

**Environmental and Social
Framework**

The Export-Import Bank of China

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ACRONYMS

ESDD	Environmental and Social Due Diligence
ESEL	Environmental and Social Exclusion List
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
ESMPF	Environmental and Social Management Planning Framework
ESMS	Environmental and Social Management System
ESS	Environmental and Social Standards
FPIC	Free, Prior and Informed Consent
GRM	Grievances Redress Mechanism
IPP	Indigenous Peoples Plan
IPPF	Indigenous Peoples Plan Framework
RP	Resettlement Plan
RPF	Resettlement Plan Framework

Article 1 General Provisions

Clause 1 To facilitate achieving the goals of carbon peaking and carbon neutrality, supporting the construction of green financing system and enhancing the internationalization of environmental, social and governance management, the Bank cooperates with Asian Infrastructure Investment Bank (“AIIB”) on a USD 200 million Green Credit On-lending Facility. Based on *The Green Credit Guidance of The Export-Import Bank of China* and the relevant laws and regulations and with reference to AIIB’s Environmental and Social Framework, this Environmental and Social Framework is formulated aiming at improving the management of environmental, social and governance risk and impact. The Framework will be applied solely to the USD 200 million Green Credit On-lending Facility as the first step, which will contribute a practical case to the construction and improvement of green credit system of the Bank. The Framework may be amended and promoted as required.

Clause 2 In order to implement the philosophy of green development, develop green financing, promote the coordinated development of economy, society and environment, effectively control environmental, social and governance risks and contribute to the goal of carbon peaking and carbon neutrality, this Framework is made in line with the requirements of existing regulations of *Guidance On Construction of Green Financing System* released by People’s Bank of China (“PBC”) and six other relevant Departments and Committees, *Green Credit Guidelines, Regulations on Green Credit Statistic and Key Rating Indicators for Green Credit Implementation* issued by China Banking Regulatory Commission (together with its successor China Banking and Insurance Regulatory Commission, “CBIRC”), and *Notice On*

Conducting Performance Assessment of Green Credit of Depository Financial Institutions issued by PBC.

Clause 3 The Bank integrates green development into its strategic planning, keeps enhancing green credit management, increases its support for green economy, low-carbon economy and circular economy, establishes green credit data statistic and reporting procedures and steadily pushes forward the optimization and adjustment of credit structure.

Clause 4 The Bank regards environmental, social and governance management as the foundation of green credit, keeps improving its environmental, social and governance risk management system, establishes mechanism of identification, assessment, prevention and control of environmental, social and governance risk in its credit stages, elaborates differentiated process management plan for industries with material environmental, social and governance risks, and strengthens the disclosure of project information and communication with stakeholders.

Clause 5 The Bank's scope of green credit, depending on the purpose served, complies with statistical methods and dimensions published in *The Regulation on Special Statistics for Green Loans* of PBC, the dimensions stipulated in *Regulations on Green Credit Statistic* and *Regulations on Green Financing Statistic* issued by CBIRC and *Green Financing Framework of China Eximbank* and will be adjusted from time to time subject to any update made to the above documents.

Clause 6 Through the implementation of this Framework, we believe we are aligned with internationally accepted environmental and social standards and the relevant national laws and regulations of the host countries of our clients and

projects. To avoid any ambiguity, the stricter of requirements will be applied.

Article 2 System Establishment

Clause 7 The Bank applies Environmental and Social Management System (ESMS) in its whole process of credit business, propelling project implementation and promoting regional sustainable development. The Bank, oriented by the goal of facilitating prevention and management of pollution and contributing to the realization of Carbon Peaking and Carbon Neutralization, keeps adjusting and improving its credit policies, proactively contributes to the construction of clean and low carbon energy system and energy saving, controlling pollution and carbon emission reduction in key industries and areas, promotes the application of green low carbon technologies, carries out policies' requirements on carbon emission and intensity, strictly controls the financing scale of projects with high energy consumption and high carbon emission, and strengthens the risk recognition, assessment and management of high carbon assets thereby lowering annual carbon intensity of the Bank's portfolio and eventually achieving carbon neutralization.

Clause 8 The Bank actively adjusts its policies on industry credit management and carries out credit business in accordance with the relevant national regulations and industry policies. The Bank does not provide financing to projects in the industries and areas listed in the Exclusion List (Annex 3).

Clause 9 The Bank applies dynamic categorization management to its clients involving environmental, social and governance risks, and from time to time adjusts the standards of categorization according to national policies and management requirements. The categorization of client is based on the environmental and social risks of client's main business (domestic and foreign borrowers, excluding sovereign rating

clients) and serves as an important criteria for client rating, credit extension, and access, management and withdrawal of credit. In general, the Bank categorizes its clients into one of the three categories – A, B or C (Annex 2):

- Category A clients typically engage in development and operation of projects of nuclear power plant; large hydropower plant, hydraulic project; resource exploitation and development project; large facilities in environmentally and ecologically vulnerable areas (including tourism facilities); large facility in minority area; large industry project near habitant intensive area and water exploitation area.
- Category B clients typically engage in development and operation of projects of petroleum refining, coking processing; manufacturing of chemical raw material and chemical products; ferrous smelting and calendaring processing; non-ferrous smelting and calendaring processing; non-metallic mineral products; thermal power generation, heat production and supply, gas production and supply; construction of large facility; long distance transport (including pipeline transport) project, intercity and intracity railway transport project.
- Category C clients typically engage in sectors other than aforementioned ones.

