investment cases.

Figure 4: Green Investment Principles and the Reporting Themes

Governance and Strategy

- Principle 1: Embedding sustainability into corporate governance

Risk Assessment and Management

- Principle 2: Understanding Environmental, Social and Governance Risks
- Principle 6: Adopting green supply chain management

Investment and Corporate Footprint

- Principle 5: Utilising green financial instruments
- Principle 7: Building capacity through collective action

Engagement and Disclosure

- Principle 3: Disclosing environmental information
- Principle 4: Enhancing communication with stakeholders

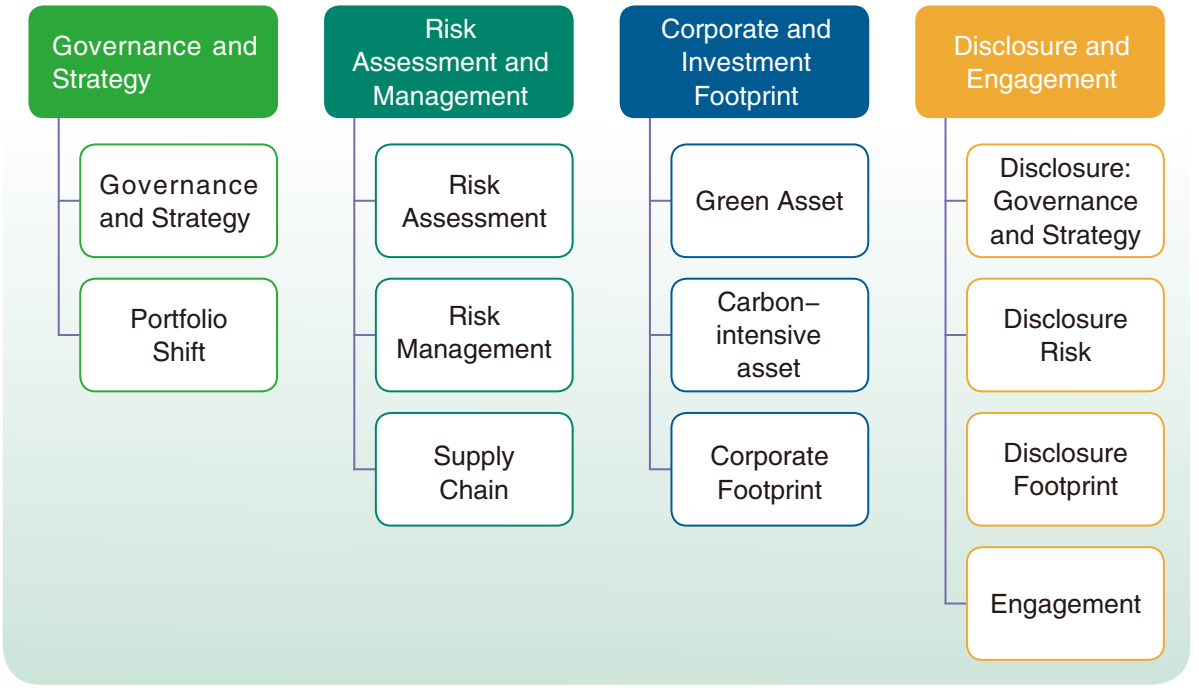
Specifically, the secretariat will analyse and evaluate the implementation of the principles by member institutions in accordance with the corresponding sub-themes from four aspects: governance and strategy, risk assessment and management, corporate and investment footprint, disclosure and engagement. The performance of the organisation will be divided into different levels based on the 5-level analytical framework put forward in 2020:

- **"Laggards"** – Environmental and social (E&S) issues are not recognised or not considered (Level 0)
- **"Business as Usual"** - E&S issues acknowledged and considered as part of general due diligence (Level 1)
- **"Building Capacity"** – Corporate structures/decision frameworks updated and starting to use or develop mechanisms and tools to assess/ manage risk (Level 2)
- **"Leading by Example"** - E&S issues are starting to be integrated into group strategy, with differentiated approaches in a number of key areas (Level 3)
- "**Best Practice"** – Strategic and holistic approach to risks and opportunities across all areas of business activity, targets and quantitative progress reporting (Level 4).

The questionnaire was distributed to all GIP signatories in late April and

26 signatories[1] responded by mid-July. 13 of them have also submitted green investment cases, which will be automatically enrolled in the selection of the GIP Best Green Transaction Award this year. The full list of signatories that have responded to the questionnaire can be found in the Annex.

Figure 5: Themes and Sub-themes for Performance Evaluation



5.2 Overview of findings

Responses to the 2021 annual questionnaire show steady progress among GIP members on a number of fronts compared to 2020.

1) Signatories have made major progress on their climate **governance and strategy** as increasing numbers of banks are building up structures and procedures for the oversight of climate and environment related issues at board and senior management level, while demonstrating higher levels of climate ambition with regards to coal divestment and carbon neutrality.
2) Signatories have also made solid progress on **risk assessment**, and to some extent **risk management**, with an expanded scope of risks assessed, increasing presence of quantitative elements, and more frequent internal communication. Environmental Risk Analysis (ERA) has gained in popularity among members in the forms of scenario analysis and stress testing on the sectoral level.

1. 24 responses were included in the following sections as one of them was from stock exchanges and another was noted with potentially significant adjustment in content.

3) **Green investments** and green financing are picking up pace, while members are becoming increasingly stringent on their financial support for carbon-intensive sectors. Near three quarters of signatories have considered the feasibility of at least limiting, halting, or exiting from investments in carbon-intensive projects.
4) Signatories are showing positive momentum as the scope of climate-related **disclosure** continues to expand and deepen, while sustainability issues are increasingly become an element of stakeholder **engagement**.

5.2.1 Governance and Strategy

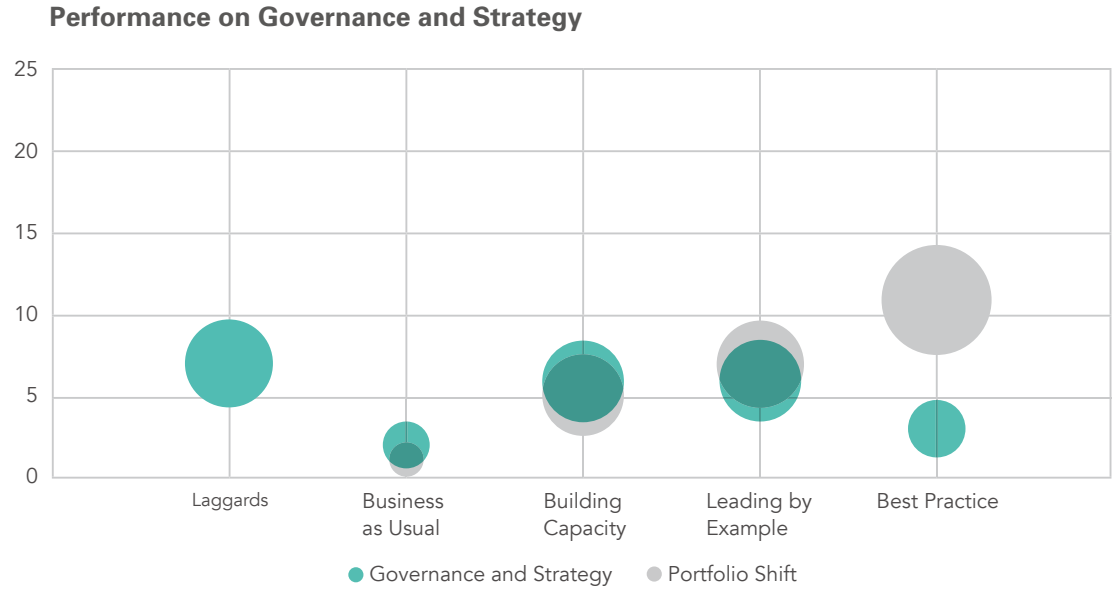
This reporting area assesses whether and how climate change and sustainability are integrated into signatories' corporate governance structures. It assesses the extent to which climate change and sustainability are embedded into strategic and operational decision-making processes, from whether signatories acknowledge sustainability as an issue for consideration when making investments to whether sustainability-based performance incentives exist.

This theme relates primarily to the Principle 1: Embedding sustainability into corporate governance.

Overview

22 out of 24 signatories that responded to this year's questionnaire reported that they have integrated sustainability into corporate governance. Signatories vary widely, however, in their approaches to and the structure of their governance and strategy, such as on the level of integration into the investment decision making process and seniority of staff involved.

Figure 6: Performance on Governance and Strategy



GIP members are progressing well on governance and strategy with nearly half of respondents demonstrating "best practice", 29% "leading by example", and 21% in the process of "building capacity". Just 4% of signatories are operating at "business as usual" and none are classified as "laggards" in this year's annual report. This represents steady improvement since last year, which saw just 17% of signatories in the process of building capacity, and an equal proportion pursuing business as usual. In 2020, while nearly half of banks were classified as "leading by example", comparatively few had attained "best practice". This year, in contrast, "best practice" represents the largest proportion of banks on governance and strategy, a milestone achievement for the GIP.

Practices on portfolio shifts are diverse, with an almost equal proportion of members classified as "leading by example", "building capacity" and as "laggards". Just 13% of banks are demonstrating best practices. Portfolio shift represents an area on which GIP member institutions should focus efforts to escalate low carbon transition issues to the board and senior management level.

On governance, while almost all respondents integrate some form of sustainability measures into corporate governance, leaders in this field have developed specific and targeted measures to ensure that sustainability, climate risk and green investments will receive due prioritisation in their investment decision making process and longer-term strategies. They have put in place governance mechanisms such as sustainability-related reporting, reviewing and decision-making procedures, and well delineated responsibilities for senior management, particularly C-suite members. They also tend to link proportions of senior staff remuneration to green and sustainable financing metrics, thereby creating incentives to address climate risk and promote green financing. The below case study of BNP Paribas' approach to governance and strategy demonstrates what "best practice" for a financial institution can look like.

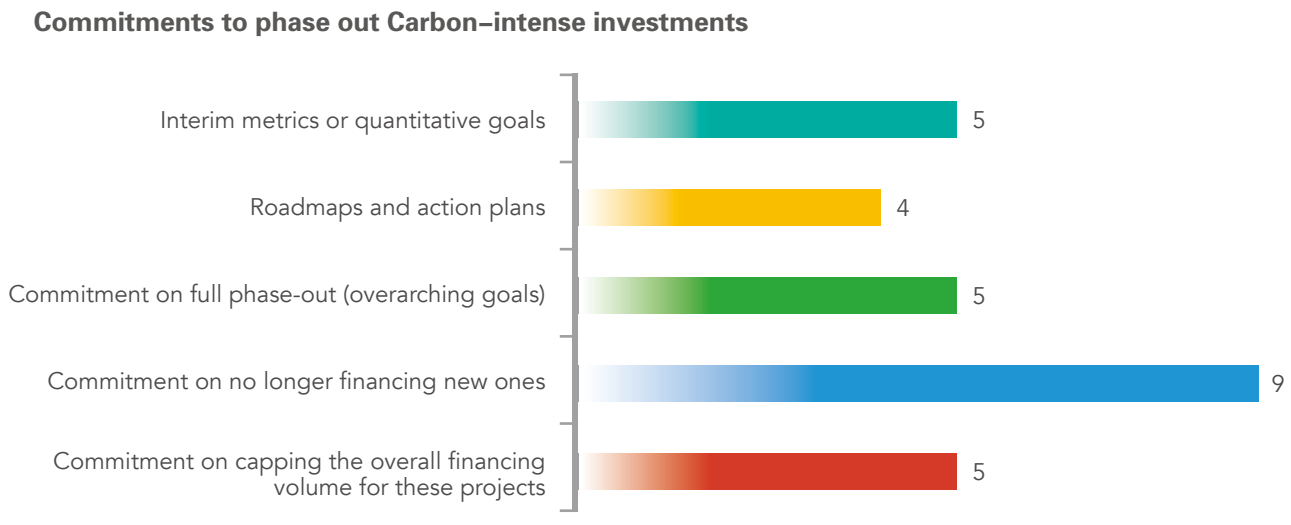
Though receiving wide recognition as an important task for banks' continued relevance and financial health, banks are progressing at different speeds on their portfolio shifts. 71% of respondents stated that they have "considered or studied" the feasibility of limiting investments in high emission projects. Only 20%, however, have committed to a full phase out of such investments and just 13% have set interim targets and quantitative goals to reduce high emission investments. With increasing investor and public expectations for banks to shift their portfolios to include more sustainable assets, GIP signatories must improve the granularity of their portfolio shift plans and take more concrete steps.

