

Minsheng Carbon E-Loan Facilitates Green Transformation of Medium, Small and Micro Enterprises

I. Carbon-Related Finance Innovation – An Emerging Business

Since General Secretary Xi Jinping proposed the goals of “carbon peaking and carbon neutrality” on September 22, 2020, the concept of “carbon emission reduction” has been instilled in all fields such as production, business operation, trading, consumption and daily life. The State has successively issued multiple policy measures to implement the national “carbon peaking and carbon neutrality” strategy. As an important policy tool to promote the achievement of the “carbon peaking and carbon neutrality” goals, the national carbon trading market was officially launched in July 2021, initially engaging 2,225 power generation enterprises in the market, with a total annual carbon emissions of about 4 billion tons, accounting for 40% of carbon emissions in China. As at December 31, 2021, the cumulative emission quotas traded in the market totaled 179 million tons, with a transaction volume exceeding RMB7.6 billion. It is expected that the industries such as building materials and non-ferrous metals will also enter the market at a faster pace.

As the carbon emission quota mechanism gradually penetrates into various industries, "carbon trading" has become an innovative business model attracting wide attention from the society. "Carbon assets" truly reflect market value, and "carbon value" has been widely recognized. Enterprises will compete more for "carbon emission rights", and their abilities to reduce carbon emissions will become the core competitiveness.

In the face of the future “carbon-based” market competition, the demands of enterprises for carbon-oriented innovative financial products that support low-carbon transition and enhance the liquidity of carbon assets will grow rapidly, to maintain their competitive advantages and achieve sustainable development. It is expected that carbon-oriented finance will play a greater role in guiding capital to support low-carbon transformation and development.

II. Minsheng Carbon E-Loan Comes in Time

China Minsheng Bank firmly implements the national green and low-carbon transformation strategy, attaches great importance to and actively fulfills its ESG responsibilities, continues to increase financial support for green and low-carbon fields, and promotes green financial services from a strategic perspective. In 2021, China Minsheng Bank completed the top-level design of green finance, issued a

five-year development plan for green finance, making green finance and ESG management an important development direction for the next five years. On April 25, China Minsheng Bank launched its green finance product series of “carbon peaking and carbon neutrality”, covering all scenarios in the whole life span of enterprises in terms of four aspects, namely, “investment”, “financing”, “supply chain”, and “operation”, with the view of providing customers with full life cycle financial services. In 2021, the balance of green credit of China Minsheng Bank increased significantly as compared with the end of the previous year. As one of the first banks to engage in the settlement services for the national carbon market system, the Bank issued the first loan guaranteed by the carbon emission rights of a central power enterprise, launched a series of popular innovative products such as “photovoltaic loan”, and has established an ecosystem of new energy involving leading players in the industry. Those efforts have facilitated the construction of a cooperation platform between government, enterprises and banks, accumulated rich experience in the field of green finance, and integrated green finance into the entity enterprises.

Through communication with a large number of medium, small and micro enterprises, China Minsheng Bank learns that in the actions to reduce carbon emissions, large enterprises have great advantages in terms of capital, technology and ecosystem, but medium, small and micro enterprises already face problems of difficult and expensive financing in the first place, if they want to achieve green transformation, there will be more conflicts and problems. Due to limited capabilities and lack of data, tools and standards, it is hard for them to measure and evaluate the results of carbon emission reduction efforts. Meanwhile, as carbon emission reduction calls for high investment cost in the early stage, and currently there are little supporting financial products, they are faced with great investment pressures and the problem that return is hard to realize in a short term, thus there will be “no income and no incentives”.

To address the foregoing pain points of the above difficulties and problems confronting medium, small and micro enterprises, China Minsheng Bank actively seeks for solutions and explores opportunities in cooperation with professional institutions in the ecosystem. During the meetings and exchanges with the top management of the State Grid Yingda Group, China Minsheng Bank learned that the group’s carbon asset company has launched innovative carbon accounts and a carbon reward points system based on its advantages in terms of energy data of the State Grid and its experience in professional carbon management services. This system is a comprehensive solution for carbon management services, providing professional and powerful technical support for the carbon management of medium, small and micro enterprises. China Minsheng Bank immediately initiated cooperation with the State Grid Yingda Group and the two parties reached an agreement on developing an

innovative carbon-oriented financial product for medium, small and micro enterprises to jointly promote their green and low-carbon transformation and development.

