From Principles to Practice:
Responsible Banking Case Study Series

UN environment programme | finance initiative

Principles for **Responsible Banking**

Bank of Jiangsu
Advancing Green Finance through Innovative Solutions

February 2025

Disclaimers

Principles for Responsible Banking

The Principles for Responsible Banking (PRB) are a unique framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement.

The framework consists of six principles designed to bring purpose, vision and ambition to sustainable finance. They were created in 2019 through a partnership between founding banks and the United Nations. Signatory banks commit to embedding these six principles across all business areas, at the strategic, portfolio and transactional levels.

江苏银行
BANK OF JIANGSU

Bank of Jiangsu (BoJ), headquartered in Nanjing, China, is one of China's 24 systemically important banks. BoJ became a signatory of the Principles for Responsible Banking (PRB) in 2021..

For more information about the bank, visit here.

Governance and stakeholder engagement

BoJ's commitment to sustainable development is centred around enhancing human well-being, with a particular focus on finance for good. The bank integrates sustainability into its operations through a comprehensive governance framework, making green finance a core pillar. This approach ensures BoJ's alignment with global sustainability objectives. BoJ benchmarks its practices against global standards and works with the PRB community to learn about good practices.

PRINCIPLE 5: GOVERNANCE & CULTURE

BoJ utilizes the UNEP FI's Portfolio Impact Analysis Tools to measure its impact and has identified climate stability and circular economy as key areas of focus. To effectively translate these priorities into action, a well-structured governance framework is crucial. The bank's governance for green finance is structured around three levels: the Board of Directors, senior management, and operational departments.

The Board oversees sustainable development, ESG governance frameworks, and green finance initiatives through the Strategy and ESG Committee. This committee, which reports to the Board, ensures that ESG governance and green finance initiatives align with the bank's strategic goals.

The senior management level includes the Green Finance Committee and Green Finance Working Group, responsible for coordinating resources and tracking progress in green finance. These groups meet regularly to review group-wide green finance activities, evaluate implementation progress, and discuss areas for further action, including the implementation of the PRB.

At the operational level, BoJ has established a Green Finance Department and set up corresponding structures at the branch level, including green finance committees, specialized teams, and performance monitoring systems for green finance activities. At the end of 2023, eleven sub-branches were involved in green finance operations, contributing to the implementation of sustainability objectives across the institution.

> To build internal capabilities, BoJ offers a mandatory training program on the PRB and green finance, which includes over 60 web-based courses for new hires. In 2024, BoJ launched the Green Finance Lecture Series, a training initiative led by its Green Finance Department. The series covers a broad range of key topics, including ESG principles, climate risk management, and innovative green finance products. It has attracted significant attention and participation across the bank

BoJ's ESG rating from MSCI was upgraded to BBB in Q3 2024, from B in 2019, reflecting the bank's deepening alignment with the UN Principles for Responsible Banking (PRB) Since joining PRB in 2021, BoJ has taken a phased approach to embed sustainability across governance, strategy, and disclosure. Key milestones include the launch of a PRB Task Force, completion of impact analyses, integration of PRB into green finance strategy, and the publication of three progress reports with SMART targets and external assurance. These efforts have strengthened BoJ's ESG performance and its ability to channel resources toward sustainable sectors, as seen in the consistent growth of its green loan portfolio.

Stakeholders and global initiatives as a catalyst for progress

BoJ engages with a diverse range of stakeholders and participates in both national and international initiatives to align its sustainability practices with broader sustainability objectives.

At national level, the bank participates in regulatory and industry initiatives led by the National Financial Regulatory Authority (NFRA) and the People's Bank of China (PBOC). It holds the role of deputy director on the Green Credit Committee of the China Banking Association, under the supervision of NFRA, and is a member of the Green Finance Committee organized by PBOC. BoJ is also a founding director of the Green Finance Committee affiliated with the Banking Association of Jiangsu Province.