Focus Area: Portfolio Shift

Almost all (71%) signatory banks have taken steps to consider and study the feasibility of limiting their financing for high carbon projects and increasing the levels of their financial support for low carbon, green projects.

The financing of coal power plants in particular has been of international interest over the last few years. A total of nine respondents to this year's survey state that they have made commitments to finance no new high emission projects, while four have committed to a full phase-out of investments in high emission projects. Granularity of action plans are still needed as only four banks state that they have implemented roadmaps, interim targets and quantitative goals for divesting from high emission projects. The graph below shows the range of commitments made on phasing out carbon-intensive investments.

Figure 7: Commitments to phase out carbon-intensive investments



Divestment strategy from carbon-intensive sectors is closely linked to the financed emissions of institutions and the development of such strategy needs to be backed up by solid calculation of carbon intensity and comprehensive risk assessment. Increased granularity in divestment plans can send out clear signals to other market players of what to expect and mitigate the risks and potential disturbance stemming from uncertainties.

Case study – Governance and Strategy: BNP Paribas

BNP Paribas stand out for their thorough integration of climate and sustainability issues into top level decision making and at multiple levels of operations, as disclosed in their TCFD report. Climate-related issues are supervised by the highest executive management bodies of BNP Paribas, namely the Board of Directors and the Executive Management of BNP Paribas Group, and include the personal involvement of Director and Chief Executive.

The bank's board of directors also has a high representation of CSR and climate expertise, with four members having expertise backgrounds in CSR, including on climate. According to the bank's TCFD report, climate related issues were raised ten times at Board and Board Committee meetings in 2020, including at six out of twelve Board of Directors meetings.

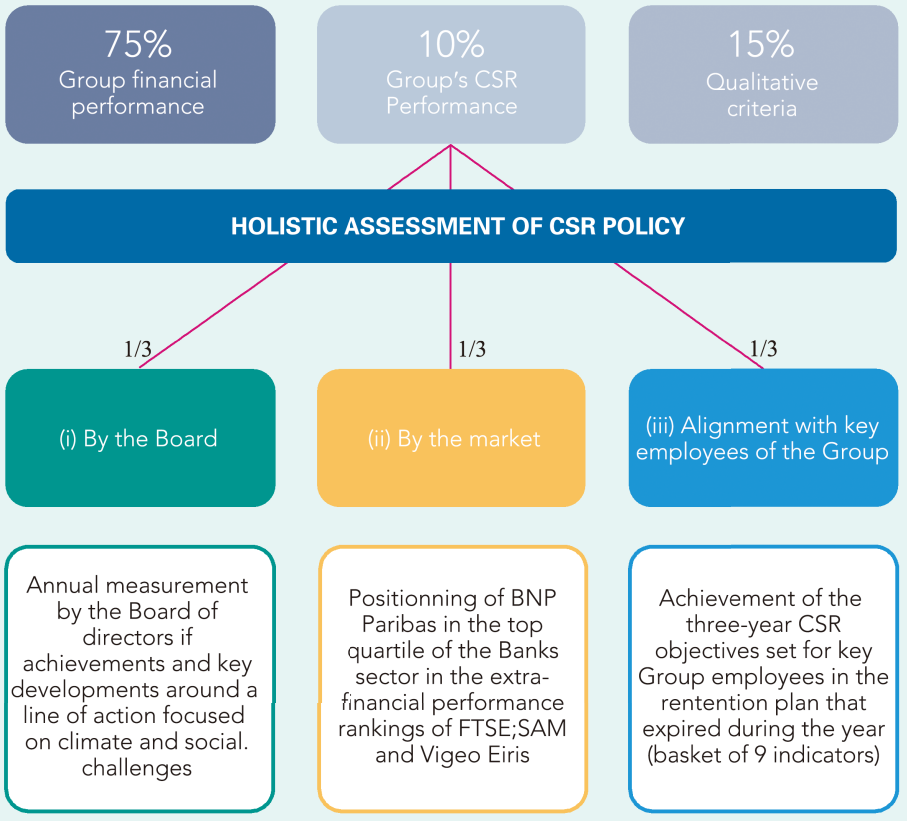


Figure 2 I Share of variable pay granted to corporate officers associated with CSR performance

(Source: BNP Paribas TCFD report 2020)

According to the bank, "climate strategy is incorporated into all Group processes and activities, through managerial oversight and the work of the Business Lines and multiple functional divisions such as the Corporate Engagement Division, Corporate Social Responsibility Function and the Risk Function". The climate strategy covers both risk and opportunity, and as such BNP Paribas' climate strategy explicitly excludes certain types of investments, such as coal, and promotes alignment of portfolio with the Paris Agreement goals, as well as support for green sectors and overall internal awareness.

BNP Paribas also links a portion of corporate officers' pay to CSR - including climate - performance. The compensation includes an annual variable component associated with CSR criteria (10%) and a qualitative assessment performed by the Board of Directors (15%).

Case study – Carbon neutrality pledges: Swiss RE

Swiss Re continues to be a trailblazer on carbon reductions in the financial sector. In 2019 the reinsurance group announced three carbon neutrality pledges - in the group's own operations, in underwriting and in asset management.

For the reinsurer's own operations, Swiss Re have pledged to be carbon neutral by 2030, setting one of the most ambitious timelines in the sector. In 2020 the company became the first multinational company to introduce a triple-digit internal carbon levy to incentivise the decarbonisation of the company's opera tions and provide a fund through which to engage with the carbon removal market. Swiss Re also set an ambitious target of a 30% reduction target for business travel emissions for 2021 relative to 2018 levels. In 2020 the group reached its 2005 goal to power operations entirely on renewable energy in all office locations where renewable supply is reliable.

Between 2003 and 2020 Swiss Re already saw a total reduction in CO2 emissions per full time equivalent (FTE) employee of 80%.

In underwriting and asset management, Swiss Re have formed an exit strategy from the thermal coal sector and set a target to reduce the carbon intensity of

their asset portfolio by 35% by 2025. In addition, the reinsurers target greening their portfolio via increasing assets in renewable energy and social infrastructure by US$ 750 million.

Swiss Re publish full data on their carbon emissions and underlying environmental data in their annual TCFD report, including heating usage, energy intensity, business travel and CO2 emissions per FTE employee, covering Scope 1 to Scope 3 emissions.

Key targets and achievements of our Greenhouse Neutral Programme, 2003 to 2020

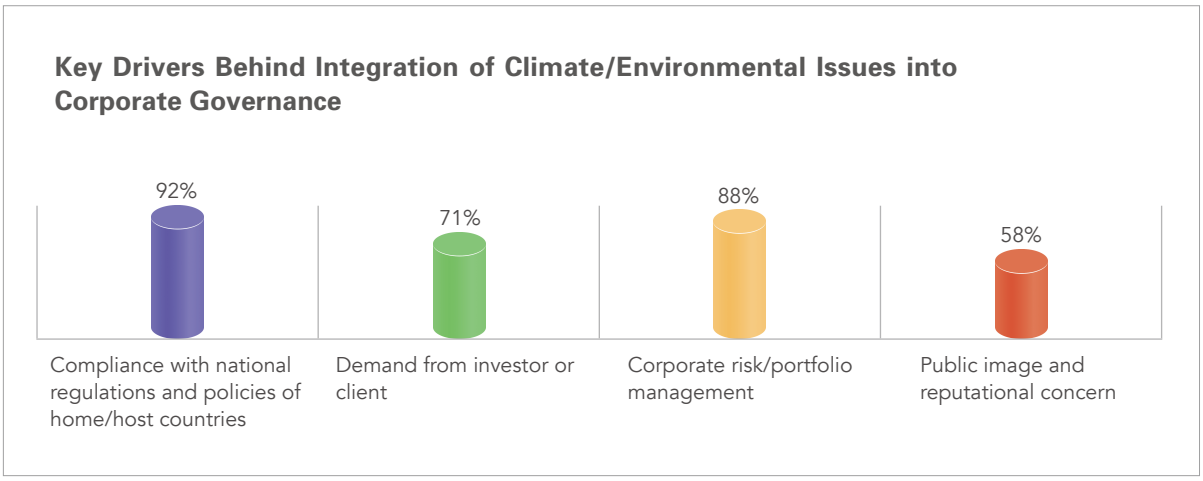
Targets	Achievements
Reduce CO_2 emissions per FTE by 45% by the end of 2013, relative to 2003. Then maintain the achieved emission reductions per FTE until the end of 2020	• Reduction of 49% between 2003 and 2013 • Further reduction of 10% between 2013 and 2019 • Drop of 55% between 2019 and 2020,incl. a strong impact from COVID-19 → Total reduction of 80% between 2003 and 2020 (54% between 2003 and 2019)
Continuously reduce energy intensity (power consumption and heating) by 2% per year	• Cumulative reduction of 47% between 2003 and 2013 • Further reduction of 42% between 2013 and 2019 • Drop of 20% between 2019 and 2020. incl. strong impact from COVID-19 → Total reduction of 75% between 2003 and 2020 (69% between 2003 and 2019)
Obtain 100% of power from renewable sources by the end of 2020 (RE100)	• Share of power from renewable sources 100% at the end of 2020
Fully compensate the remaining CO_2 emissions	• Fully compensated the remaining CO_2 emissions through whole programme • For the years 2014–2020, compensated a total of 494000 tonnes of CO_2

(Source: Swiss RE 2020 TCFD Report)

Drivers behind integration of Climate & Environmental Issues into corporate governance

With more and more signatories taking a firm stand on climate in their governance and strategy, we investigated the key drivers behind such commitments. Asked what are the three key drivers behind integrating climate and environmental issues into corporate governance, almost all (92%) of the 24 signatories responded "compliance with national regulations of home/host countries", resonating with the increasing ambition of national carbon neutrality pledges worldwide, as well as growing attention paid by central banks and financial regulators to climate-related systematic financial risks. 88% selected "need for corporate risk/portfolio management", followed by "demand from investor or client" (71%), while over a half of the signatories responded that public image and reputation were a major driving force. These four main drivers, which cover both internal motivation and external pressure, together pushed for changes in corporate governance and strategy.

Figure 8: Drivers behind integration of Climate & Environmental Issues into corporate governance



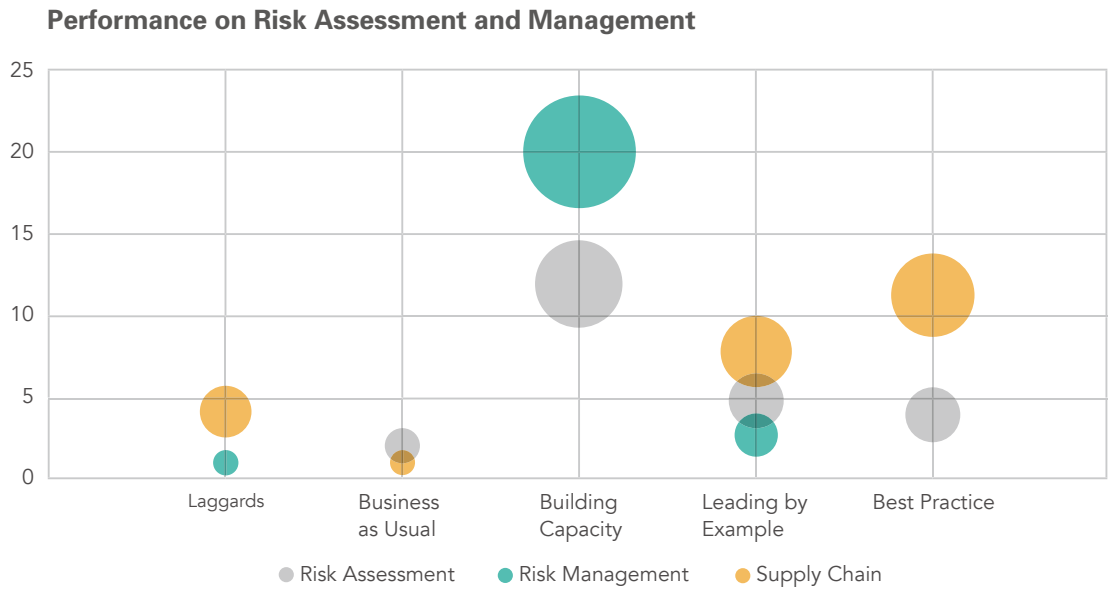
5.2.2 Risk assessment and management

This reporting area assesses how and to what extent signatories are measuring and managing climate and environmental risks. This includes whether they are using advanced tools to assess and manage exposure to climate risk and inform their investment decisions and longer term strategies. It also covers the extent to which they are incorporating sustainability standards into their supply chain.

