

Financial Street Forum | Hu Changmiao: Practice the New Development Concept, Boost Low-carbon Transformation of the Economy and Society with New Finance Actions

On October 20th, Hu Changmiao, Secretary to the Board of China Construction Bank, attended and delivered a keynote speech on “Financial Support for Green and Low-carbon Development” at the parallel forum of “Real Economy and Financial Services” in the annual meeting of the 2021 Financial Street Forum. This article is organized according to live recording.

Practice the New Development Concept, Boost Low-carbon Transformation of the Economy and Society with New Finance Actions

Distinguished leaders and guests,

Good evening!

It is a great honor to be invited to participate in the 2021 Financial Street Forum. I would like to extend my sincere gratitude to all the leaders and people from all walks of life for offering your continuous guidance, care and support to CCB. With the theme of “Economic Resilience and Financial Actions”, this forum is firmly grasping the pulse of the times and boasts a special significance in giving play to the advantages of our nation’s strong resilience in economic development, promoting the strategic transformation of the financial industry. It marks our brave actions, especially when the impact of the Covid-19 pandemic is still severe, and the global economic development is facing great uncertainty amid the current strategic situation of realizing the great rejuvenation of the Chinese nation and a world that is undergoing momentous changes of a kind not seen in a century. Taking this opportunity, I would like to share with you the thoughts and exploration of CCB in innovating financial products and services, supporting green and low-carbon transformation, and promoting sustainable economic and social development with New Finance actions.

I. Promoting sustainable development with green finance is an integral part of modern finance

In recent years, firmly advocating the pathway to green, low-carbon, circular and sustainable development, the Party Central Committee, with General Secretary Xi Jinping at its core, has attached great importance to green and low-carbon development, adapted to the new situation in the new era, put forward the new development philosophy emphasizing “innovative, coordinated, green, open and shared” development, and placed the construction of ecological civilization and beautiful China in a prominent position in the overall situation of the Party and the state. In September last year, General Secretary Xi Jinping made a solemn commitment to the world to realize the “30·60 goals” of peaking carbon dioxide emissions by 2030 and achieving carbon neutrality by 2060. At the just concluded COP 15, the Leaders’ Summit of the 15th Meeting of the Conference of the Parties to the Convention on Biological Diversity,

General Secretary Xi Jinping pointed out that we need to speed up efforts to foster a green way of development and secure a win-win of economic growth and environmental protection, so as to build a homeland of coordinated advancement of economy and the environment.

Finance is the bloodline of the modern economy, and financial institutions, especially large ones, are playing an increasingly important role in economic and social development. For green and low-carbon development, the financial industry must thoroughly study and implement the spirit of the series of important speeches of General Secretary Xi, live up to its responsibilities and fulfill its duties, take up relevant social and ecological responsibilities, help solve the problems and challenges of promoting green and sustainable development and achieving the “dual carbon” goals with integrated green financial services, while achieving its own sustainable growth and realizing sound and balanced business performance.

At present, green finance brings an important opportunity for China’s banking industry to enhance its international influence. Green development has become a concerted effort of the international community, and countries have rolled out green development goals and practical pathways to achieve these goals. International financial institutions are also actively paying more attention to climate change and environmental improvement. So, Chinese financial institutions must seize the historical opportunity to actively participate in the development and promotion of green financial products and services, the establishment and improvement of green financial markets, and the formation and refinement of green financial development rules, as part of our efforts to work together to protect and care for our homeland. This will undoubtedly help to improve the initiative and influence of China’s financial institutions in the international financial market, and demonstrate with practical actions the profound connotation of building a community with a shared future for mankind. At the same time, green development is also an important connotation of the ESG (Environmental, Social and Governance) concept. In recent years, the capital market has placed increasing emphasis on the efforts and contributions made by listed companies in promoting global sustainable development, not only that their measures focusing on climate change mitigation and environmental improvement are drawing more and more attention, their performance in safeguarding the legitimate rights and interests of customers, shareholders, employees, society and other stakeholders are also gaining importance. The focus of all parties involved, especially institutional investors, is gradually shifting from short-term financial performance to long-term value creation. With the accelerated two-way and in-depth opening-up of the financial market, large financial institutions in China should actively respond to the sustainable development initiatives, participate in the formulation of international standards for green finance and infrastructure construction, promote the Green Investment Principles for the Belt and Road Initiative (BRI), so as to boost the development of global green finance through innovation and development with Chinese characteristics and contribute to social progress and common prosperity.