Clause 10 The Bank also categorizes projects to be financed into category A, B (including selected B as higher risk activities) or C. The categorization is based on the type, nature, location, sensitivity and scale of the project and serves as reference for credit review and approval. The Bank determines, in accordance with the environmental, social and governance risks,

which ESS (Annex 4) applies to and the instruments required for the project:

- **Category A Project:** a Project is categorized A if it is likely to have significant adverse environmental and social impacts that are irreversible, cumulative, diverse or unprecedented. These impacts may affect an area larger than the sites or facilities subject to physical works and may be temporary or permanent in nature.

Assessment and Instrument: the Bank requires the Client to conduct an environmental and social impact assessment (ESIA) or equivalent environmental and social assessment for each Category A Project, and to prepare an environmental and social management plan (ESMP) or environmental and social management planning framework (ESMPF) (or other similar Bank-approved documentation), which is included in the ESIA report for the Project.

- **Category B Project:** a Project is categorized B if it has a limited number of potentially adverse environmental and social impacts; the impacts are not unprecedented; few if any of them are irreversible or cumulative; they are limited to the investment area; and can be successfully managed using good practice in an operational setting.

Assessment and Instrument: the Bank requires the Client to conduct an initial review of the environmental and social risks and impacts of the Project. On the basis of this review, the Bank, in consultation with the Client, determines the appropriate instrument for the Client to assess the Project's environmental and social risks and impacts, on a case-by-case basis. The Bank may determine

that an ESIA or another similar instrument is appropriate for the Project. Commonly used instruments for Category B include an ESMP or an ESMPF.

- **Category C Project:** a Project is categorized C if it is likely to have minimal or no adverse environmental and social impacts.

Assessment and Instrument: the Bank does not require an environmental and social assessment but does require the Client to prepare an analysis of the environmental and social aspects of the Project.

Based on the categorization, the Bank regards following activities as Higher Risk Activities: (a) all Category A investments; and (b) selected Category B investments, as determined by the Bank, that may potentially result in any of the following: (i) Land Acquisition or Involuntary Resettlement; (ii) risk of adverse impacts on Indigenous Peoples and/or vulnerable groups; (iii) significant risks to or impacts on the environment, community health and safety, biodiversity, and/or cultural resources; (iv) significant retrenchment of more than 20 percent of direct employees and recurrent contractors; and/or (v) significant occupational health and safety risks.

Clause 11 The Bank uses the categorization as the basis for management of environmental and social risk throughout the whole credit process including client rating, credit extension, credit review and approval and post-loan management, and applies differentiated measures of risk management.

Clause 12 The Bank keeps researching and improving innovation mechanism of green credit, proactively develops financial products and services related to green, low carbon, circular economy and proactively develops emerging banking

services like digital banking.

Clause 13 The Bank keeps improving its green credit identification and statistic system, enhances management of green credit, establishes in project management the green credit identification and reports statistical data of green credit regularly to the regulatory authorities.

Clause 14 The Bank gradually establishes and improves the disclosure mechanism for information related to green credit and in a timely and accurate manner publishes relevant information in accordance with relevant laws and regulations and the need for green credit development.

Article 3 Procedure Management

Section 1 Acceptance and Investigation

Clause 15 Business departments and branches of the Bank shall, when conducting all kinds of credit business, strictly comply with relevant regulations of the country and the Bank and strictly scrutinize the status of the clients' and projects' environmental, social and governance risk.

Clause 16 Business departments and branches of the Bank shall conduct due diligence in accordance with *Operating Rules for Due Diligence of Credit Business of The Export-Import Bank of China*. By collecting information of clients' and projects' environmental, social and governance risk such as energy consumption of production, environment and social protection compliance through combination of onsite and offsite investigations, the authenticity of relevant information shall be examined and through effective comparison with the information and materials obtained from other channels (such as competent authorities, industry associations, credit investigation agencies, regulatory authorities, mainstream media, etc.), environmental, social and governance risks shall be recognized and grasped. In the case of environmental and social risk that is complicated and hard to identify, a qualified independent third-party consultant shall be commissioned.

Clause 17 The Bank, based on (i) nature and scale of project and (ii) proportional to the level of the Project's potential environmental and social impacts, conducts environmental and social due diligence (ESDD) on but not restricted to the following areas (Annex 1):

- (a) Client's environmental and social management system (ESMS);

- (b) Labour and working conditions;
- (c) Pollution prevention and control;
- (d) Community healthcare and security;
- (e) Land acquisition and involuntary resettlement;
- (f) Biodiversity conservation and sustainable natural resource management;
- (g) Minority, indigenous peoples and vulnerable populations;
- (h) Cultural heritage; and
- (i) Others including supply chain, climate change, gender-related, management of explosives and chemicals, etc.