This area mainly relates to the implementation of principle 2 and 6:

- **Principle 2:** Understanding Environmental, Social and Governance Risks
- **Principle 6:** Adopting green supply chain management

Figure 9: Performance on Risk Assessment and Management



GIP members' performance on risk assessment and risk management is diverse. On risk assessment, while half of all members are building capacity on this front, 21% and 17% are leading by example and demonstrating best practices, respectively. There are zero "laggards" in risk assessment. This represents a clear improvement on last year's report, in which no banks offered best practice in risk assessment and a total of 7 banks were ranked as "laggards". In 2020, GIP signatories' risk assessment mechanisms have become notably more mature, with greater scope, increased quantitative data and more emphasis given to climate risks.

In risk management, 83% of GIP institutions are in the process of building capacity, while 13% are leading by example and none yet represents "best practice". This represents a slight improvement on last year, when a number of banks were laggards or continuing with business as usual. Compared to last year, risks are being reported more frequently and with greater oversight from Boards and senior management. It is positive that many banks are now in the process of building capacity. Risk management and risk policy formulation will be an area for GIP signatories to work hard on over the coming year.

Supply chain risks pose an additional challenge to financial institutions, which GIP members are addressing relatively well. The biggest proportion of respondents, 46%, represent best practices and 33% are already "leading by example". This represents a solid improvement on last year, when no banks were following best practices. A total of 17 respondents to this year's survey have already articulated policies on managing

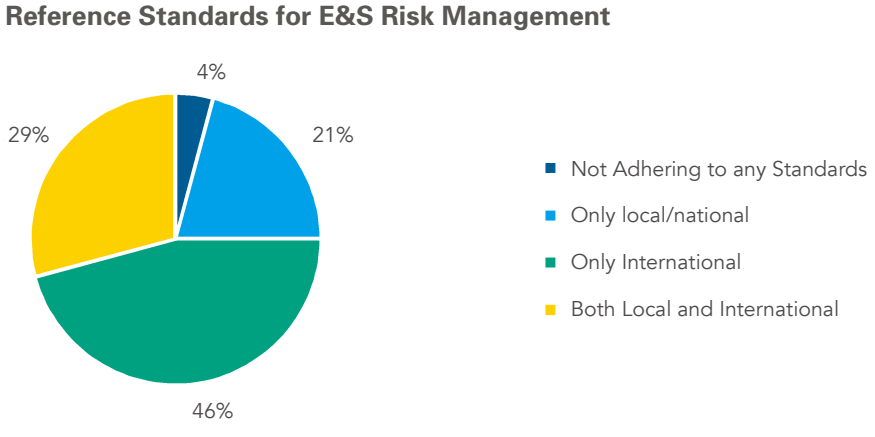
supply chain risk, mostly for their own procurement processes, all of which include sustainability objectives and KPIs. This is a positive sign. Only some of these banks have taken the step to rule out suppliers or terminate existing supplier relationships if they are identified as having significant potential environmental and/or social impacts, however. Those leading by example are also taking part in initiatives to encourage vendors to move towards net zero emissions as a means of proactively managing potential supply chain risk, whereas a small cohort of four banks are lagging behind on supply chain measures. Going forward, banks will need to consider expanding their supply chain risk management beyond their own procurement processes and into project financing, particularly for infrastructure projects.

Risk framework and general procedures

Addressing risk is complicated and numerous frameworks exist and overlap. At a general level, GIP signatories have a good awareness of climate and environmental risks. Over 75% of signatories claim to have established monitoring and oversight mechanisms for climate and environmental issues at the management and board level, while almost 80% communicate their perception of climate risks and opportunities in public documents.

A closer look at GIP signatories' reference standards for environment and social risks reveals a more complex picture. The majority of banks follow only international standards, while 21% follow only local or national standards. Almost one third claim to follow both. Only one signatory institution follows no recognised environmental and social risk management standards. There is a need for alignment of E&S risk standards and signatories should actively engage with ongoing international initiatives to harmonise standards, such as the common ground taxonomy being developed by the International Platform on Sustainable Finance.

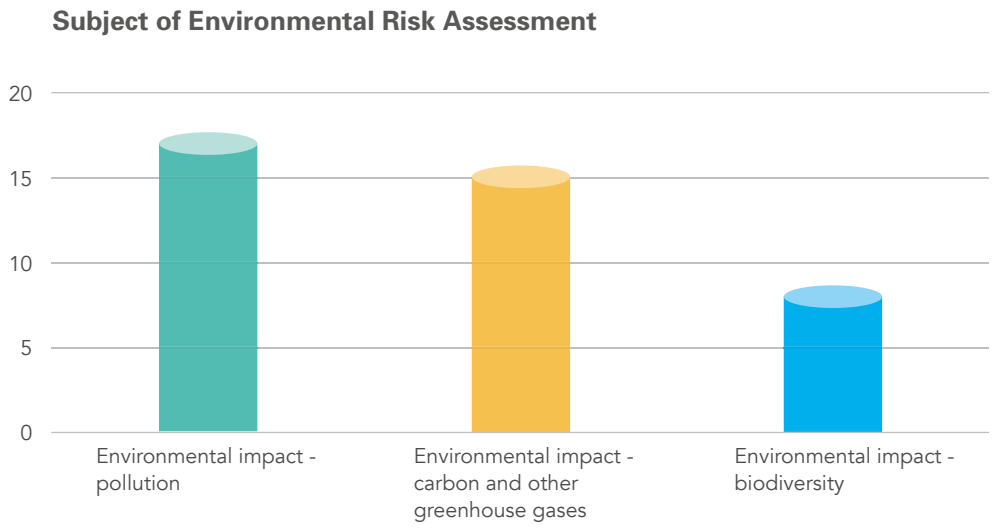
Figure 10: Reference Standards for E&S Management



The focus areas of environmental and social risk assessment and management also show differentiation. Pollution impacts continue to be the most commonly assessed environmental risk, followed by carbon emissions and other greenhouse gases. As we enter the net zero era, the risks associated with carbon emissions and greenhouse gases needs to become an essential part of risk assessment. Making such assessment commonplace will also increase the amount of data available for climate related disclosures and contribute to the tracking of banks' progress on climate.

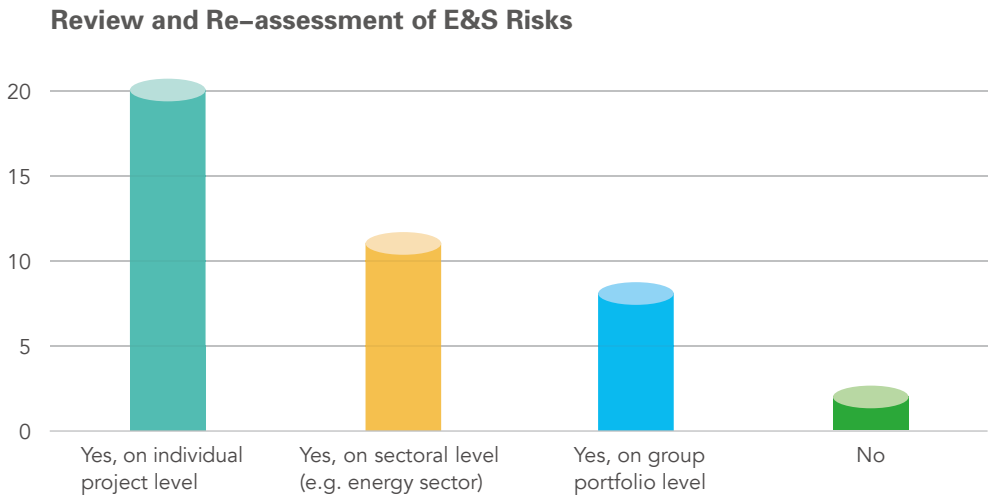
Notably, eight signatories claimed to include risks to biodiversity in their environmental risk assessment. Though not as commonly assessed as pollution and emissions, this is a positive sign. We expect more signatories will be proactive in this regard as the discussion around the potential role of the financial sector in mitigating biodiversity damage and accelerating restoration gains attention.

Figure 11: Subject of Environmental Risk Assessment



In terms of how environmental and social risks are reviewed, 20 out of the 24 signatories responded that the review and re-assessment are conducted on an individual project basis. 11 mentioned that the E&S risks from certain sectors will also be reviewed and eight said they review the overall portfolio. Only two signatories indicated they have no such mechanism in place. Review and re-assessment of environmental and social risks is essential to enhance the resilience of a bank's portfolio and thus contributes to the robustness of overall environmental risk management. The GIP expects banks' review and re-assessment of E&S risks to occur at both sectoral and group portfolio levels on a frequent and dynamic basis, in accordance with banks' own risk review processes.

Figure 12: Review and Re-assessment of Environmental & Social Risks



Case study – Leading Practice in Risk Assessment and management, Deutsche Bank

A handful of GIP signatories have developed an explicit framework for environmental and social risks. For Deutsche Bank, it was built under the overall reputational risk framework.

To support business units, Deutsche Bank's Environmental and Social Policy Framework ("ES Policy Framework") acts as a starting point when assessing client relationships or transactions. Its general provisions define sensitive sectors, specify the requirements for E&S due diligence, and include criteria for mandatory referral to Group Sustainability. For all sectors requiring mandatory involvement of Group Sustainability, there are also detailed sectoral guidelines for reference.

A few sectors are identified as having high potential for significant E&S impacts under the framework: agriculture and forestry, chemicals, infrastructure projects in certain countries, metals and mining, oil and gas (including hydraulic fracturing and exploration in the Arctic), utilities, and other activities either with a high carbon intensity and/or potential for human rights infringements. This scope is regularly reviewed and updated if required.

(Source: Deutsche Bank Environmental and Social Policy Framework)

Focus Area: Advanced Risk assessment

As pointed out in previous literature, climate risk will affect investors over the medium to long term in two ways – physical risks and transition risks. Changes to policy environments around carbon intensive investments and emissions will create transition risks for investor assets, while climate change also poses a direct physical risk to assets as impacts begin to be felt across the world. This second factor has been prominent in global news through the summer of 2021. Climate change also acts as a risk multiplier across almost all sectors. Understanding and acting upon risk, therefore, is critical to institutions' approach to climate change.

The GIP annual survey's advanced risk sub-indicator looks at how institutions are identifying and assessing climate-related transition and physical risks. To date, there is greater attention on climate manifesting as a transition risk rather than a physical risk among GIP signatories. While banks pay greater attention to ongoing transition risks, climate-related physical risk is of increasing concern to insurers' operations.

Half of signatories have conducted Environmental Risk Analysis of some sort. Among them, 11 have tested the environmental risks stemming from carbon-intensive and high-polluting sectors such as coal-fired power generation or steel. An equal number of signatories have conducted scenario analysis or stress testing on the portfolio level of certain business lines. Only four signatories have started to investigate the overall environmental risks from the group level.