II. CCB is deepening its New Finance actions under the green development concept

In recent years, CCB has continued to consolidate its service tenet of “people first”, understand and implement the new development concept in a comprehensive, integral and profound manner, and strengthen the green and sustainable development concept. Guided by the building of “Three Capabilities” in better serving the real economy,

preventing financial risks, and participating in international competition, the Bank adopted New Finance thinking to shape its values and corporate culture for the common benefit of the banking industry, provided coordinated support for pandemic prevention and control as well as economic and social development, and actively responded to the expectations and demands of the people, so as to retrieve the origin of financial services in the process of solving the pain points and difficult problems facing the society. The Bank has also taken the lead in laying out and promoting the “Three Major Strategies” of House Rental, Inclusive Finance and FinTech, building the “Workers’ Harbor” and CCB University, promoting rural revitalization, smart government affairs service and green development, and directing the “water flow of finance” to the real economy and where the people need it most, achieving positive results.

First, we have strengthened the top-level design of green finance with an emphasis on system building. The Party Committee of CCB highly valued the development of green finance and has made it a priority in the strategic development of the Bank. The Board of Directors has also paid great attention to the development of green finance, regularly listened to reports on strategy implementation, provided guidance to the promotion of the newly established ESG Promotion Committee, coordinated the ESG strategic planning of the Group and explored the integration of ESG concepts into the whole process of strategic development, product design, risk management, and daily operation during the “14th Five-Year Plan” period. Focusing on the “dual carbon” goals, the Management of the Bank has set up a leading group for carbon dioxide peaking and carbon neutrality, scientifically designed the institutional framework and credit support policies for the development of green finance, and comprehensively promoted the innovation and expansion of green finance business. **Second, we have innovated the green financial products system with an emphasis on nurturing industries.** The Bank has promoted the development of green and low-carbon financial products and services in an orderly manner, and innovated a series of special products such as renewable energy subsidy confirmation loans, energy saving loans and sponge city construction loans. We have scaled up the issuance of green credit and made comprehensive use of green bonds, green funds, green trusts, green leases and other green tools to extensively mobilize the Group’s comprehensive advantages and integrate various social resources to provide more long-term and low-cost funds to support and foster green industries and promote industrial upgrading and ecological improvement. **Third, we have accelerated the restructuring of green assets with an emphasis on market development.** We improved the green color of the Bank’s asset portfolio, increased the allocation of green assets, and accelerated the digestion of brown assets with high carbon emission intensity and gray assets that affect the ecological environment, in a bid to achieve the unification of ecological, social and economic benefits. As of the end of September 2021, the balance of CCB’s green loans under the CBIRC standard was RMB1.66 trillion, with a growth rate of 23.3 percentage points over the beginning of the year, which was 13% higher than that of other loans; it accounted for 9.48% of total loans, representing an increase of 1.01 percentage points from the beginning of the year, and the proportion of loans in carbon-intensive industries continued to decline. In the first half of 2021, the Bank’s green credit projects saved 38.07 million tons of standard coal and reduced 83.41 million tons of carbon dioxide emissions. **Fourth, we have firmly safeguarded the bottom line of green financial risks with an emphasis on proactive management.** At present, the quality of CCB’s green loans outperforms the average level of the Bank. While vigorously developing green finance, we have taken into account the prevention of brown risks

and incorporated environmental, social and climate risks into the comprehensive risk management system as a special risk category to further standardize our management. CCB has also launched special studies around major risk topics and developed response plans. Besides, we have taken the initiative to integrate information of the Bank's asset portfolio management system with the environmental monitoring systems of environmental protection departments to strengthen the management of environmentally sensitive industries and areas. We have placed focus on the strengthening of stress tests such as those on climate risks, and paid attention to the stress tests on related risks and the application of their results.

