

Guidelines on Financial Supporting for Green and Low-carbon Development

In order to implement the major decisions and arrangements of the CPC Central Committee and the State Council on carbon peaking and carbon neutrality, make significant efforts in the important area of green finance, and actively support green and low-carbon development, the following guidelines have been approved by the State Council.

1.General Requirements

(1) Guiding principles

Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implement the guidelines of the 20th National Congress of the Communist Party of China (CPC), put into practice Xi Jinping Thought on Ecological Civilization in an in-depth way, apply the new development philosophy fully, faithfully and comprehensively, and expedite the establishment of a new development paradigm with the ultimate goal of promoting high-quality development. Strengthen financial support for green and low-carbon development, adhere to high-quality development strategy that prioritizes ecological conservation, maximize resource utilization efficiency, and provide robust support in ensuring national energy security and facilitating the achievement of carbon peak and carbon neutrality goals.

(2) Operational considerations

-Balance development and security considerations. Strike a balance between high-quality development and high-level security, enhance financial backing for green and low-carbon development, promote carbon reduction, pollution mitigation, green spaces expansion and growth in concerted efforts, strengthen risk monitoring, management and control. In the process of promoting the creation of a new energy system and transformation of energy enterprises, prevent and mitigate risks, make sure food, energy resources, critical supply chains are safe and maintain the normal lives of the people, and provide robust support for high-quality economic development.

-Balance long-term and immediate considerations. Adhere to the concept of systemic approach, strengthen forward-looking thinking and overall planning, and promote the process of carbon peaking and carbon neutralization in a scientific and orderly manner. Based on China's energy and resource endowment, take advantage of the momentum and adopt a strategy of 'building the new before dismantling the old ', and rationally plan and implement the short, medium and long-term tasks of financial support for carbon reduction. Promote the early start of various tasks, make sustained efforts, steadily and orderly promote green financial reform and innovation, better serve green and low-carbon development.

-Provide incentives and disciplines. Fully leverage the decisive role of the market in allocating resources while enabling the government to play its roles better. Guide financial resources towards facilitating the green and low-carbon transition of high-emission industries and renewable energy projects, promote the green transformation and upgrading of industries, support the development of green and low-carbon transportation and green buildings. Simultaneously, exercise strict control over the allocation of financial resources to energy-intensive, high-emission and low-level projects.

-Standards setting and international collaboration. In accordance with the national green and low-carbon development strategy, scientifically formulate and standardize the implementation of clear and enforceable green and transition finance standards, and enhance the interoperability of Chinese standards with the international standards. Actively participate in the global governance of addressing climate change, initiate global green dialogues, contribute Chinese solutions to the global response to climate change, do a better job in promoting domestic application of internationally mature experiences and dissemination of China's best practices.

(3) Medium and long-term goals

In 5 years, establish the framework of a world-leading financial system for green and low-carbon development; achieve steady improvement in

financial infrastructure, environmental information disclosure, risk management, financial products and markets, policy incentives; further advance the regional green finance reform program; enhance the level and effectiveness of international cooperation; allocate financial resources towards the green and low-carbon sectors in an order manner.

By 2035, various types of economic and financial policy for green and low-carbon development will be advanced in a coordinated and efficient manner; the standards and policy support system for financing green and low-carbon development will become mature, and resource allocation, risk management and market pricing functions will become more effective.

2.Refining green finance standards

(4) Promote carbon accounting of financial institutions in a progressive manner. Establish and improve carbon accounting methodology and database tailored for financial institutions. Focus on promoting application of mature carbon accounting methodologies and tools in the financial sector. Formulate and launch unified carbon accounting standards for financial institutions and their financial undertakings. Guide financial institutions to strengthen the management and compilation of carbon emission statistics related to their business operations, investment and financing services. Improve the standardization, credibility and transparency of carbon accounting in

financial institutions. Encourage financial institutions and enterprises to leverage big data, Fintech and other advanced technological solutions to support carbon accounting.