Under the vision of jointly empowering medium, small and micro enterprises for low-carbon transformation and development, China Minsheng Bank and the State Grid Yingda Group quickly carried out innovation on carbon-based financial products. By integrating the “carbon accounts and carbon reward points” of the carbon asset company of Yingda with the professional and innovative products for green finance and inclusive finance of China Minsheng Bank, the two parties developed the Minsheng Carbon E-Loan, a financial product with tailored benefits applicable to multiple scenarios of the full-life cycle of medium, small and micro enterprises. The product was officially launched on April 25, 2022. It is the first green financial product in the industry to accurately support the low-carbon development of medium, small and micro enterprises, which further enriches the shelf of green financial products and further extends the breadth and depth of green products and services.

1. What is Minsheng Carbon E-Loan?

Minsheng Carbon E-Loan is the first green inclusive financial product system that accurately guides green and low-carbon transformation of customer groups of medium, small and micro enterprises. Targeting such customers, it integrates Yingda’s “carbon accounts and carbon reward points” system, classifies customers based on the quantitative evaluation results of Yingda’s “carbon accounts”, and provides differentiated green credit and exclusive benefits for customers.

In “Minsheng Carbon E-Loan” business, customers can set up “carbon accounts” to record their “carbon footprints”, win “carbon grades” and get “carbon benefits”, thus to improve “carbon efficiency”. It provides medium, small and micro enterprises with a path of transformation that they can evaluate their “carbon-oriented ability”, discover “carbon values”, obtain “carbon benefits” and realize “carbon-oriented transformation”.

2. Why Minsheng Carbon E-Loan?

The “Minsheng Carbon E-Loan” product, aiming at smoothing away obstacles in the green and low-carbon transformation of medium, small and micro enterprises, is an innovative product system of carbon-based finance, with integrated functions of “carbon measurement”, “carbon evaluation”, “carbon benefits and “carbon incentives”, by drawing on the advantages of Yingda's professional carbon management system and China Minsheng Bank's green finance and inclusive finance.

Yingda's "carbon accounts and carbon reward points” system relies on the mature energy digital infrastructure of the State Grid, collects power consumption data of

users upon their authorization, and combines the historical statistical data by region and industry to calculate carbon performance of users. The “physical electricity meter” is transformed into a "digital carbon meter", and thus a carbon capacity assessment model based on “carbon accounts” is constructed for carbon account holders to scientifically evaluate their own carbon capacity from different perspectives. This service, featuring “authoritative data calculation capacity, scientific carbon algorithm, credible technology application, substantial platform support and constructive services for low-carbon transformation”, effectively helps medium, small and micro enterprises address “difficulties in measuring and evaluating” their carbon emission reduction efforts.

The introduction of the "carbon accounts and carbon reward points system” of Yingda enables China Minsheng Bank to apply the results of "carbon evaluation" to the customer rating and credit business rating system. By including the “carbon emission reduction capability” in the credit evaluation system as an evaluation dimension, the Bank can make differentiated classifications on customers and businesses, and match preferential carbon financial services and carbon account membership benefits according to the results of classifications. This helps China Minsheng Bank provide tailored services for medium, small and micro enterprises to operate in a green and low-carbon manner, and assists them to harvest more benefits from their efforts in energy conservation and emission reduction. With the support of "carbon evaluation", "customer evaluation" and "credit evaluation", China Minsheng Bank takes the initiative to give more benefits to customers, so that the medium, small and micro enterprises can convert their carbon reduction behaviors into tangible benefits, which encourage them to continue to deepen their eco-friendly and low-carbon transformation and development.

3. How to Make Use of Minsheng Carbon E-Loan?

Based on the State Grid’s electronic financial service platform, “Minsheng Carbon E-Loan” can realize the sharing of customer acquisition channels and fast customer reaching, and can be applied in four major service scenarios, namely: “low-carbon inclusive finance”, “low-carbon supply chain finance”, “low-carbon customs clearance” and “low-carbon sci-tech innovation”.