Figure 13: Level of ERA Conducted

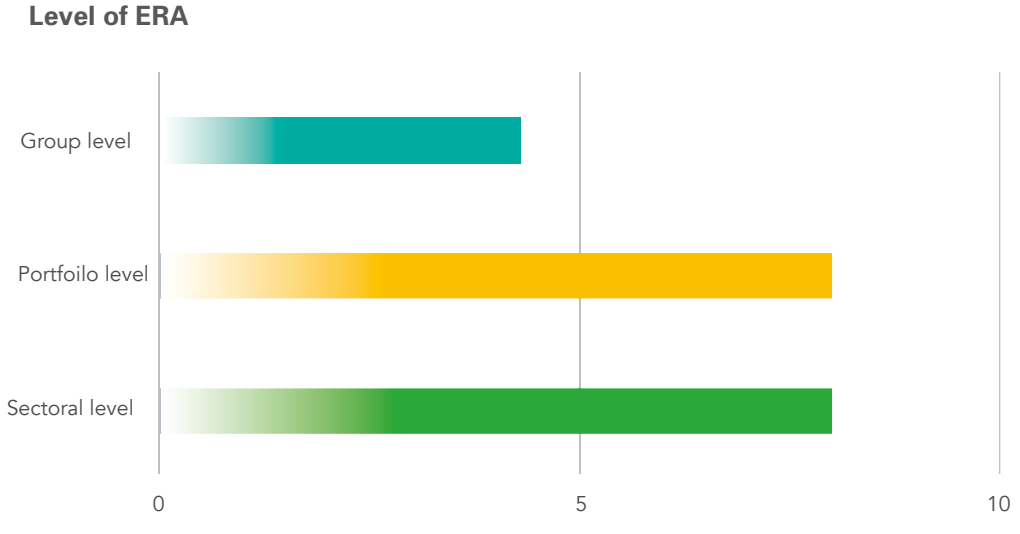
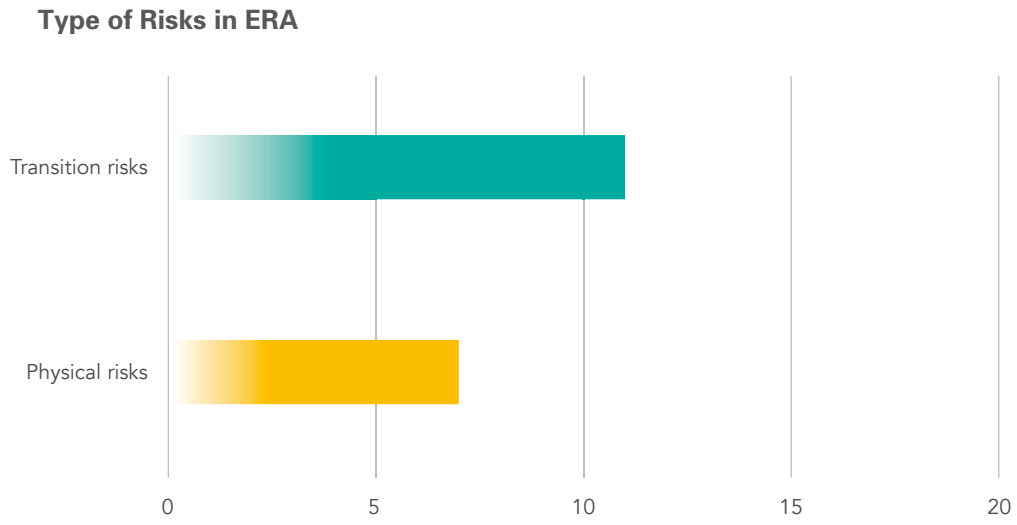


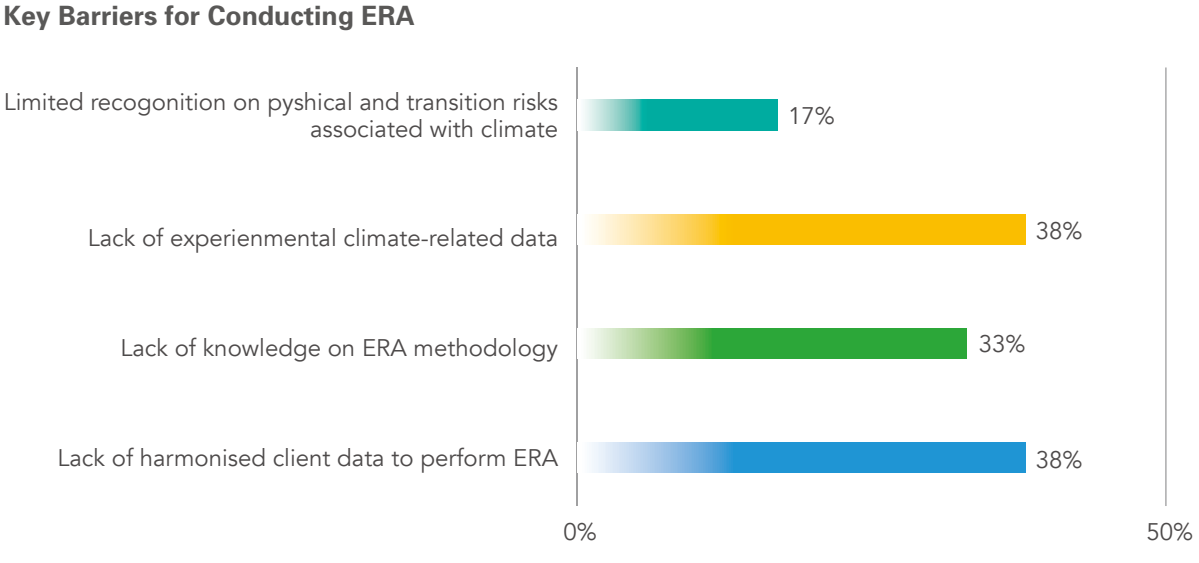
Figure 14: Type of Risks evaluated in ERA



Risk assessment is an area in which GIP signatories are performing relatively strongly and have shown clear improvement since the founding of the GIP in 2019. While in last year's survey, no signatory institutions were meeting "best practice" standards, this year sees four banks leading the way with best practices, backed up by the progress related to ERA.

Risk assessment, as well as risk management, is an area GIP members and financial institutions around the world will need to continually strengthen as governments' policies around decarbonisation become more refined, global expectations for low carbon investments increase, and the physical impacts of climate change become an increasingly tangible risk.

Figure 15: Key Barriers to ERA



Barriers to strengthening risk assessment do exist, however. The questionnaire asked members what they see as the biggest barriers to conducting environmental risk assessment (ERA), finding that a lack of climate related data, lack of harmonised client data and a lack of knowledge on ERA methodologies were the three biggest obstacles.

ERA requires highly specialised knowledge in order to formulate risk models under different scenarios. It also suffers from certain knowledge gaps in how physical risks from, for example, natural disasters can have knock on effects in both the natural world and the supply chain. There is also growing concern in the market that the under-application of ERA has systematically under-priced environmental risks.

Methodologies designed to address these gaps should be a focus on further training and capacity building for GIP signatories. Data related issues represent a more complex barrier that will require discussion and alignment amongst partners to address. Availability of clear and utilisable data is critical to risk analysis.

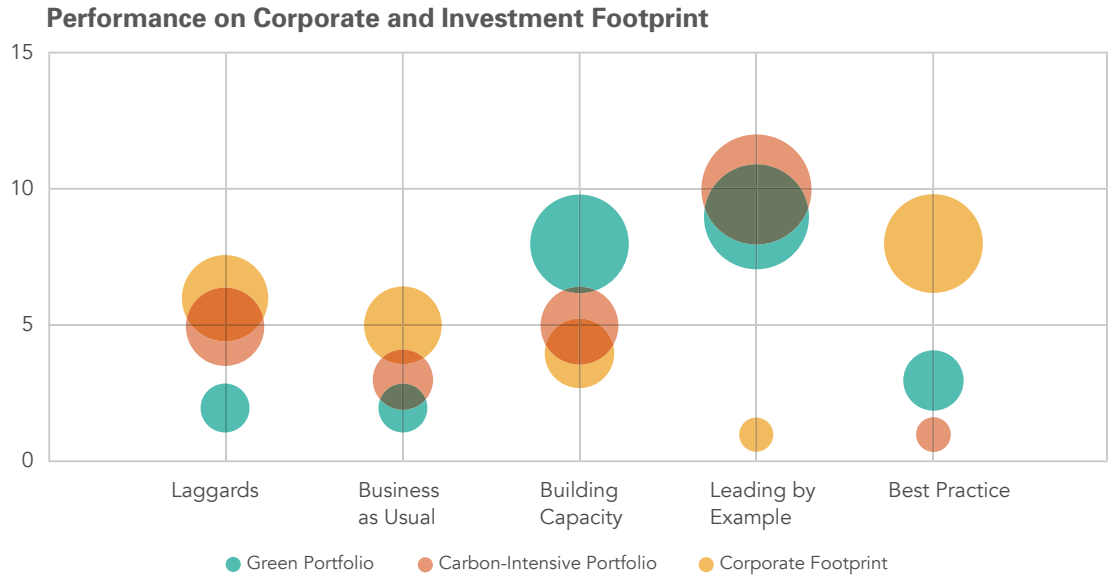
5.2.3 Investment and Corporate Footprint

This reporting area assesses how signatories define and track their green and carbon intensive assets, including the total value of their green and carbon intensive assets globally and in Belt and Road countries. It also asks signatories about the emissions and emissions savings connected to their assets, including Scope 1, 2 and 3 emissions.

This area mainly relates to the implementation of principle 5 and 7:

- **Principle 5:** Utilising green financial instruments
- **Principle 7:** Building capacity through collective action

Figure 16: Performance on Corporate and Investment Footprint



Most GIP signatories are showing steady improvement on their green portfolios, but show more mixed performance on measuring and disclosing their carbon-intensive portfolios and overall corporate footprint. The majority of banks are classified as "building capacity" and "leading by example" on their green portfolios, with a small proportion of 13% demonstrating best practice. Just 8% of banks remain laggards in their green portfolios, reflecting the growing interest in green financing among financial institutions. This marks an improvement on last year, when 74% of signatories were "building capacity" on their green portfolios and none demonstrated best practice.

On their carbon-intensive and polluting portfolios, performance is more evenly distributed on the spectrum: 42% of GIP members are "leading by example", but only 4% are showing best practices, while 21% and 13%, respectively, are laggards and operating at business as usual. A substantial group of 21% are building capacity. Results on this aspect are showing improvements since 2020. With increasing political, investor and public attention on financial flows to high emission assets, however, this is an area banks will need to accelerate progress on over the coming years.

In regards to their overall corporate footprint, the largest proportion of signatories, 33%, represent best practices, an improvement on last year when the largest proportion were "building capacity" and no signatories were classified as leading by example or best practices. This is in part due to the increasing disclosure on scope 3 emissions, as some signatories are starting to take into account their financed emission. The majority, however, still fall into the laggard and business as usual categories, 25% and 21% respectively. There therefore appears to be a widening gap between signatories who are racing ahead on corporate footprint related measures, representing 33% or respondents to this year's survey, and those lagging behind, representing 46%, when counting both "laggards" and "business as usual".

Nonetheless, GIP members have made marked progress on all three metrics since last year's report, in which no banks were demonstrating best practice over any of the metrics.

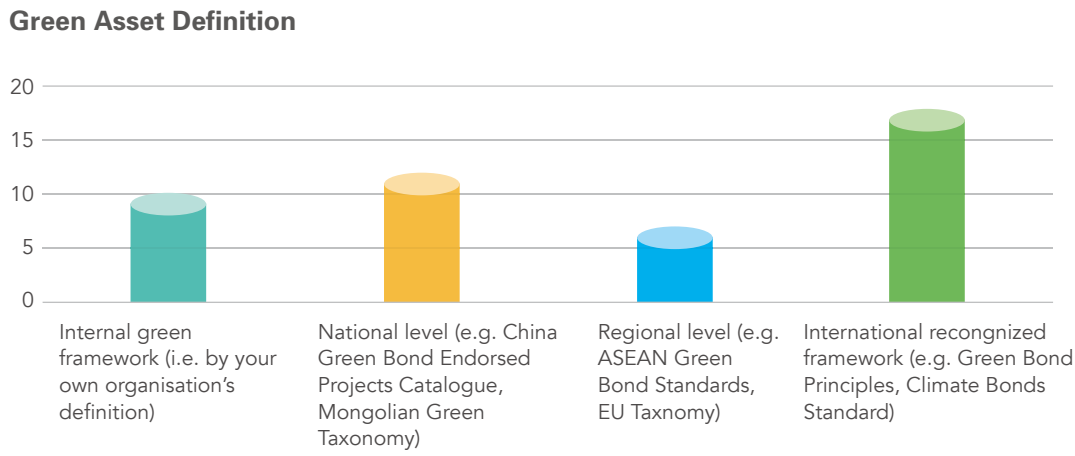
The majority of banks quantify their operational environment footprints, though not all banks make this data publicly available and only nine respondents quantify their operational carbon footprints at Scope 3 level. There is a need to expand and clarify the scope of measurement of their operational footprints, particular in regards to Scope 3 emissions, which should include sources ranging from procurement to business travel, and the impact of financing activities.