The bank contributes to research projects on sustainable finance commissioned by PBOC and the National Green Finance Committee (NGFC). As part of the NGFC Task Force on Financial Support for Biodiversity, BoJ plays a leading role in advancing biodiversity financing. It has published key reports, including the Biodiversity Performance Evaluation Framework for the Chinese Financial Sector, Promoting Biodiversity Financing and Product Innovation, and Biodiversity Information Disclosure. These reports provide frameworks for assessing biodiversity impacts within the financial sector and support the development of biodiversity-related financial products.

At the international level, BoJ takes part in collaborative initiatives aimed at enhancing transparency and advancing sustainable finance practices. This includes its involvement in the China-UK Financial Institutions Sustainable Information Disclosure Working Group, where it has contributed to the annual report on disclosure practices since 2018. The bank also participates in workshops organized under the Sino-German Expert Dialogues on Sustainable Finance.

As part of preparations for the relaunch of China's Certified Emission Reduction (CCER) market in 2024, BoJ signed a strategic cooperation agreement with the Beijing Green Exchange to establish a Sustainable Finance Research Centre. The partnership aims to strengthen BoJ's capacity in carbon trading solutions, supporting clients in meeting carbon reduction targets while aligning with the bank's broader sustainability objectives. Additionally, BoJ is also exploring financing mechanisms for carbon emission allowances in collaboration with the Shanghai Environment and Energy Exchange

Driving financial innovation in green products and ESG risk management

BoJ supports the national sustainability goals of achieving carbon peaking by 2030 and carbon neutrality by 2060 through a diverse range of financial products and the integration of ESG factors into its risk management framework.

Portfolio alignment to manage risks

Starting in 2013 with an energy efficiency program in partnership with the International Finance Corporation (IFC), BoJ extended its ESG risk management framework to all project finance and balance sheet-based transactions by 2021, leveraging a proprietary ESG rating methodology. By 2023, the bank had conducted ESG rating assessments for over 14,000 corporate clients.

The bank explores digital and intelligent application pathways. One of the key innovations in BoJ's green finance strategy is the SuYin Green Finance (SYGF) System, a specialized system that helps identify green businesses, calculate environmental benefits automatically, and segment clients based on their green credentials. This system also helps mitigate risks associated with greenwashing, ensuring that BoJ's financing activities align with green finance principles.

The SuYin Green Finance (SYGF) System: BoJ's Specialized Green Finance System

The SuYin Green Finance (SYGF) System was introduced in 2020. It is a critical part of BoJ's ESG Risk Management. It covers 10 major ESG industries and over 14,000 corporate credit clients. Using Natural Language Processing (NLP) and Analytic Hierarchy Process (AHP) technologies, the system automatically identifies green finance transactions. It calculates the environmental benefits of each transaction and classifies clients into different tiers based on their environmental impact. This classification supports the bank's ability to tailor financial services to clients' specific green finance needs, prioritize engagement, and enhance both internal and external reporting. Additionally, SYGF facilitates ESG ratings and digital cross-departmental information sharing, contributing to risk management and overall green finance strategy implementation.

BoJ leverages stress testing and climate risk assessments to prioritize clean and low-carbon industries, the transformation of traditional sectors and carbon-negative industries. The bank actively supports sustainable projects by offering green financial services that drive the shift towards a low-carbon economy. Furthermore, BoJ continues to explore innovative climate investment mechanisms, such as "loss and damage," while identifying opportunities to expand investment and financing options.

Green finance support system: steering clients toward green

PRINCIPLE 3: CLIENTS & CUSTOMERS

BoJ has developed a green finance support system to integrate environmental indicators into its operations. The bank's Credit Allocation Guidelines prioritize lending to energy-efficient and low-emission industries, while restricting credit to high-energy consumption and high-emission sectors. This approach ensures that the bank's lending portfolio supports sectors focused on energy conservation, emission reduction, and green development.