Clause 18 Business departments and branches of the Bank shall conduct strict compliance review. Based on the nature and the potential environmental and social risks faced by the clients, compliance review documents shall be required to ensure the compliance, effectiveness and completeness of documents and relevant procedures:

- (a) Client's compliance with national industrial policies and market access standards (as applicable);
- (b) Project approval, review or registration;
- (c) The approval, permission or registration of environmental and social impact assessment of projects. If necessary, analysis on the impact on the community and communication with the affected community shall be included;

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- (d) Preliminary review or approval of land used for the project;
 - (e) Assessment of social stability risk;
 - (f) Energy saving assessment and approval, and the energy saving monitoring of key enterprises in national and provincial level;
 - (g) Client's/project's compliance of safety production and sanitation /health standards;
 - (h) The status of the urban planning reviews; and
 - (i) Other necessary compliance documents.

Clause 19 For overseas projects, Business departments and branches of the Bank shall procure the project sponsor to comply with the relevant laws and regulations on environmental protection, land, health, and safety and others, in the country or region where the project is located. If the project is located in a country with deficient environmental and social protection mechanism and there is a lack of corresponding environmental and social impact assessment policies and standards, it is recommended to refer to international conventions. For projects implemented overseas that may have complicated environmental and social risks, a qualified and independent third-party consultant shall be commissioned.

Clause 20 Business departments and branches of the Bank, on the basis of comprehensive, in-depth and careful investigation of environmental and social risk of client and its project, shall classify and identify environmental and social risks of the client in the client management system in accordance with Clause 25 of this Policy during the client rating, credit granting and

pre-loan due diligence phases, and reflect the categorization in the investigation report.

Clause 21 For clients and their projects classified as Category A or B, the Bank recommends seeking the following applicable means to mitigate risk:

- (a) Request a rise in capital ratio;
- (b) Request the issuance of medium and long-term corporate bonds (corporate bonds);
- (c) Request adding technological renovation projects and investment reform plans for energy conservation, environmental protection and production safety;
- (d) Request effective control of assets, cash flow and operation rights of projects;
- (e) Request insurance for the construction period of project, insurance against environmental and social risk including engineering liability insurance, environmental liability insurance and product liability etc., and, when appropriate, listing the lender as the first beneficiary of insurance compensation;
- (f) Request purchasing personal injury insurance and medical insurance for employees who are exposed to potential safety and health hazards;
- (g) Strengthen management and diversify risks through syndicated loans; and
- (h) Other feasible measures for mitigating risk.

Clause 22 Business departments and branches of the Bank shall, according to the categorization and ESDD report, determine

whether to accept the project:

(a) All projects with controllable and mitigated environmental, social, and governance risks can be accepted and proceed to credit extension process.

(b) For Category A and B projects, of which management measures are insufficient to mitigate its environmental, social and governance risks, clients will be requested to supplement or fortify its ESMP. Once examined as qualified, projects can be accepted and proceed to credit extension process.

(c) Projects with high environmental, social and governance risks that cannot be mitigated through management and controlling measures shall not be accepted.

Section 2 Credit Approval

Clause 23 The categorization of clients' and projects' environmental, social and governance risk is pre-reviewed by credit review and approval departments at all levels, and then submitted for approval to, together with clients' due diligence result, authorized credit approval authority (person) according to the Bank's relevant regulations on approval authorization and approval procedures.

Clause 24 The credit review and approval departments of the Bank at all levels shall include in review report special assessment on environmental, social and governance risk of Category A and B projects. The assessment shall include:

(a) Potential environmental, social and governance risks;

(b) Management measures on project's environmental, social and governance risk that the clients shall take in the

follow-up steps; and

(c) Overall evaluation of environmental, social and risks of the project.

Clause 25 The Bank does not provide credit support to projects that do not conform to the requirements of relevant national environmental assessment, energy conservation review and preliminary land approval, projects that do not conform to relevant national industrial policies and the Bank's credit extension policies, or projects that are listed as national elimination category; completed projects, of which a violation of relevant regulations takes place during the construction, shall not be approved working capital loans.

Section 3 Contract Management

Clause 26 The Bank incorporates environmental, social and governance requirements into loan contracts to supervise and restrict the behavior of the borrower.

Clause 27 For Category A and B projects, in the loan contracts, clients shall be requested to submit periodic environmental and social risk performance monitoring report, provide prompt notification of any adverse environmental and social events, set up provisions requesting clients to declare and guarantee to strengthen the management of environmental, social and governance risk, set up provisions requesting clients to commit to accept supervision of the lender, strengthen restricting provisions for environmental, social and governance risk management, set forth events of default in relation to environmental, social and governance risk management, and the Bank's penalties against the borrower's default. The provisions in relation to environmental, social and governance risk management in the loan contract could be determined

referring to the relevant contents in the *Key Rating Indicators for the Implementation of Green Credit* issued by CBIRC.

Clause 28 The Bank requires the Client to disclose the project's environmental and social information including ESMS, ESIA, ESMP/ ESMPF, IPP/ IPPF and RP/ RPF (if applicable) in local language(s) and English (summary), on its website and disclosed in an accessible manner in the Project area. To further enhance access to the environmental and social information related to Projects, the Bank also discloses the Client's documentation on its website.