Data on the environmental impact of financing activities remains a challenge for GIP signatories. A lack of common standards on carbon intensive asset classification and measurement presents a barrier to data availability.

Secondly, this impacts on environmental impact disclosure, which is a key principle of the GIP, as well as other green finance initiatives such as the TCFD. As discussed in more detail below, a lack of common standards and potential reputation risks hinder disclosure of carbon intensive investment footprints.

Banks are more forthcoming with the scale of their green portfolio, however. All but one respondent to the survey regularly track the quantity of their investments that are financed using green finance mechanisms and over 80% of respondents state that they have established a target or goal to encourage an increase in the proportion of green assets.

Figure 17: Definition of Green



What classifies as a green asset varies across the GIP signatories, with banks following international, regional, national level and their own internal green definitions, reflecting the global status quo of scattered taxonomies. Many banks acknowledge more than one taxonomy at the same time. Internationally recognised frameworks such as the Green Bond Principles and the Climate Bonds Standards received the most recognition among the GIP signatories, a positive sign as this demonstrates strong alignment with global initiatives.

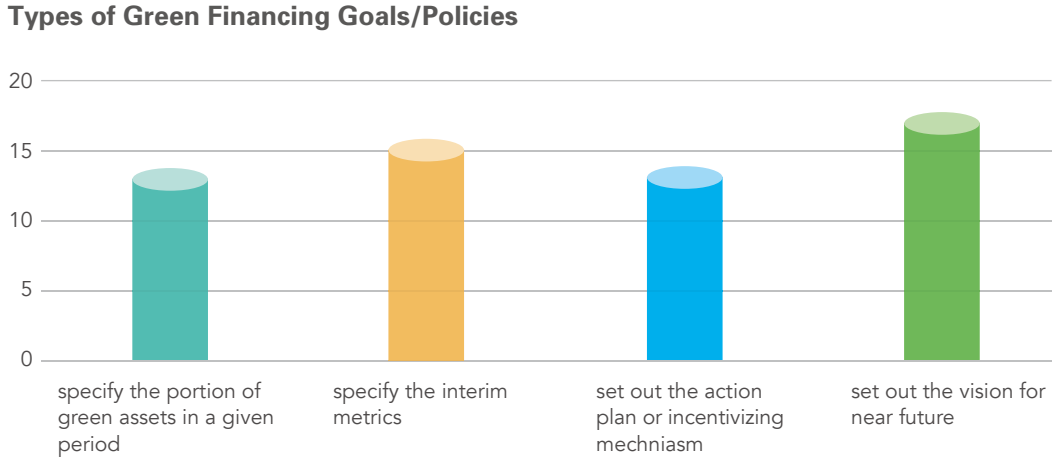
It is also positive that banks are following national level green financing taxonomies and that national governments are showing increasing interest in developing such taxonomies. February 2019 saw

the launch of the Mongolian Green Taxonomy, representing a major step in green financing regulations in the country.

Similarly, banks approach their green financing goals in different manners, ranging from quantifiable targets for green assets over a set period of time and interim numerical targets to action plans, incentivising mechanisms and long-term visions for future green development.

Currently, a slightly larger number of 17 signatories sit in the final grouping, setting out visions for the near future. 13 banks have specific quantifiable and time-bound green investment targets and 15 have set out interim targets. It is hoped that such near-term visions will develop into clear and ambitious quantifiable targets and metrics in the coming years, coupled with effective tracking and incentivising mechanisms.

Figure 18: Types of Green Financing Goals/ Policies



Case study – Incentivising measures for portfolio shift

One Chinese signatory has established a clear incentivising mechanism to boost green loans as well as punitive measures to curb support for carbon-intensive sectors.

The volume of green loans (corporate, individual, and credit card departments) and green bonds underwritten by the investment banking department will be counted in the performance evaluation of branches and senior personnel. The weight of green finance was also increased in the performance evaluation of branches and departments.

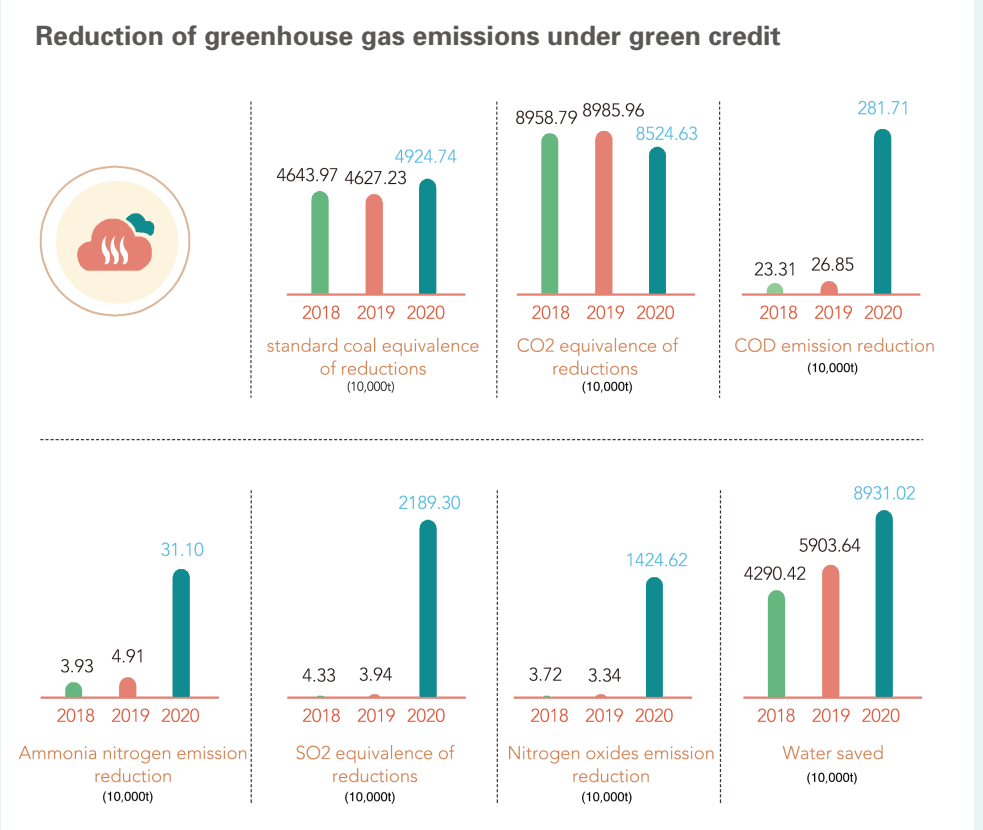
Branches with increasing proportion of green loans will be given in the form of economic capital, while branches with an increasing proportion of carbon

intensive loans will be penalised in the same format. The bank will also conduct internal reporting and publication on the carbon intensive portfolio of branches on a quarterly basis.

Another example is Société Générale's "Subsidy" mechanism to incentivise green financing. A clear amount of envelope is set as the subsidy allocated from group business lines. The subsidy will cover every type of clients (Investment Grid Corporates as well as financial institutions) and every region worldwide. The subsidy will partly compensate the potential loss of revenues in business lines which may incur in case KPIs are not successfully met and triggers a margin reduction. While NOT all sustainability linked loan where SG is participant will be eligible, the idea is installed in the best-in-class structured deals and strict KPIs evaluation process is embedded in the procedure.

Case Study – Reporting on green investment impacts, ICBC and Credit Agricole

ICBC and Credit Agricole have demonstrated good performance on green investment reporting. Their methodologies, however, are distinctly different.



ICBC report on the impacts of their green investments in the framework of a comprehensive methodology that covers reduction of CO2 emissions by ton and in terms of standard coal equivalence. It also covers reductions in SO2, NO, Ammonia Nitrate and COD emissions, as well as water savings achieved. The framework under which ICBC report the impacts of their green loans is mandatory under the China Banking and Insurance Regulatory Commission and has become common practice for Chinese banks.

Crédit Agricole CIB Green Notes impact reporting: 516 t. avoided CO_2e emissions/€m annually

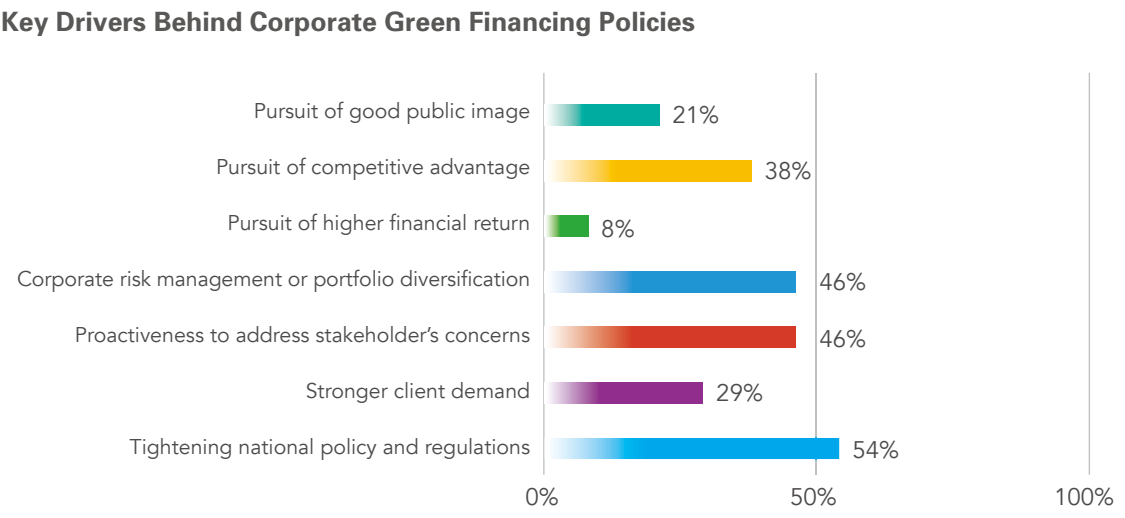
Eligible Green Category	Allocation (€m)	Carbon impact intensity (tCO_2e/€m.y)	Carbon impact (tCO_2e/y)
Renewable Energy	1 282	994	1274 308
Energy Efficiency	64	125	8 000
Green Building	875	20	17 500
Clean transportation	483	374	18 0642
Waste and water management	171	14	2394
Water management	59	0	0
Wastewater management	13	89	1 157
Waste to energy	100	13	1 300
Total	**2 875**	**516**	**1 482 844**

Credit Agricole break down their relevant green loans by category, including renewable energy, energy efficiency, green buildings, clean transportation and waste and water management. They provide data on total carbon emissions avoided and carbon intensity per Euro for each of these categories.

Both banks update and disclose data on their green investments impacts on an annual basis.

(Source: ICBC ESG Report 2020; Credit Agricole Green Bond Report 2020)

Figure 19: Drivers for green financing policies



The questionnaire asked GIP signatories to select the three most important factors driving their expansion of green financing policies. "Tightening national policy and regulations" remains the top motivation for banks, selected by 54% of respondents. Last year's net zero announcements and the policies that will follow suit have surely elevated this driver.

The joint second drivers behind banks' green financing policies were "corporate risk management or portfolio diversification" - a manifestation of the transition and, to some extent, physical risk discussed in the above section - and "proactiveness to address stakeholder's concerns". The motivation to green financing therefore comes from both internal and external factors, and reflects growing prominence of climate on the global agenda.

Case Study – Combining ECA-covered Financing and Corporate Guarantees to Support Infrastructure Projects: Société Générale

In Dec 2020, Société Générale acted as Senior Lender in the USD 195m Sinosure covered 10 -year export financing for a Chinese POE's waste-to-energy the project in Vietnam. It'll be the largest waste-to-energy project in Vietnam and the second largest in the world.

The risk appetite of foreign investors makes it highly difficult to offer long-term debt on the balance sheet to Chinese clients in the private sector alongside BRI. Nevertheless, this sustainability project has been successfully completed, with the principles of the GIP applied on project level. Specifically, it is the first Sinosure-covered loan for non-shipping transaction in recent years, which successfully combines sustainability and Chinese support from Sinosure and leverages Société Générale's global client coverage – with the operator of this project being one of the bank's clients in the EU.