For manufacturing enterprises, BoJ's due diligence process includes an ESG risk assessment module, which evaluates environmental rating, penalties, ESG score, carbon emissions, and waste disposal practices. The results of these assessments influence key processes such as loan limits, pricing, and approval. Companies with poor environmental credit ratings (e.g., red, or black ratings) are placed on a mandatory control list, preventing the approval and disbursement of loans.

BoJ's Support for the Fishery-Solar Complementary Project

The southeastern China is a place with numerous bodies of water and long-standing tradition in fisheries. To align with the local environment and promote green development, BoJ supported the Jiangsu Xinnongteng Modern Agricultural Industrial Park Investment Development Co., Ltd. on implementing a 90MWp Fishery-Solar Complementary Project in Taizhou, a coastal city in southeastern China. The project integrates a photovoltaic power generation system within existing fishery areas, enhancing the value of aquaculture while simultaneously providing green electricity through solar power generation. Leveraging the specialized capabilities of the "Suyin Green Finance" system, the Taizhou Branch issued a project loan of 100 million yuan to support the construction of the project.

BoJ's green finance strategy prioritizes climate stability and the circular economy, with portfolio analysis covering more than 85% of its assets. As of 2023, the bank issued RMB 41.2 billion in clean energy loans, achieving an average annual growth rate of 50%. It also reduced exposure to high-emission sectors by over RMB 290 billion, achieving an annual reduction rate of 50%—30% above the target set in its first PRB report.

The bank offers a range of innovative green finance products, including:

- **ESG Preferential Loans:** These loans link interest rates to the ESG ratings of corporate clients, reaching RMB 2 billion by the end of 2023.
- **Carbon Account-Linked Loans:** These loans offer preferential interest rates based on reductions in carbon emissions, helping traditional manufacturing enterprises transition to greener operations.
- **Green Bill e-Discount:** This is a preferential discount rate policy for bills issued by enterprises engaged in green projects that meet the standards set by the People's Bank of China. The interest rates for this product are more favorable than the market average. In 2023, the bank processed RMB 17.77 billion in green bill discounts, providing targeted financial services to 1,097 enterprises engaged in green bill discounting.
- **Green Finance Asset-Backed Securities (ABS):** Nearly RMB 1 billion was invested in green finance ABS, contributing to the growth of the green bond market.
- **Eco-System and Carbon Sink Loans:** The bank offers products like the Gross Eco-System Production (GEP) Pledge Loan and the Marine Seaweed Carbon Sink Loan, aimed at financing ecological projects.

In the retail banking sector, BoJ launched the Individual Carbon Account within its mobile banking app, allowing customers to track their carbon reduction efforts and engage in green energy practices. The "Go with Green Power" initiative offers discounts for urban public transport and encourages low-carbon travel, contributing to RMB 1.46 billion in green consumption transactions by the end of 2023.

UNEP Finance Initiative (UNEP FI) brings together a large network of banks, insurers and investors that catalyses action across the financial system to deliver more sustainable global economies.

For more than 30 years the Initiative has been connecting the UN with financial institutions from around the world to shape the sustainable finance agenda establishing the world's foremost sustainability frameworks that help the finance industry address global environmental, social and governance challenges.

Convened by a Geneva, Switzerland-based secretariat, more than 500 banks and insurers with assets exceeding USD 100 trillion are individually implementing UNEP FI's Principles for Responsible Banking and Principles for Sustainable Insurance. Financial institutions work with UNEP FI on a voluntary basis to apply the sustainability frameworks within their industries using practical guidance and tools to position their businesses for the transition to a sustainable and inclusive economy.

Founded in 1992, UNEP FI was the first initiative to engage the finance sector on sustainability. Today, the Initiative cultivates leadership and advances sustainable market practice while supporting the implementation of global programmes at a regional level across Africa & the Middle East, Asia Pacific, Europe, Latin America & the Caribbean and North America.

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