(5) Continuously improve green finance standards. Formulate a unified system of green finance standards. Continuously optimize China's green bond standards, consolidate regulatory requirements for green bonds including the use of proceeds, and information disclosure, and improve standards for green bond verification. Further optimize the institutional arrangements for the 'green channel' for the acceptance of applications, examination and registration of green corporate bond, and facilitate green bond issuing by enterprises. Research and formulate the low-carbon projects recommendation guidelines for the '*Catalogue of Projects Supported by Green Bonds*', as well as the carbon accounting methodology and the disclosure standard for green bonds. Bond issuers are required to calculate and disclose the amounts of carbon emission and reduction of the projects supported by raised funds. Improve the statistics of green bonds, and gradually build a green financial statistical system that measures carbon reduction outcomes, and comprehensively reflect the effectiveness of financial support for ecological civilization development. Further improve the green credit standard system. Establish and improve the green insurance standards. Research and formulate green stock standards and unify green stock business rules. Promote itemized accounting, disclosure and statistics of greenhouse gas emissions at an

appropriate time. Accelerate the research and formulation of the guiding catalog and project library for the green development of industries, and strongly support green technology innovation. Support the establishment of a standard system for the project pipeline of climate investment and financing. Accelerate the research and formulation of transition finance standards, include eligible projects of green industrial development and other eligible entities within the support scope, and clarify the core elements including the transition/transformation activity catalog, disclosure requirements, product system and incentive mechanism.

3.Improve information disclosure

(6) Promote environmental information disclosure by financial institutions and financed entities. Explore and gradually establishment differentiated environmental information disclosure requirements for different types of financial institutions, and promote related listed companies and bond issuers to disclose environmental information in accordance with the law. Formulate and improve the guidelines for sustainability disclosure by listed companies, and guide listed companies to disclose sustainable development information. Improve the carbon emission disclosure framework, and encourage financial institutions to disclose exposures to high-carbon assets and to establish climate change-related risk event emergency disclosure mechanisms . Regularly disclose green finance statistics.

(7) Continuously improve the quality of environmental information disclosure and evaluation. Improve the *Guidelines for Financial Institution Environmental Information Disclosure*. Encourage credit rating agencies to establish and improve the rating system for green financial products, and support credit rating agencies to incorporate environmental, social and governance (ESG) factors into credit rating methodology and models. Promote data sharing of environmental information and carbon emission information disclosed by key pollutant-discharging entities, enterprises implementing compulsory clean production check, related listed companies and bond-issuing enterprises in accordance with the law. Leverage the role of the national industry-finance cooperation platform, establish the green industrial development information sharing mechanism and promote cross-department, multi-dimensional and high-value green data connection.

4. Promote the development of green financial products and markets

(8) Facilitate the development of China's carbon emission trading mechanism. Carry out carbon emission allowance registration, trading and settlement activities, and strengthen carbon emission accounting, reporting and verification in accordance with relevant policies, regulations and technical specifications of the carbon market. Explore and diversify carbon emission rights-linked financial products and trading methods , gradually expand the scope of trading entities suitable for the carbon market development in China. Reasonably control the aggregate

carbon emission allowance quota, and scientifically allocate the initial carbon emission allowance quotas. Enhance the liquidity of the carbon market and optimize the carbon market pricing mechanism.

(9) Enhance green credit support. Under the premise of compliance with laws and regulations, risk control and commercial sustainability, financial institutions are encouraged to take advantage of green finance standards and transition finance standards, to enhance credit support for green development and low-carbon transformation in sectors such as energy, industry, transportation and construction, and optimize green credit processes, products and services. Explore market-based approaches to provide credit enhancement services for overseas financing by domestic entities so as to mitigate risks in their overseas financial activities. Enhance infrastructure development for supply chain finance, and promote innovation and application of green supply chains.

(10) Scale up capital market financing for green and low-carbon development. Support eligible enterprises to seek financing or refinancing in domestic and overseas stock markets for green and low-carbon projects. Energetically support green bond and green asset-backed securities issued by eligible enterprises and financial institutions. Actively develop carbon neutrality bonds and sustainable development-linked bonds. Encourage the issuance of Real Estate Investment Trust (REITs) products for qualified

infrastructure projects, including those related to clean energy. Include eligible ecological and environmental construction projects in local government bond program. Enhance financial support for EOD projects and improve the relevant investment and financing mechanisms. Explore and develop green asset management products. Regulate and conduct green bond and green equity investment and financing business. Encourage overseas institutions to issue green panda bonds and invest in domestic green bonds. Support securities funds and related investment vehicles to develop green investment products to fulfill their environmental, social, and governance responsibilities better. Increase financial support for major green and low-carbon technological innovation and promote their application, strengthen planning and investment in basic research and cutting-edge technology research, accelerate the research and promotion of advanced and applicable technologies.