Clause 29 The Bank requires the Client to engage in meaningful consultation with stakeholders during the Project's preparation and implementation, in a manner commensurate with the risks to and impacts on those affected by the Project. The consultation covers project design, mitigation and monitoring measures, sharing of development benefits and opportunities on a project-specific basis, and implementation issues. The Client is to record the course of consultations and list of participants in the environmental and social assessment documentation. If the laws of the host country where the project is located mandate free, prior and informed consent (FPIC), the Bank has to require the client to do so.

Clause 30 The Bank requires the Client to establish a suitable Project-level Grievances Redress Mechanism (GRM) to receive and facilitate resolution of the concerns and complaints of people who believe they have been adversely affected by the Project's environmental or social impacts, and to inform Project-affected people of its availability. The GRM is scaled to the risks and impacts of the Project and shall include provisions to: (a) protect complainants from retaliation, grant them confidentiality and enable them to remain anonymous, if

requested; and (b) protect those who defend the rights of complainants to make such complaints.

Section 4 Loan Disbursement and Payment

Clause 31 Business departments and branches of the Bank shall, pursuant to relevant requirements of *Operation Procedures of Loan Disbursement and Payment Examination of Export-Import Bank of China (2020 Revision)*, strengthen management of loan disbursement and payment, regard status of clients' environmental, social and governance risk management as an important factor for approving disbursement and payment, and set up reasonable checkpoints of environmental, social and governance risk assessment in the design, preparation, construction, completion, operation and shutdown of the project. If material risks of the client are found during the approval of loan disbursement and payment, disbursements could be suspended or and the loan terminated.

Clause 32 Business departments and branches of the Bank shall review the borrower's information of production energy consumption, environmental protection compliance and others prior to disbursements, paying special attention to Category A and Category B of higher risk activities.

Clause 33 For projects involving environmental impact assessment, safe production, occupational health and safety, the Bank reviews the documents related to the approval of these aspects:

- (a) If the approvals for the Environmental Impact Assessment (EIA), safe production and occupational health of the project which should have been acquired are not acquired, no advanced disbursement shall be made to commence the construction;

(b) If the design, construction and operation of facilities in relation to environmental protection, safe production and occupational health of the project are not synchronized with that of the main project, disbursement for the main project construction will be suspended until aforementioned "Three Synchronizations" is realized;

(c) If the approvals for completion EIA, safety production and occupational health of the project which should have been acquired are not acquired after the completion of the project, no disbursement shall be made for the operation of the project.

Section 5 Post-loan Management, Recovery and Disposal

Clause 34 The Bank establishes and continually improves its post-loan management system, and regards environmental, social and governance risk management as one of important parts of its post-loan management system and post-authorization management.

Clause 35 Business departments and branches of the Bank shall carry out post-loan inspections in accordance with the relevant requirements stipulated in the Post-Loan Management Measures of the Bank. The post-loan inspection reports shall include the content of environmental, social and governance impact. For projects under construction, the key of the inspection shall be on the actual environmental, social and governance impact of the construction and on the implementation of control and elimination measures. For completed projects, the focus of the inspection shall be whether the borrower or the project has obtained the project completion environmental protection acceptance document; for Projects in operation, continuous attention shall be paid to

the status of environmental, social and governance risks.

Clause 36 Business departments and branches of the Bank shall implement risk monitoring on loans in accordance with the requirements stipulated in *Detailed Rules for the Implementation of Loan Risk Monitoring and Management of The Export-Import Bank of China (2016 Revision)*. For projects of which the borrower is classified as A or B, business departments and branches of the Bank shall list separately the environmental, social and governance risk assessment in the post-loan inspection report, and include the Project in routine performance monitoring.

Clause 37 For Projects of Category A, business departments and branches of the Bank shall, on complying with *Administrative Measures on Post-Loan Inspection of Credit Business of The Export-Import Bank of China (Revised in 2020)*, strengthen post-loan management measures, including but not limited to:

(a) Require the client to report the implementation of the environmental and social risk management system (ESMS) and environmental and social management plan (ESMP) at least once every three months during project construction and six months during operation;

(b) The Bank's business departments and branches shall conduct off-site inspection at least once every six months and inspect the implementation of ESMS and ESMP at the client's site (on-site inspection) once a year;

(c) A qualified and independent third party shall be employed to inspect and evaluate the implementation of the client's ESMS and ESMP.

Clause 38 For projects whose environmental and social risks are

classified as Category B, on complying with *Administrative Measures on Post-Loan Inspection of Credit Business of The Export-Import Bank of China (Revised in 2020)*, post-loan management measures shall include but not be limited to:

(a) Require the client to report on the implementation of the ESMS and ESMP at least once every six months during project construction and one year during operation;

(b) Business departments and branches of the Bank shall conduct on-site inspection at least once a year and inspect the implementation of its ESMS and ESMP at least once a year;

(c) When necessary, for selected Category B projects as higher risk activities, a qualified and independent third party shall be employed to inspect and evaluate the implementation of the client's ESMS and ESMP.

Clause 39 The Bank's business departments and branches shall pay close attention to client's operation, strengthen dynamic analysis, make timely adjustment on aspects like assets risk classification, provision preparation, impairment write-offs etc., include the information collection, identification, classification, and the dynamic analysis of client's environmental, social and governance risk into the post-loan management process, and reasonably predict potential impairment might be caused by environmental, social and governance risks.