In recent years, CCB has been promoting the "Three Major Strategies" of House Rental, Inclusive Finance and Fintech, to better serve small and medium-sized enterprises and the general public who are in urgent need of financial services and support. It actively fulfilled its social responsibility, which has been recognized and commended by all sectors of the society. The Bank was rated A in the 2020 MSCI ESG Rating, ranking among the top global banking peers, and was recently included as a constituent stock of the Hang Seng Corporate Sustainability Index Series.

III. By making strides in fully and deeply implementing the green concept, CCB is exploring its own approach to serve the "dual carbon" goals

We can say that there is a set of green and environmental protection philosophies behind all our actions to promote strategy implementation and serve the real economy. Taking our house rental business as an example, we advocate the construction and supply of rental housing, urban renewal and old cities reconstruction, rather than mountain excavation, breaking ground and large-scale demolition and construction. Through the integration of existing property resources, we worked to provide new urban citizens with affordable and acceptable rental housing, in an effort to shore up the weaknesses of house rental and achieve the basic function of "houses are for living in" with a sound supply from both the rental and sale side. Furthermore, we actively promoted the upgrading of inclusive finance and gave priority to supporting green micro and small enterprises, so as to foster green inclusiveness. Another example is that in the process of promoting rural revitalization and smart government affairs, we attached importance to serving green agricultural development and green city construction with financial innovation, and strove to explore new pathways of innovative services for economic and social development. At the same time, we returned to the origin of financial services and gave full play to our role as a large bank to boost the green industrial transformation and upgrading by providing comprehensive green financial services. We stepped up our efforts to support new energy, green transportation and traditional industries to cut energy consumption and reduce emissions, and pushed forward the infrastructure construction of the carbon market to help the realization of the "dual carbon" goals. All these efforts have become an important connotation of CCB's New Finance concept and the "top priority" of financial services during the 14th Five-Year Plan period.

Standing at a new historical starting point, CCB will remain committed to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and thoroughly implement the spirit of General Secretary Xi's instructions on financial work and ecological civilization construction. While pushing forward the New Finance actions in breadth and depth, we will draw on the advanced practices and experiences of domestic and overseas peers to further strengthen the innovative development of green finance in accordance with regulatory requirements, so as to play the role of a large bank as the vanguard and main force in promoting green development and low-

carbon transformation of the economy and society.

First, we will continue to actively promote the development of green finance, optimize green finance policies, increase innovation efforts, diversify green finance products, strengthen resource investment and the supporting measures, proactively optimize the credit structure, and strengthen environmental and climate risk control. Second, we will enhance our own carbon footprint management, and on the basis of detailed calculations and balancing costs and benefits, we will scientifically formulate a carbon footprint management plan in line with China's national conditions and the actual situation of CCB. We have established the first zero-carbon outlet in China (Cuiheng New District Sub-branch in Zhongshan City, Guangdong Province) and the first sub-branch for climate investment and financing in China (Nansha Climate Sub-branch in Guangdong), and continuously advocate green office, green travel and green low-carbon living. Third, we will build a complete ESG governance framework, strengthen ESG strategic management, and improve the ways and methods of information disclosure. Following the regulatory guidelines and referring to industry standards, we will learn from advanced practices and experiences at home and abroad and continuously improve the breadth and depth of environmental information disclosure, so that the market and people from all walks of life can join hands to support and help the green development of CCB. Fourth, we will strengthen investor relations management and international exchanges and cooperation. We will actively respond to market concerns, build a two-way communication bridge with the capital market, and tell the "Chinese story" and "CCB story" of green practices well in the logic and language of the capital market. Meanwhile, we will strengthen exchanges and cooperation with all sectors of society, especially with peers and professional institutions, to jointly explore a green financial management system and model with Chinese characteristics.

Distinguished leaders and guests, green is the color of prosperity and life. We are fortunate to be on top of the trends of the times, bearing the mission on our shoulders, and taking on a heavy responsibility that much remains to be done. Through fulfilling our duties in finance, CCB is willing to work together with all its colleagues for making an active contribution to promote green development, serve the economy and society, and improve people's well-being.

I wish the forum a complete success. Thank you!