(11) Vigorously develop green insurance and services. Improve the insurance system for major risks related to climate change. Provide disaster prevention and loss prevention warning services for high-risk clients, promptly monitor and screen potential risks, and reduce claims risk. Leverage the long-term investment characteristics of insurance funds, and encourage insurance funds to support green industries and projects based on business principles, and optimize the evaluation mechanism for

long-term investment capacity. Encourage insurance institutions to research and establish a mechanism linking corporate carbon emissions levels to insurance pricing. Promote the development of new-energy automobile insurance.

(12) Diversify and increase participants in the green finance market.

Promote the concept of sustainable investment and attract long-term institutional investors such as pension funds to invest in green financial products. Encourage banking institutions to establish branches and subsidiaries specialized in green finance, and to incorporate green finance development into their assessment and evaluation systems. Encourage qualified and willing financial institutions to adopt international principles or sign international initiatives related to green finance and sustainable finance. Provide convenient financial services in terms of transaction account opening, trading, registration, clearing, settlement, currency exchange, and cross-border remittance for overseas investors in their investment in Chinese green financial assets. Investment involving carbon assets should be handled in accordance with domestic compliance requirements of the *Paris Agreement*.

5. Strengthen policy coordination and institutional support

(13) Improve relevant laws and regulations. Leverage the safeguarding role of rule of law in strengthening economic fundamentals, stabilizing expectations and ensuring long-term

growth, press ahead with law-making in the field of green finance, and promote financial support for green transformation and low-carbon development. Encourage localities that have favorable conditions to introduce local green finance regulations in accordance with the law. Clarify the responsibility of commercial banks in providing green finance and conducting due diligence for green lending decisions.

(14) Improve the green finance accountability within financial institutions. Conduct stock-taking and evaluation of policy effectiveness on an irregular basis, continuously optimize the green finance evaluation mechanism, and improve and strengthen the information reporting mechanism of financial support for green and low-carbon development. Strengthen the evaluation of green finance business and capabilities of financial institutions, gradually include green funds and overseas green financial assets held by financial institutions in the green finance evaluation mechanism, and increase the number of application scenarios of the evaluation. Encourage financial institutions to allocate fund for green assets by adjusting internal funding transfer pricing(FTP) and economic capital requirements, and continuously optimize the asset structure of financial institutions. Include financial support for dual-carbon objectives in the assessment of senior managers of financial institutions.

(15) Expand the toolbox for monetary policy instruments. Effectively utilize the carbon emission reduction facility to provide low-cost funding to eligible financial institutions, and encourage them to provide concessional financing for key projects with significant carbon reduction effects. Promote the greening of the central bank's asset allocation, gradually include sustainability in the long-term management goals of foreign exchange reserves, and continue to invest in green bonds.

(16) Support the green and low-carbon transition of carbon intensive industries and projects. Give full play to the roles of the National Green Development Fund. Encourage financial institutions and private capital that fulfill the conditions to establish transition funds to support the dual-carbon objectives. Guide financial institutions to support clean transportation, clean heating and ultra-low emission transformation of key industries, to support the R&D, investment, and wider application of clean energy, to continue the efforts in promoting clean and efficient use of coal, and to channel more resources to enterprises with high environmental performance grades. Support the issuance of transition bonds by energy producing companies and users above designated sizes to meet their needs in low-carbon transformation including renovation and upgrading. Link the carbon emission reduction information of high-emitting industries and projects with project credit evaluation. Promote green and low-carbon transformation and application of digital technologies by high-emitting industries.

(17) Deepen regional green finance reform. Steadily and orderly explore green finance development and reforms with regional characteristics, effectively evaluate and summarize the experiences of pilot zones, and disseminate best practices to other regions. Orderly expand and upgrade the green finance reform pilot zones. Support qualified regions to experiment in climate investment and financing, and explore and establish climate-friendly investment and financing systems. Promote the adoption of green finance standards in the green finance reform pilot zones, and support establishment of high-standard green project databases with cross-region connectivity.