This transaction has shown a strong cooperation among Chinese banks and foreign banks operating in China to support the client with a tailored solution. By structuring the deal covered by Sinosure and Corporate Guarantees provided by European clients, the LGD is far lower than the defaulted LGD alongside BRI countries, which makes the funding cost significantly lower than vanilla financing and helps the client control project costs. Notably, the supply chain environmental and social risks/benefits are assessed by independent party ERM throughout due diligence, operational phases, closely monitored in the due course and reviewed action plans mitigation every three months.

Focus Area: financing for high carbon and polluting sectors

In order to understand the scale of the transition from carbon intensive to green required, it is important for every institution to measure the quantity and distribution of the high carbon and polluting assets it manages. It is important also for shareholders, investors, policy makers and the broader public to know these figures. Many GIP member institutions, however, are yet to clearly define, monitor and disclose information on their high carbon and polluting assets.

Financial institutions remain more willing to disclose data on their green investments than carbon intensive investments, in part due to the reputation risks attached to public information on their carbon-intensive assets. A lack of a common standards for "high carbon and polluting" assets may also be a reason for shortcomings on monitoring and disclosure.

One Chinese signatory utilises their own classification method which covers 9 sectors defined as "brown", including coal, coal-fired power generation, steel, non-ferrous metal, petrochemical, chemical, pulp and paper, cement, and civil aviation. Using this classification method, the bank discloses their "brown" assets in terms of value of assets and

percentage of total assets. The bank also lists the four biggest industrial sectors for their carbon intensive assets, which includes chemicals, coal, thermal power, and steel.

DBS, meanwhile, have developed specific sectoral guides for nine sectors with elevated ESG risks, including Oil & Gas, Mining & Metals, Power, Infrastructure, and others. According to the banks' 2020 Sustainability Report, Thermal Coal Mining, Coal-fired Power Plants and Palm Oil portfolios are of particular concern, and data on exposure is disclosed since 2016.

Case study – exposure to carbon-intensive sectors: UBS

Aligning with the TCFD recommendations, an increasing number of GIP members are starting to track and disclose their exposure to carbon-intensive sectors, mainly in the form of proportion of lending portfolio. Below is from UBS' sustainability report and serves as an example of where GIP members, if not yet disclosing such information, can have a sense of what good practices in carbon intensive asset disclosure look like.

UBS corporate lending to climate-sensitive sectors, 2020

Inventory of exposure to transition-risk-sensitive sectors, across the Investment Bank and Personal & Corporate Banking	As of 31.12.20	
USD million, except where indicated	Gross exposure[1,2]	Share of total exposure to all sectors (%)
Climate-sensitive sector[3]		
Aerospace and defense[4]	962	0.3
Automotive[5]	966	0.3
Chemicals[6]	2,021	0.7
Constructions and materials[7]	3,905	1.4
Food and beverage[8]	1,754	0.6
Industrial materials[9]	151	0.1
Machinery and equipment[10]	2,778	1.0
Mining[11]	3,276	1.2
Oil and gas[12]	4,951	1.7
Plastics and rubber[13]	373	0.1
Primary materials[14]	249	0.1
Textile products and apparel[15]	1,128	0.4
Real estate[16]	13,357	4.7
Transportation[17]	2,337	0.8
Utilities[18]	493	0.2
Total exposure to dimate-sensitive sectors	38,700	13.7
Total exposure to all sectors	283,376	100.0

(Source: UBS Sustainability Report 2020)

Parallel to allocating and mobilising more financial resources for green sectors and projects, it is equally important that financial institutions consider how they can assist their clients from carbon-intensive sectors to cut their emissions and accelerate decarbonisation. This is where the concept of transition finance come in. In a webinar held in early 2021, some GIP signatories shared insights on transition financial products, represented by transition bonds. This is another important area that the GIP community needs to tackle in the coming years.

Case study – Transition Sukuk by Standard Chartered

Etihad Airways, the national airline of the United Arab Emirates, launched the world's first Transition Sukuk (Islamic finance certificate) and the first Sustainability-Linked financing in global aviation, under a Transition Finance Framework. This follows the first aviation financing linked to the United Nations Sustainable Development Goals raised in December 2019, further confirming Etihad's role as an industry leader in sustainable finance.

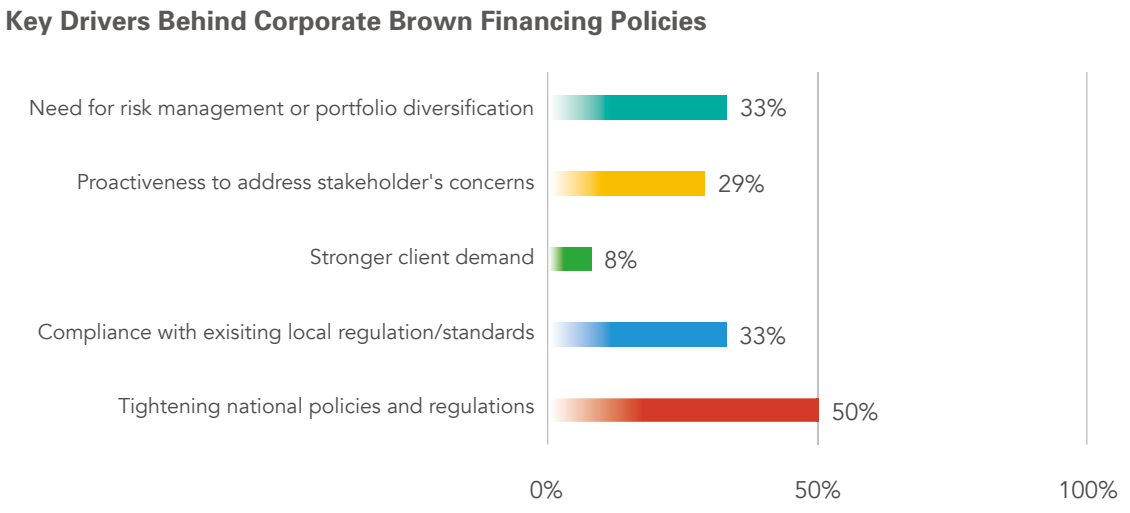
The US$ 600 million transaction will support Etihad's drive for sustainable aviation by linking the sukuk terms to Etihad's carbon reduction targets: a commitment to Net Zero Carbon emissions by 2050; a 50% reduction in net emissions by 2035; and a 20% reduction in emissions intensity in the airline's passenger fleet by 2025.

Their Sustainability-Linked Financing Framework has been tied to one Key Performance Indicator (KPI): A 17.8% reduction in emissions intensity in the issuer's passenger fleet (gCO2/RTK PAX only) between 2017 and 2024. These Frameworks are considered as aligned by Vigeo Eiris, with the Green Bond Principles (2018), Green Loan Principles (2020) and with the five core components of the Sustainability-Linked Bond Principles (2020).

Two GIP Signatories, HSBC and Standard Chartered Bank, acted as Joint Global Coordinators and Joint Sustainability Structuring Agents. First Abu Dhabi Bank, HSBC, and Standard Chartered Bank, along with three large commercial banks in UAE, acted as joint lead managers and book runners.

(Source: Official websites of Etihad & Standard Chartered)

Figure 20: Drivers for carbon intensive financing policies



The GIP annual report questionnaire also asked about the key drivers behind members' policies on carbon intensive investments and assets. Again, tightening policy and regulatory environments in regards to high emissions and high carbon investments stand out as the most commonly recognised key driver. The issues of compliance with local regulations and standards and the need for risk management and portfolio diversification were the joint second biggest drivers for institutions' policies on financing for high emission projects.

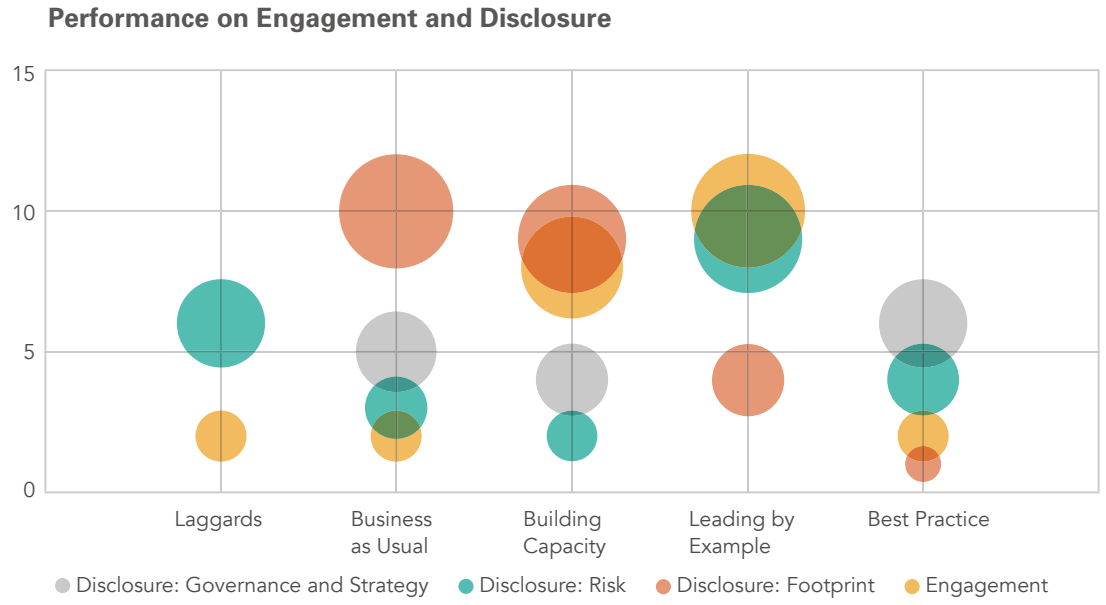
The driving forces for banks' policies on high emissions assets therefore mirror their policies on increasing and improving green financing, which also saw tightening national regulations and risk mitigation as key motivating forces. The close alignment of driving forces for both stricter regulations on carbon intensive investments and increasing of green investments demonstrates the momentum that it is already in place in regards to shifting investments and indicates the space for national legislatures, as well as shareholders, to further propel that momentum.

5.2.4 Engagement and Disclosure

Engagement and disclosure represent an important and wide-reaching pillar of the GIP. This area mainly relates to the implementation of principle 3 and 4:

- **Principle 3:** Disclosing environmental information
- **Principle 4:** Enhancing communication with stakeholders

Figure 21: Performance on Engagement and Disclosure



Signatories are seeing varying levels of performance across the metrics used to gauge engagement and disclosure.

Disclosure

Disclosure is broken down into disclosure on governance and strategy, risk and corporate footprint, resonating with the other three pillars in sections above. On governance and strategy, GIP member institutions are performing well, with 25% showing best practices and 38% leading by example. No institutions were classified as "laggards" on the governance and strategy disclosure metric. This is better than last year's survey, in which 9% of signatories were classified as laggards and 17% were following business as usual. Also, more members are moving towards the best practice stage compared to 17% of last year. This is reflective of a stronger willingness from banks to publicise their sustainability strategies and present their environmental related governance in annual reports.

Similarly on risk disclosure, the majority of institutions are showing either best practices or leading by example. However, 25% of respondents are laggards on risk disclosure, an area that will need improvement. Compared to last year, the proportion of institutions showing best practices and leading by example is expanding. There is also, however, a slightly higher proportion of banks classified as "laggards", indicating a divide between institutions in their capacity to assess and disclose environmental risk. This is an area that will benefit from peer-to-peer knowledge

sharing and capacity building among GIP members.

Performance on corporate footprint disclosure was similar to that of last year, with the largest proportion of banks, 42%, classified as "business as usual". A small percentage (4%) of banks displayed best practice, while 17% are leading by example. As covered in detail above, reputation risks and a lack of common standards are among the obstacles to banks' progress on footprint disclosure, an important area to work on.

Engagement shows a more positive picture with 46% of respondents leading by example and a further 33% building capacity. This represents a marked improvement on last year's survey, which showed 35% leading by example and 30% building capacity. This year also saw two banks classified as "best practice", compared to none last year, both of whom are actively practicing the Equator Principles to which they are signed up.

Case study – leading practice in disclosure, HSBC

Some GIP signatories have rather advanced practices of disclosure, covering climate risks and the greening of their portfolio, one of which is HSBC.