Clause 40 In post-loan management process, it is recommended to adopt differentiated environmental, social and governance risk warning and responding mechanisms according to the changes of situations of clients and projects, including measures of three aspects below:

(a) Timely warning shall be given to client who fails to meet the national environmental and social standards, and its risk classification shall be adjusted downward if its environmental and social risks are significantly deteriorated;

(b) In sensitivity analysis, the impact of establishment of environment and resource tax or rise of existing tax rate, or the impact of resource price increase on the cash flow of enterprises or projects shall be taken into account;

(c) In the macroeconomic stress test and industry stress test, the impact of environmental, social and governance risk factors shall be fully considered.

Clause 41 In case of contingent environmental and social risk events that may lead to credit risk of the Bank, business departments and branches of the Bank shall promptly deal with events in accordance with Contingency Measures for Tackling Credit Risk Emergencies of Export-Import Bank of China, and request the borrower or the project owner to take measures to eliminate the impact in an agreed time-bound manner.

Clause 42 In case of any following major environmental, social and governance risks which may seriously affect the normal operation and management activities of the Bank, prompt risk disposal measures shall be taken in accordance with the *Overall Emergency Plan for Emergencies of the Export-Import Bank of China (2017 Revision)* and the *Administrative Measures on Reputational Risks of The Export-Import Bank of China*:

(a) Serious accidents in respect of environmental protection and production safety identified by the relevant competent authorities of the state;

(b) Environmental, social and governance risk events that are highly concerned by the media, the public, public welfare organizations and affected groups.

Clause 43 The Bank makes internal report with respect of material environmental, social and governance risk event that may impact the operation and development of the Bank, and financial stability according to the *Measures for the Administration of Reporting Material Issues of the Export-Import Bank of China*. For contingencies of credit risk emergencies caused by environmental, social and governance risks, the responsibility shall be investigated and accounted in accordance with relevant regulations of the Bank.

Article 4 Internal Control Management and Information Disclosure

Clause 44 The scope of the Bank's monitoring and inspection on green credit includes the support for green, low-carbon and circular economy, the execution of ESEL and policies for industries on which the country stresses adjustment and control and industries with material environmental, social and governance risks, and disclosure of green credit and social supervision.

Clause 45 The Bank conducts inspection of the implementation of green credit, focusing on:

(a) The environmental, social and governance risks of clients and projects in industries and regions that are identified by the country's authorities of environmental protection and safe production, etc., as having strong inclination to violation of laws and regulations and requiring rectification;

(b) The environmental, social and governance risks of clients and their projects identified as severely violating laws and regulations by the country's authorities of environmental protection and safe production, etc.;

(c) The environmental, social and governance risks of projects of category A and B, and targeted inspections and sampling inspections shall be conducted when appropriate.

Clause 46 The Bank incorporates its system, procedure, and implementation of green credit into the scope of audit and inspection, and may conduct special inspections when necessary.

Clause 47 For projects found to have issues of environmental, social and governance risks during green credit inspection and audit, business departments and branches of the Bank shall formulate measures to rectify the issues promptly.

Clause 48 The Bank incorporates green credit performance into its performance evaluation system, carries out incentive and constraint measures, thereby ensuring the consistency and efficiency of green credit.

Clause 49 The Bank regularly reports its green credit data and the energy conservation and emission reduction effects as a result of supporting green credit as required by the regulatory authorities.

Clause 50 The Bank publicizes the its strategies and policies of green development when appropriate, discloses regularly its development of green credit both internally and to the public, discloses according to laws and regulations relevant information of credit involving material environmental and social risks.

Clause 51 The Bank attaches great importance to its environmental, social and governance performance and green credit concept publicity and education, emphasizes recruitment, cultivation and training of specialized personnel in green credit, and publicizes proactively its participation in public service activities and other environmental, social and governance performance.

Clause 52 The Bank will establish and maintain a suitable Grievances Redress Mechanism (GRM) on its website in both Chinese and English, to receive and facilitate resolution of the concerns and complaints of people who believe they have been adversely affected by the environmental or social impacts of projects financed by the Bank. The GRM is scaled to the risks

and impacts of projects financed by the Bank and includes provisions to: (a) protect complainants from retaliation, grant them confidentiality and enable them to remain anonymous, if requested; (b) protect those who defend the rights of complainants to make such complaints and (c) keep all information confidential.

Article 5 Supplementary Provisions

Clause 53 This Framework is formulated by the Onlending Department with assistance of Asian Infrastructure Investment Bank (AIIB) and is subject to amendment according to actual situation from time to time.