(18) Further support green development in the implementation of major strategies of regional development. Promote positive interactions among onshore green financial market development, Shanghai's development as an international financial hub and Renminbi internationalization, and increase the global influence of Renminbi-denominated green financial product pricing. Establish and improve the environmental information-sharing system in the Yangtze River Delta, and promote the wider use of green finance information management system in the Yangtze River Delta region ahead of other regions. Support development of green financial industries in the country's major coordinated development strategy implementation zones, such as the Beijing-Tianjin-Hebei Area and Guangdong-Hong Kong-Macao Greater

Bay Area, and establish internationally recognized green bond certification institutions.

6.Enhance prudential management and risk mitigation for climate-related risks

(19) Improve prudential management. Gradually integrate climate-related risk management into the macro-prudential policy framework, guide financial institutions to support green and low-carbon development, and promote financial institutions to regularly report to regulatory authorities information on the scale, proportion and risk exposure to carbon-intensive assets. Disclose at an appropriate time the results of climate-related risk stress testing of China's financial system. Study and improve risk regulatory indicators and assessment methods on climate-related risks.

(20) Enhance the risk management capacity of financial institutions. Encourage financial institutions to include climate risk management in their risk management system and corporate governance framework. Encourage financial institutions to utilize tools and methods such as climate risk stress testing and scenario analysis to assess climate risks, to improve internal control system, internal policy and procedure, and to effectively tackle transition risks. Promote insurance companies to establish climate-related risk assessment and forecasting models, and utilize big data and other technologies to analyze climate disaster risks.

7.Strengthen international cooperation

(21)Deepen green financial cooperation. Actively participate in green financial cooperation in multilateral and bilateral mechanisms including the Group of 20, Financial Stability Board (FSB), the Central Banks and Supervisors' Network for Greening the Financial System (NGFS), the International Platform of Sustainable Finance (IPSF), the Bank for International Settlements (BIS), Basel Committee on Banking Supervision (BCBS), the Sustainable Finance and Banking Network (SBFN), and the International Organization of Securities Commissions (IOSCO). Actively participate in international green finance standard setting and promote the interoperability of Chinese standards with international standards. Boost connectivity of domestic and international green financial products and services and facilitate cross-border green investments by Chinese and overseas investors.

(22) Promote green investment in the Belt and Road region.

Encourage various financial institutions such as banks, equity investment firms and fund management firms to make low-carbon and green investments in BRI partner countries and regions.

8.Strengthen organizational support

(23)Strengthen organization leadership and foster strong synergy.

Uphold and strengthen the Party's overall leadership resolutely, uphold the CPC Central Committee's authority and its centralized leadership,

strengthen cross-department coordination and cooperation in financial support for green and low-carbon development, and foster strong synergy in financial support for green and low-carbon development. Strengthen behavioral supervision and functional regulation of green finance, and improve the regulatory capacity in early identification, early warning and early disposal of risks, Timely and promptly report major issues and problems to the CPC Central Committee and the State Council. Strengthen information sharing among relevant departments, enhance exchanges and communication between financial institutions and enterprises, guide enterprises to effectively carry out green and low-carbon transition and technological upgrade, and promote the smooth implementation of financial policies supporting green and low-carbon development. Encourage local governments to clarify responsibilities and division of labor, to establish rules, regulations and institutional arrangements based on local circumstance, to make sure the various policies of financial support for green and low-carbon development are effectively implemented. Enhance the transparency of financial support for green and low-carbon development, and create a good atmosphere for green finance development.

(24) Enhance capacity-building of green finance. Strengthen academic exchanges and cooperation, promote academic discipline development in green finance, and conduct basic and forward-looking research on major topics related to financial support for green and low-carbon development.

Vigorously provide green finance training to help enhance the green finance capacities of financial regulatory authorities, financial institutions and third-party institutions. Support financial institutions in conducting knowledge exchanges with domestic and international peers on climate risk stress testing, scenario analysis, etc., and strengthen capacity-building for financial support of green and low-carbon development.

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