The bank discloses its wholesale loan exposure across six high-risk sectors (automotive, building and construction, chemicals, metals and mining, oil and gas, and power and utilities). Notably, it also utilises a transition risk questionnaire for corporate customers in these sectors to map their readiness to change in terms of climate transition.

In 2020, the bank piloted stress testing in the above mentioned six sectors, to measure the level of risk it is exposed to within each portfolio, and map the loan value (known as "exposure at default") within each sector as well as the projected relative financial impact of transition risk, under three different scenarios.

In terms of sustainable financing, the bank has publicly disclosed its sustainable finance and investment target of US$ 100bn by 2025 and US$ 750bn to US$ 1tn by 2030. In addition, HSBC disclose emissions related information such as business travel, energy-related emissions and renewable energy use, and aim to disclose information on their own Scope 3 emissions in future reporting.

Case study – Portfolio Shift and Progress Tracking: Société Générale

In December 2017, Société Générale committed to raising EUR 100 billion in financing earmarked for the energy transition between 2016 and 2020. By the end of 2019, the Group had already surpassed this target (having raised EUR 26.6 billion for the renewable energies sector and EUR 82.4 billion for green bonds – a 109% achievement rate. This second edition of Société Générale Climate report shows that all the commitments taken prior to 2020 have been met:

- meeting the commitment to cut the GHG emissions per occupant of own operations, and to improve the energy performance per occupant of our buildings.
- exceeding the commitment to reduce the financing granted to the thermal coal mining sector and to reduce share of thermal coal in our financed power mix.
- Meeting the commitment to raise EUR 100 billion of bonds, advisory and financing for the energy transition between 2016 and 2020.

Post 2020, Société Générale is taking new commitments to align its portfolios with the goals of the Paris Agreement:

- commit to phase out thermal coal extraction and power financing by 2030 in the EU and OECD countries, and by 2040 for the rest of the world, which is more ambitious than the IEA SDS coal production trend.
- commit to reduce our upstream Oil &Gas portfolio by 10% by 2025, which is more ambitious than the IEA SDS Oil &Gas production trend. As a first step towards meeting this target, the Group will cease to provide financing to the onshore upstream Oil &Gas in the US.
- commit to reduce the average emission intensity of our power portfolio by 18% in 2025 from 2019 (from 260 gCo2/kWh in 2019 to 212 gCo2/kWh in 2025 and 63 gCo2/kWh in 2040).

The Bank has also pledged to raise EUR 120 billion to support the energy transition between 2019 and 2023, in the form of EUR 100 billion in sustainable bonds and EUR 20 billion for renewable energies, in the form of advisory and financing.

Summary of climate-related indicators and targets

Table 8: Summary of climate-related indicators and targets

Scope		Indicator	Scenario	Method	Baseline	Target	Realisation	Alignment delta in 2020*	
Financing		Renewable energies financing or advisory + green bonds issued led or co-led (EUR bn)	-	Societe Generale	12.7 (2016)	100 (2020)	119 (Q4 2019)	n/a	Target met
		Renewable energies financing or advisory + green and sustainability bonds issued led or co-led (EUR bn)**			-	120 (2023)	79 (Q2 2020)	n/a	On-track
Managing impact	Direct	Emissions intensity (Co2e/occupant)			2.5 (2014)	1.89 (2020)	1.9 (2019)	-4%	On-track
		Energy consumption intensity (kWh/occupant)			5.9 (2014)	4.5 (2020)	4.2 (2019)	-11%	On-track
	Indirect (clients)	Share of coal in financed installed capacity mix (%MW)	IEA 2DS Coal power mix excluding China (%MW)		23 (2016)	19 (2020)	11.1 (Q2 2020)	-42%	Target met
		Coal mining drawn amount (EUR base 100)	IEA 2DS Coal mining production excluding China (%Δ EJ)		100 (2016)	86 (2020)	57 (Q2 2020)	-34%	Target met
		Coal power & mining gross commitment (EUR base 100)	IEA SDS 2020 Coal power & mining production trend (%Δ EJ)	PACTA / Katowice	100 (2020)	0 (2030/40 OECD/RoW)	100 (2020)	0%	n/a
		Upstream oil&gas gross commitment (EUR base 100)	IEA SDS 2020 Oil&gas production trend (%Δ EJ)		100 (2020)	90 (2025)	100 (2020)	0%	n/a
		Power generation emission intensity (gCo2e/kWh)	IEA SDS 2020 Emission intensity (gCo2e/kWh)		260 (2020)	212 / 67 (2025/40)	260 (2020)	-44%	On-track
		Share of fossil fuel out of total primary & secondary energy financing mix (% EUR)	IEA SDS 2020 Primary and secondary demand mix (% EJ)		69 (2020)	Not set	69 (2020)	-19%	On-track
		ALD automotive deliveries fleet emission intensity passenger cars NEDC (gCo2e/vkm)	EU regulation 2019/631 Emission intensity (gCo2e/vkm)		116 (2019)	70 (2025)	116 (2019)	-	n/a
		Shipping emission intensity (gCo2e/tnm base 100)	IMO Objective 3 Emission intensity (gCo2e/tnm)	Poseidon Principles	87 (2020)	Not applicable	87 (2020)	+2.05 %	Slightly off-track

*Alignment delta measures the distance between the indicator and the scenario (or trajectory) in the current reporting. A positive alignment delta signifies a misalignment, while a negative figure means that the portfolio is aligned. Alignment deltas are not provided when there is scenario benchmark at baseline.
** In that the Group met its initial target over a year in advance, it set itself a new target in the third quarter of 2019. The 2019 data are therefore included in the figures in respect of both the 2016-2020 target and the 2019-2023 target

Engagement

Principle 4 of the GIP calls for members to enhance communication with stakeholders. Engagement with stakeholders and affected communities is a key component of any financial institution's social responsibilities, and key to sustainability in climate and environment.

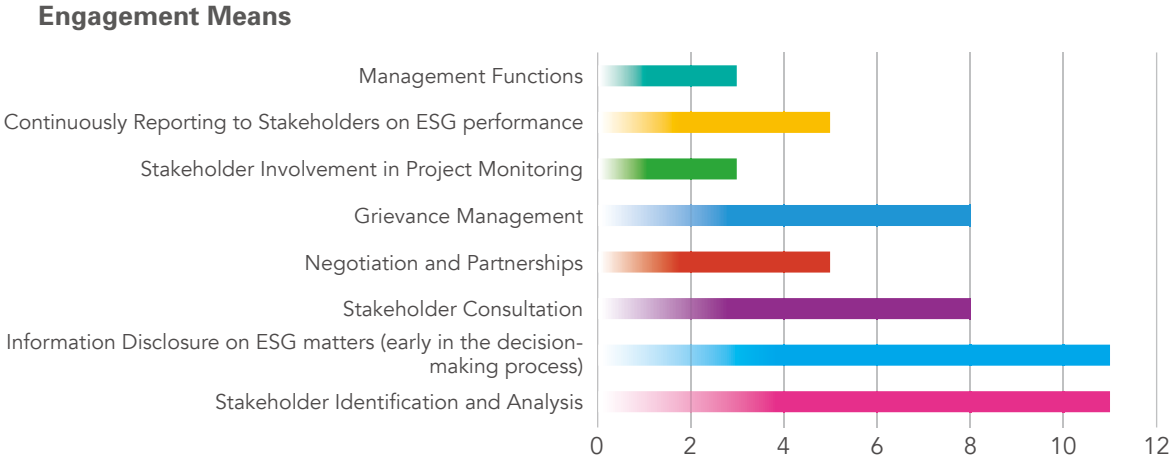
Engagement takes many forms, however. This year's GIP annual survey sought to understand the means by which GIP signatories engage with stakeholders, finding stakeholder identification and analysis and ESG related information disclosure to be the most popular. Grievance management, which can often take place via specific grievance mechanisms through which communities can lodge complaints directly with banks, is also commonly deployed, along with stakeholder consultation.

Less commonly utilised means of engagement with stakeholders were stakeholder involvement in project monitoring and methods of continuous reporting to stakeholders, through which it is hoped a dialogue can occur. Both the Equator Principles and IFC Performance Standards have provided references for effective project level community engagement. A widely recognised methodology of stakeholder engagement is "free, prior and informed consent", which aims to initiate bottom-up processes of community engagement, particularly where indigenous peoples and their land is concerned. GIP signatories should consider these engagement

standards and methods when operating in Belt and Road regions.

Going forward, banks should also consider engaging with a broader range of stakeholders to help propel the decarbonisation of the economy. Specifically, this should take the form of engaging their corporate clients on decarbonising their operations and production activities. Banks have the potential to play a leading role here and can help set a strong foundation for transition finance and the acceleration of decarbonisation.

Figure 22: Engagement Means



Case study – Engagement Strategy and Practices: BNP Paribas

BNP Paribas have a strong focus on engagement across pressing issues ranging from social inclusivity to biodiversity and climate.

In 2020 the bank launched its Engagement Manifesto, in which it proposed a "new era" of engagement to tackle social and environmental issues. It lays out the need to develop a "positive impact culture", to "create new solutions and partnerships", and to develop "specific engagement objectives" for each major Group entity. The Manifesto pledges to support causes where the bank can have high impact, listing climate as one of the four areas to give out support. Specifically, it states, “working with our customers and partners, to accelerate energy transition by encouraging renewable energies, energy efficiency, sustainable mobility and the circular economy”.

Operationally, BNP Paribas places engagement on an important pedestal within the organisation. There is a dedicated Corporate Engagement department which is tasked with formulating and implementing the Group's engagement strategy in areas such as economic development, environment and the energy transition, along with a number of social issues. The bank has also established a "Corporate Engagement Barometer" aimed at helping it engage more effectively with the expectations and wishes of civil society.

For example, in 2020, BNP Paribas Asset Management made it a priority to engage with the companies comprised in its portfolio about transitioning to low-carbon electricity generation, implementing BNPP AM's stricter coal policy and adapting its commitments to the goals of the Paris Agreement. BNP Paribas Asset Management also uses its voting rights to encourage the adoption of pro-energy transition resolutions. In 2020, it voted in favour of 32 shareholder proposals addressing the environment and climate change. Support for these resolutions stood at 94.1%, versus 90.5% in 2019.

6. Working Priorities in 2021—2022

This year's annual report has shown overall progress on the GIP's key metrics. The annual reporting mechanism has also helped the GIP secretariat identify key areas in need of capacity building and increased efforts. Key areas to work on in the coming year include climate related risk management, disclosure of carbon intensive assets, transition related financial products, and the exploration of synergies between climate and biodiversity.

This section quantifies progress so far on the GIP's Vision 2023 and summarises the upcoming objectives of the three Working Groups for the year 2021–2022.

6.1 Vision 2023 Mapping

Based on the submission of questionnaires and compilation of publicly available information, the Secretariat has mapped the performances of GIP signatories against the Key Performance Indicators (KPIs) in Vision 2023.[1] The criteria for mapping is also listed in the table below.

1) **"Assess":** 81% of GIP signatories established appropriate governance and oversight of environmental and climate risk; 50% are undertaking ERA of some sort; and 50% are developing policies on coal/fossil fuel divestment and increasing ambition of existing commitments towards total phase-out;
2) **"Disclose":** 42% have made their first TCFD-aligned environmental risk disclosure aligned. Another 10% are planning to do so in 2021 and 31% are quantifying and disclosing exposure to carbon-intensive sectors, both slightly lower than what was expected from signatories.
3) **"Commit":** 64% are aligning BRI transactions with global mainstream standards such as IFC Performance Standards/Equator Principles, also slightly lower than the goal of 70%. 58% are setting quantitative green investment targets.
4) **"Invest":** Data on green investments in the Belt and Road region were provided by some signatories, and indicated year-on-year growth, but more efforts are needed to establish the overall baseline for the whole GIP community.

1. As the four changes do not necessarily apply to stock exchanges, their performances are not taken into account. All percentage numbers in this section are calculated based on a total of 36.

5) **"Grow":** 39 global institutions had officially signed up to the GIP by the end of 2020 and the number rose to 40 as of the writing of this report, representing a total of 14 countries and regions.