Annexes:

1. Key analysis contents of environmental and social risks in due diligence
2. Reference Catalog of Client Categorization
3. Environmental and Social Exclusion List
4. Environmental and Social Standards

Annex 1: Key analysis contents of various environmental and social risks in due diligence

<p>1. Environmental and social management system (ESMS)</p>	<p>The analysis shall include but not limited to:</p> <ol style="list-style-type: none"> 1. whether the client has formulated rules and regulations on environment, health and safety, whether an environmental and social management system has been established, whether ISO14001, OHSAS18001 and other environmental and social qualification certification have been passed; 2. Whether the client has set up a department, office or personnel specialized in environmental and social issues. What is the effectiveness level of the agency? how does the agency carry out internal process of reporting and tackling environmental and social related affairs; 3. Whether the client conducts environmental and social impact assessment regularly or irregularly; 4. Whether the client has formulated a management plan to manage environmental and social risks; 5. Whether the client provides training on environment, health and safety for employees; 6. Whether the client has established a communication and consultation mechanism with the community residents where the project is located, disclosed project-related information, listened to the opinions of the community residents, and responded the complaints of the community residents, etc.; 7. Whether the client has established a monitoring mechanism, such as regular monitoring of pollutants and other emission indicators, or regular follow-up monitoring of the people affected by the project (such as involuntarily resettled people); 8. Whether the client has established any reporting mechanism for environmental and social risk management, such as reporting relevant environmental and social information to the company's senior management and providing relevant environmental and social information to stakeholders externally.
<p>2. Labour and working conditions</p>	<p>The analysis shall include but not limited to:</p> <ol style="list-style-type: none"> 1. Labor management compliance analysis, working conditions, minimum wage, social insurance, working hours, staff recruitment

	<p>and dismissal, layoffs and other internal labor management regulations being in line with the labor related laws and regulations of the country and local government.</p> <p>2. Whether the working environment is conducive to the physical and mental health of employees and whether there are adverse environmental factors that cause occupational health threats to employees;</p> <p>3. Whether there is discrimination between men and women in the employment management, forced labor and other issues;</p> <p>4. Whether the existence of workers' organizations is allowed, and what is the status of workers' organizations;</p> <p>5. Whether there is any channel for employees to express their opinions and suggestions, and how to deal with employees' suggestions and complaints.</p>
<p>3. Pollution prevention and control</p>	<p>The analysis shall include but not limited to:</p> <p>1. Whether the emission of gas, solid, liquid and other forms of pollutant meet the national, industrial, or local standards. Whether devices to prevent leakage have been set up for substances that are easy to leak;</p> <p>2. Whether the storage, transportation and management of inflammable and explosive radioactive substances meet the relevant national regulations and relevant safety standards;</p> <p>3. Whether the control of the factors that are easy to cause adverse effects such as noise and vibration during the construction of the project meets the relevant standards;</p> <p>4. Whether the treatment of industrial waste and staff living waste is appropriate;</p> <p>5. Whether any environmental pollution accident emergency response mechanism has been established.</p>

<p>4. Community healthcare and security</p>	<p>The analysis includes but is not limited to:</p> <ol style="list-style-type: none"> 1. Whether the construction of the project facilities and equipment has safety hazard to the surrounding community residents; 2. Whether the transportation of raw materials, fuels and products of the project construction will be through the nearby communities, and whether the transportation of materials will increase the accident rate in the surrounding communities; 3. Whether the qualification of the third party responsible for transportation is strictly examined, and whether the transportation of special goods (such as hazardous chemicals, etc.) has obtained the corresponding qualification and license; 4. Whether there is serious noise pollution in the project construction and whether it will affect the surrounding residents; 5. Whether a large number of migrant workers is required for the project construction, and how to manage them; 6. Whether any emergency preparedness and response mechanism have been established, and whether fire fighting facilities, fire fighting personnel, emergency contacts, etc. have been in place. 7. Whether the management measures of security personnel are sound and appropriate.
<p>5. Land acquisition and involuntary resettlement</p>	<p>The analysis includes but is not limited to:</p> <ol style="list-style-type: none"> 1. How much land is involved in the project construction and how many households will be resettled; 2. Whether relevant government approvals have been obtained for land acquisition and resettlement; 3. Who will be responsible for the resettlement, whether there is a special agency to deal with the resettlement, and what is the resettlement compensation standard; 4. What is the attitude of relocated residents towards the resettlement event, whether they are satisfied with the resettlement compensation standard, and whether they refuse to resettle or oppose the resettlement; 5. Whether there are relevant records of consultation and communication with resettled residents and related records of

	<p>handling complaints of residents;</p> <p>6. Whether relevant follow-up monitoring mechanism for relocated residents has been formulated.</p>
<p>6. Biodiversity conservation and sustainable natural resource management</p>	<p>The analysis shall include but is not limited to:</p> <ol style="list-style-type: none"> 1. Whether the project construction involves sensitive areas, such as wetlands, tropical rain forests, primaeval forests, coral reefs and other ecologically sensitive areas or areas with high ecological protection value. 2. What negative or/and positive effects the project construction will have on living things; 3. Whether biological experts are employed to carry out professional evaluation on the impact of the project; 4. Whether consultations and communications are conducted with local residents, government agencies, non-governmental organizations and other stakeholders, listening to their opinions and responding to their complaints; 5. Whether corresponding special action plans have been formulated to mitigate adverse effects.
<p>7. Indigenous Peoples and Vulnerable Populations</p>	<p>The analysis includes but is not limited to:</p> <ol style="list-style-type: none"> 1. Whether the project construction will have an impact on the production and life of indigenous people, and what negative or/and positive impacts it will have; 2. Whether the project construction plan is disclosed to indigenous people, their opinions are listened to, and the project construction plan is modified on the basis of due consideration of the interests of the local indigenous people; 3. Whether experts have been employed to assess the impact of the project on indigenous people; 4. Whether specific action plans (e.g., indigenous resettlement plans) are in place to mitigate adverse impacts.