Scenario 1: "Low-carbon inclusive finance". Inclusive finance is an important part of financial services for the real economy. Based on data integration, China Minsheng Bank introduces carbon reward points into its credit evaluation system and provides differentiated exclusive services such as “low-carbon red envelope” and “low-carbon services” through core products of “Happy Online Loan” for small and micro customers and “Photovoltaic Loan” for enterprises, linking energy-saving and carbon

reduction with inclusive finance. By giving more benefits to customers, China Minsheng Bank has facilitated the efforts of medium, small and micro enterprises in low-carbon operation, innovation and growth, and helped to achieve rural revitalization and common prosperity.

Scenario 2: "Low-carbon supply chain finance". China Minsheng Bank offers green credit enhancement based on the big data from the electronic financial service platform of the State Grid. By connecting to the data system, it provides the businesses of "order financing" and "E-Order" to the suppliers of the State Grid, along with carbon-oriented supplier evaluation, it has helped the suppliers in reducing carbon to increase credit lines, enjoy more benefits and improve efficiency, thus to help the State Grid build a green supply chain.

Scenario 3: "Low-carbon customs clearance". At present, more and more import countries are setting carbon-based tariffs, increasing operating costs of export-oriented medium, small and micro enterprises. In this context, China Minsheng Bank focuses on medium, small and micro enterprises involving in cross-border businesses, and handles their businesses such as issuance of single window letters of guarantee for "Minsheng Express Credit" and fund transfer through "Minsheng Global Fast Payment", and provides exclusive services such as special window services for customs procedures, automatic online credit granting and contracting according to the performances of their "carbon accounts". For enterprises with higher contribution to carbon emission reduction, the Bank provides exclusive benefits such as fee reduction and express remittance, with the view of encouraging export enterprises to seek benefits by reducing carbon emissions and hedge rising costs of carbon-based tariffs.

Scenario 4: "Low-carbon sci-tech innovation". Sci-tech innovation is the future development path for low-carbon transformation. China Minsheng Bank has established the exclusive product system covering the full cycle, all scenarios and whole ecosystem of the "dedicated, refined, distinctive and innovative" little giant enterprises based on its evaluation on the performances of their carbon accounts, with the view of supporting them to reduce carbon, increase value and realize green growth. The core products include "Easy Investment Express" for equity financing, "Easy Finance Express" for debt financing, "Innovation Fortune Express" for corporate wealth value-added services and "Innovation Intelligence Express" for corporate consulting services.

4. Summary of Minsheng Carbon E-Loan Products

Minsheng Carbon E-Loan can be summarized with "1 goal, 2 integrations, 3 supports,

4 scenarios and 5 advantages”:

"1 goal": Solution of difficulties of medium, small and micro enterprises in low-carbon transformation;

"2 integrations”: Deep integration of the “carbon accounts” of Yingda and the “green finance and inclusive finance” of China Minsheng Bank;

"3 supports": "Carbon evaluation", "customer rating" and "credit rating" for configuring differentiated financial services;

"4 scenarios": Service scenario enrichment with focus on the scenarios of "low-carbon inclusive finance", "low-carbon supply chain finance", "low-carbon customs clearance", and "low-carbon-saving sci-tech innovation";

"5 advantages": "Simple procedures", "high efficiency", "excellent services", "favorable prices", and "more benefits".

III. Minsheng Carbon E-Loan - Future Carbon-Oriented Exploration

"A journey of a thousand miles begins with a single step". China Minsheng Bank has never stopped its steps along the path of green and low-carbon development. “Minsheng Carbon E-Loan” is a small step of China Minsheng Bank on its journey to “a carbon-oriented exploration”, but a great step in assisting medium, small and micro enterprises in their green transformation and constructing its “inclusive carbon-oriented finance”. China Minsheng Bank will continue to promote the integration of its financial services and the “carbon accounts” system through the “Minsheng Carbon E-Loan”, help medium, small and micro enterprises reduce carbon emissions more accurately and raise funds more efficiently in a more convenient way, and build a new path of “getting profit and fortune from carbon emission reduction”, so as to safeguard them to achieve the “carbon peaking and carbon neutrality” goals.