Table 2: Mapping of 2020 performances against Vision 2023 KPIs

Intervention	Measures	19'	20' Target	20' Actual	Criteria
1. Assess: Support signatories to evaluate exposure to climate and environmental risk along the B&R.	Appropriate governance and oversight of environmental and climate risk	48%	60%	81%	Having assigned responsibility to specific board committee or senior management
	Undertaking ERA	45%	50%	50%	Quantitatively analysing climate-related risks (physical or transition)
	Developing policies on coal/fossil fuel divestment and increasing ambition of existing commitments towards total phase-out	30%	40%	50%	Developing policies on no longer financing new coal projects, strictly controlling existing proportion, or making carbon neutrality pledges
2. Disclosure: Provide common disclosure standard for GIP members and work for greater disclosure among its members.	Having made the first environmental risk disclosure, aligned to TCFD	34%	50%	42% (+10%)	Either publishing a separate TCFD report or refer their non-financial reporting with TCFD
	Quantifying and disclosing exposure to carbon-intensive sectors	29%	45%	31%	Disclosing publicly or through the questionnaire to the GIP

Intervention	Measures	19'	20' Target	20' Actual	Criteria
3. Commit: Create momentum within signatories to set green investment targets and phase out fossil fuel investment along the BRI, while embedding responsible project financing practices.	Aligning BRI transactions with global mainstream standards such as IFC Performance Standards/ Equator Principles	57%	70%	64%	Basing internal Environmental & Social Risk Management systems or procedures on IFC standards or Equator Principles
	Setting quantitative green investment targets	35%	45%	58%	Setting quantitative goals, either in terms of proportion or scale
4. Invest: Through a series of "regional chapters" create demand for green investment, collect better regional data and create a pipeline of green investment projects.	Year on year increase in green investments along the Belt and Road	-	-	-	
	Number of Regional Chapters rolled out	-	-	1 (in 2021)	
	Number of green transactions supported by Regional Chapters	N/A	-	-	
5. Grow: Continue to expand the GIP's reach.	Number of Institutions signed up to the GIP	37	40	39 (end-2020)	-
	Number of countries represented by GIP signatories	14	14	14	-

6.2 Work plans of Working Groups

Working Group on Climate and Environmental Risk Assessment (WG1)

Area of Focus

- **Promotion and exhibition of ERA toolkit – continually collect and address feedback from GIP signatories and experts, promote and exhibit the current functions amongst financial institutions.**

  i. Update briefing documents for the tools and ensure the easy access, stable function and sound report to all interested institutions;

  ii. Actively host webinar to go through the overall and extended functions of the CERAT tool amongst GIP members and formulate new demo videos to show each function;

  iii. Organize at least one capacity building webinar to share ERA best practices and cases from NGFS ERA handbook.

- **Climate-related risks and opportunities in the context of a transition towards a net-zero economy in alignment with the Paris Agreement. It will be important for GIP members to be well informed of the risks as well as business opportunities in a world moving towards net zero emissions, and develop the capacity to manage climate-related risks. This can help to build the resilience of the financial system which is necessary to support the transition in the real economy.**

  i. Finalize the transition risk paper with rounds of sound discussion within the WG1 and GIP members, and ensure the holistic assessment of potential risks and opportunities as well as solutions to tackle transition risks;

  ii. Spread the transition risk paper amongst GIP members for knowledge sharing together with a designed survey/questionnaire regarding transition risks & opportunities and related best practices for future analysis at institution level;

  iii. Host capability building webinar to share the key findings of the white paper, case studies of best practice, and advanced management cases from NGFS existing papers;

  iv. Design practical plans and voluntary pilot projects on transition risk assessment, carbon footprinting and net-zero alignment to engage with GIP institutions for studying, identifying, and analysing how financial institution manage transition risks and opportunities.

Working Group on Climate and Environmental Information Disclosure (WG2)

Key Objectives:

- Explore viable approaches to disclose on green and brown assets:
  - Enhance the scope and quality of disclosure on overall green assets and certain green financial instruments, particularly adding disclosure on specific green projects based on current frameworks, e.g. debt financing instruments issued in the reporting period, with reference to what was required by ICMA, exchanges, CBI or People's Bank of China;
  - Pilot the disclosure on carbon-intensive and polluting assets, with two potential approaches: disclose the financed emissions of one specific project surpassing certain thresholds (e.g. 100,000 tCO2 per year according to the Equator Principles), or disclose the exposure and carbon intensity of assets in certain sectors (e.g. thermal power, steel, coal, etc.)
- Analyze the Scope I, II, III emissions can be disclosed, with a focus how emissions from financing activities can be measured and disclosed;

Key Deliverables:

- Deliver briefing papers on disclosure of both green and carbon-intensive / transition-related assets, to provide hands-on guidance on how GIP members can get started in terms of concepts, content, and methodology;
- Host capacity building webinars:
  - To launch the Best Practice Case Book on green finance related commitments and policies from 20/21, and share leading practices from within the GIP community;
  - To demonstrate to GIP members the preparation and procedure of disclosing green and carbon-intensive / transition-related assets, particularly considerations around project-level disclosure.

Working Group on Green Financial Product Innovation (WG3)

Key Objectives:

- Build capacity of GIP Signatories and supporters in the focus area of green financial products innovation;
- To look into the financing gap and potential pathways for bridging the gap by providing green financial products in a more innovative way;
- To mobilize more private capital into green projects along the Belt and Road;

2022 Key Deliverables

- Compile case studies on transition financing, including transition bonds, Sustainability-Linked Bond, Sustainability-linked Loans,
- Share related research on sector-oriented financing in sectors such as Power, Mining & Mental, Buildings, Transportation etc.
- Host capacity building events:
  - Transition finance seminar x 2 (1 Physical and 1 virtual)
  - Transition finance virtual roundtable

Annex 1 / List of GIP Signatories

List[1] of GIP Signatory and Supporting Institutions
“一带一路”绿色投资原则机构列表

(As of Aug 31, 2021)
(截至 2021 年 8 月 31 日)

1. In alphabetic order.

Signatory Institutions:
签署机构:

Agricultural Bank of China 中国农业银行	Agricultural Development Bank of China 中国农业发展银行	Al Hilal Bank 阿尔希拉尔银行	Ant Financial Services Group 蚂蚁金融服务集团
Astana International Exchange (AIX) 阿斯塔纳国际交易所	Bank of Africa–BMCE Group 非洲银行	Bank of Bangkok 盘谷银行	Bank of China 中国银行
Bank of East Asia 东亚银行	BNP Paribas 法国巴黎银行	China Construction Bank 中国建设银行	China Development Bank 国家开发银行
China International Capital Corporation (CICC) 中国国际金融股份有限公司(中金公司)	China International Contractors Association (CHINCA) 中国对外承包工程商会	China Merchants Port 招商局港口集团股份有限公司	Chine RE 中再集团
Commerzbank AG 德国商业银行	Credit Agricole–CIB 法国东方汇理银行	DBS Bank 新加坡星展银行	Deutsche Bank 德意志银行
Export–Import Bank of China 中国进出口银行	First Abu Dhabi Bank (FAB) 阿联酋阿布扎比第一银行	Habib Bank (HBL) 巴基斯坦哈比银行	Hong Kong and Shanghai Banking Corporation Limited (HSBC) 香港上海汇丰银行有限公司

Hong Kong Exchanges and Clearing Limited (HKEX) 香港交易及结算所有限公司	Industrial and Commercial Bank of China (ICBC) 中国工商银行	Industrial Bank 兴业银行（中国）	Khan Bank 蒙古国可汗银行
Luxembourg Stock Exchange 卢森堡证券交易所	Mizuho Bank 日本瑞穗实业银行	Natixis Bank 法国外贸银行	Ping An of China 中国平安
Silk Road Fund 丝路基金	Siyuan Investment 丝元投资	Societe Generale 法国兴业银行	Standard Chartered Bank 渣打银行
Swiss RE 瑞士再保险集团	Trade & Development Bank of Mongolia (TDB) 蒙古贸易和发展银行	UBS Group AG 瑞银集团	Xinjiang Goldwind Science & Technology 新疆金风科技股份有限公司

Supporting Institutions:
支持机构：

APEC Network on Green Supply Chain Tianjin Pilot Center 亚太经合组织绿色供应链天津示范中心	Beijing Environmental Exchange 北京市环境交易所	Carbon Trust 碳信托	CDP CDP Worldwide
Climate Bond Initiative 气候债券倡议	Deloitte 德勤	Ernst & Young 安永	Fasset
KPMG 毕马威	PwC 普华永道	Refinitiv 路孚特	Starquest Capital 星界资本

Annex 2 / Questionnaire Submission

As of end-June 2021, the following signatories (in bold) have submitted the questionnaire, while those underlined have also submitted the cases:

Agricultural Bank of China
Agricultural Development Bank of China
Al Hilal Bank
Ant Financial Services Group
Astana International Exchange (AIX)
Bank of Africa – BMCE Group
Bank of Bangkok
Bank of China
Bank of East Asia
BNP Paribas
China Construction Bank
China Development Bank
China International Capital Corporation (CICC)
China International Contractors Association (CHINCA)
China Merchants Port
Chine RE
Commerzbank AG
Credit Agricole-CIB
DBS Bank
Deutsche Bank
Export-Import Bank of China
First Abu Dhabi Bank (FAB)
Habib Bank (HBL)
Hong Kong and Shanghai Banking Corporation Limited (HSBC)
Hong Kong Exchanges and Clearing Limited (HKEX)
Industrial and Commercial Bank of China (ICBC)
Industrial Bank
Khan Bank
Luxembourg Stock Exchange
Mizuho Bank
Natixis Bank
Ping An of China
Silk Road Fund
Siyuan Investment
Societe Generale
Standard Chartered Bank
Swiss RE
Trade & Development Bank of Mongolia (TDB)
UBS Group AG
Xinjiang Goldwind Science & Technology

Annex 3 / Analytical Framework

	Laggards (Level 0)	Business as Usual (Level 1)	Building Capacity (Level 2)	Leading by Example (Level 3)	Best Practice (Level 4)
Governance and Strategy	Sustainability not considered in corporate governance or Group strategy.	Governance structure to manage E&S risks - roles and responsibilities are defined. A sustainability strategy has been developed, acknowledging climate risks and opportunities.	Oversight, escalation and reporting processes for E&S issues. Strategy and/or other guidance (charter, white paper etc) communicates targets and management of risks and opportunities.	A Committee (or similar) advises Board and develops and reviews policies on key project risk areas and operational guidelines for implementation. Strategy includes quantitative targets for green financing	Performance embedded into corporate incentives (divisional and/or Executive remuneration). Resilience of the Group's strategy to climate-related challenges. Sector-level transition strategies in place.
Risk Management and Assessment	Environmental and social risks not considered in investment decisions.	Consideration of ESG factors in screening processes. Frequency of reporting and nature of how risks are managed not disclosed.	Risks managed according to international standards, with use of covenants. Scoping use of Environmental Risk Analysis (ERA) to understand physical and transition risk.	Sustainability objectives and metrics integrated into supply chain management ERA piloted and starting to inform risk policies. Development of bespoke risk management tools	ERA applied at a portfolio level. Sharing of bespoke risk management tools.

	Laggards (Level 0)	Business as Usual (Level 1)	Building Capacity (Level 2)	Leading by Example (Level 3)	Best Practice (Level 4)
Investment and Corporate Footprint	No measurement of environmental impact of own operations. No definitions of green products or financing activities.	Measurement and disclosure of environmental impacts of own operations. Development of green products.	Measures to reduce exposure to brown assets. Targets and strategy to increase financing for green projects/sectors.	Policy to restrict fossil fuel intensive projects e.g. new coal financing. Quantitative tracking of green investments against financing targets.	Full phase out from coal financing with timetable and interim targets. Quantitative targets to brown assets.
Disclosure and Engagement	No engagement or disclosure on sustainability issues.	Published reporting demonstrating integration of sustainability into corporate Governance. Grievance mechanism in place for project financing. Endorsement of climate and ESG initiatives e.g. Equator Principles, SDG, PRI etc.	Disclosure of risk management framework and investment standards. Sharing of due diligence with peer lenders.	Climate risk management tools disclosed. Quantitative reporting of green assets and environmental benefits. Engagement policy developed for investments.	Quantitative reporting of outcomes of integrating sustainability into supply chain management.

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GIP
Green
Investment
Principles