<p>8. Cultural Heritage</p>	<p>The analysis includes but is not limited to:</p> <ol style="list-style-type: none">1. Whether the project construction passes through or is adjacent to the cultural heritage site;2. What negative or/and positive impact will the project construction have on cultural heritage;3. Whether cultural heritage experts are employed to carry out professional evaluation of project impact;4. Whether consultations and communications are conducted with local residents, government agencies, non-governmental organizations and other stakeholders, listening to their opinions and responding to their complaints;5. Whether corresponding special action plans have been formulated to mitigate adverse effects.
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Annex 2. Reference Catalog of Client Classification

Reference Catalog of Client Classification						
Category	Project or Main Business	Industry Code	Industry	Main Stages	Remark	
Category A	Nuclear Power Plant	4413	Nuclear Power Generation	Construction, operation and shut down		
	Large Hydropower Plant	4412	Hydraulic Power Generation	Construction	Projects Approved by State Council, NDRC and relevant competent authorities	
	Large Hydraulic Project	482	Hydraulic and inland river port project construction			
	Mining projects of mineral and non-mineral resources	06	Core Mining and Washing Industry	Construction and operation		
		07	Petroleum and Natural Gas Exploitation			
		08	Ferrous Metal Mining and Selecting			
		09	Non-Ferrous Metal Mining and Selecting			
			10	Non-metallic mineral mining		

			and processing		
		12	Other Mining		
	Large facilities in environmentally and ecologically vulnerable areas (including tourism facilities)			Construction	
	large facilities in minority area				
	large industry project near habitant intensive area and water exploitation area				
Category B	Printing and dyeing and dyeing and finishing processing	1713	Cotton printing, dyeing and finishing	Construction and operation	
		1723	Wool dyeing and finishing		
		1733	Flax dyeing and finishing		
		1743	Silk dyeing and finishing		
		1752	Chemical fiber dyeing and finishing		

	1762	Knitwear or crochet printing, dyeing and finishing
Tanning processing	1910	Leather tanning processing
	1931	Fur tanning and processing
Paper manufacturing	221	Pulp manufacturing
	222	Paper manufacturing
Petroleum refining	25	Petroleum refining, coking and nuclear fuel processing
Chemical production	26	manufacturing of chemical raw material and chemical products
Pharmaceutical	27	Pharmaceutical manufacturing
Rubber and plastics production	29	Rubber and plastics product industry
Nonmetallic mineral	30	Nonmetallic mineral

production		industry		
smelting and calendaring processing	31	ferrous smelting and calendaring processing	Construction and operation	
	32	non-ferrous smelting and calendaring processing		
Thermal power generation, heat production and supply, gas production and supply	4411	Thermal power generation		
	4430	Heat generation and supply		
	4500	Gas production and supply		
Construction of Large Facility	47	Building construction		Operation
	48	Civil engineering construction		
Long distance transport project; urban rail transit project	53	Railway transport	Construction	A project shall be classified as A if construction site is located in environmentally and ecologically
	5412	Urban rail transit		

		57	Pipeline Transport		vulnerable zone or the country's important cultural relic is involved in the construction.
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Notes: 1. The source of this catalog is *Key Assessment Indicators of Green Credit Implementation* issued by CBIRC.

2. If the construction area is environmentally and ecologically fragile, or important national cultural heritage is found during the construction, the Project shall be categorized as A.

Annex 3. Environmental and Social Exclusion List¹

The Bank will not knowingly finance Projects involving the following:

- (i) Forced labor² or harmful or exploitative forms of child labor³;
- (ii) The production of, or trade in, any product or activity deemed illegal under national laws or regulations of the country in which the project is located, or international conventions and agreements, or subject to international phase out or bans, such as:
 - Production of, or trade in, products containing polychlorinated biphenyl (PCBs)⁴.
 - Production of, or trade in, pharmaceuticals, pesticides/herbicides and other hazardous substances subject to international phase outs or bans (Rotterdam Convention, Stockholm Convention)⁵.
 - Production of, or trade in, ozone depleting substances subject to international phase out (Montreal Protocol)⁶.
- (iii) Trade in wildlife or production of, or trade in, wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and

¹ The Bank commits to actively implement the Environmental and Social Exclusion List in its cooperation with AIIB with regards to the Green Credit Onlending Facility, and may adjust the list content according to the actual situation in its subsequent promotion of this Framework.

² Forced labor means any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty (including any kind of forced or compulsory labor, such as indentured labor, bonded labor or similar labor-contracting arrangements, or labor by trafficked persons).

³ For purposes of this List, harmful or exploitative forms of child labor means the employment of children under the age of 18 for work which by its nature or the circumstances in which it is carried out is likely to jeopardize their health, safety or morals. However, if the laws or regulations of the country in which the Project is located provide, in conformity with the International Labour Organization's Minimum Age Convention, 1973, that children at least 16 years of age may be employed for such work on condition that their health, safety and morals are fully protected and that they have received adequate specific instruction or vocational training in the relevant branch of activity, then child labor means employment of children for work that does not comply with these laws and regulations.

⁴ PCBs: Polychlorinated biphenyls are a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950 to 1985.

⁵ United Nations Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); Stockholm Convention on Persistent Organic Pollutants; World Health Organization Recommended Classification of Pesticides by Hazard. A list of pharmaceutical products subject to phase outs or bans is available at <http://www.who.int>. A list of pesticides, herbicides and other hazardous substances subject to phase outs or bans is available at <http://www.pic.int>

⁶ Ozone Depleting Substances (ODSs): Chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicized "ozone holes." The Montreal Protocol on Substances that Deplete the Ozone Layer lists ODSs and their target reduction and phase out dates. A list of the chemical compounds regulated by the Montreal Protocol, which includes aerosols, refrigerants, foam blowing agents, solvents and fire protection agents, together with details of signatory countries and phase out target dates, is available from the United Nations Environment Programme, <http://www.unep.org/ozone/montreal.shtml>.

Flora (CITES)⁷.

(iv) Trans-boundary movements of waste prohibited under international law (Basel Convention)⁸.

(v) Production of, or trade in, weapons and munitions, including paramilitary materials.

(vi) Production of, or trade in, alcoholic beverages, excluding beer and wine⁹.

(vii) Production of, or trade in, tobacco¹⁰.

(viii) Gambling, casinos and equivalent enterprises¹¹.

(ix) Production of, trade in, or use of unbonded asbestos fibers.¹²

(x) Activities prohibited by legislation of the country in which the Project is located or by international conventions relating to the protection of biodiversity resources or cultural resources, such as, Bonn Convention, Ramsar Convention, World Heritage Convention and Convention on Biological Diversity¹³.

(xi) Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests.

(xii) Production or trade in wood or other forestry products other than from sustainably managed forests.

(xiii) Marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats.

(xiv) Shipment of oil or other hazardous substances in tankers that do not comply

⁷ The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). A list of CITES listed species is available from the CITES secretariat, <http://www.cites.org>.

⁸ Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, see <http://www.basel.int>.

⁹ This does not apply to Clients who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to the entity's primary operations.

¹⁰ This does not apply to Clients who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to the entity's primary operations

¹¹ This does not apply to Clients who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to the entity's primary operations

¹² This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20 percent.

¹³ Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention) - <http://www.cms.int/>; Convention on Wetlands of International Importance, especially as Waterfowl Habitat (Ramsar Convention) - <http://www.ramsar.org/>; Convention Concerning the Protection of the World Cultural and Natural Heritage - <http://whc.unesco.org/en/conventiontext/>; Convention on Biological Diversity - <https://www.cbd.int/>.

with IMO requirements (IMO, MARPOL, SOLAS and Paris MOU).¹⁴

(xv) Coal mining, coal transportation and coal-fired power plants, as well as infrastructure services exclusively dedicated to support any of these activities.

¹⁴ Non-compliance with International Maritime Organisation (IMO) requirements: tankers that do not have all required International Convention for the Prevention of Pollution from Ships (MARPOL) or International Convention for the Safety of Life at Sea (SOLAS) certificates (including, without limitation, International Safety Management Code compliance), tankers banned by the Paris Memorandum of Understanding on Port State Control (Paris MOU), and tankers due for phase out under MARPOL regulation 13G. No single hull tanker over 25 years old should be used. <http://www.imo.org/About/Conventions/ListOfConventions/Pages/International-Convention-for-thePrevention-of-Pollution-from-Ships-%28MARPOL%29.aspx>.

Annex 4. Environmental and Social Standards¹⁵

Environmental and Social Standard 1 Environmental and Social Assessment and Management¹⁶: ESS 1 applies if the investment is likely to have adverse environmental risks and impacts or social risks and impacts (or both). The scope of the environmental and social assessment and management measures are proportional to the risks and impacts of the investment. ESS 1 provides for both quality environmental and social assessment and management of risks and impacts through effective mitigation and monitoring measures during the course of investment implementation.

Environmental and Social Standard 2 Involuntary Resettlement¹⁷: ESS 2 applies if the investment’s screening process reveals that the investment would involve Involuntary Resettlement (including Involuntary Resettlement of the recent past or foreseeable future that is directly linked to the investment). Involuntary Resettlement covers physical displacement (relocation, loss of residential land or loss of shelter) and economic displacement (loss of land or access to land and natural resources; loss of assets or access to assets, income sources or means of livelihood) as a result of: (a) involuntary acquisition of land; or (b) involuntary restrictions on land use or on access to legally designated parks and protected areas. It covers such displacement whether these losses and involuntary restrictions are full or partial, permanent or temporary.

Environmental and Social Standard 3 Indigenous Peoples¹⁸: ESS 3 applies if Indigenous Peoples are present in, or have a collective attachment to, the proposed area of the investment, and are likely to be affected by the investment. The term “Indigenous Peoples” is used in a generic sense to refer to a distinct, vulnerable, social and cultural group possessing the following characteristics in varying degrees: (a) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitats or ancestral territories in the investment area and to the natural resources in these habitats and territories; (c) customary cultural, economic, social or political institutions that are separate from those of the dominant society and culture; and (d) a distinct language, often different from the official language of the country or region. In considering these characteristics, national legislation, customary law and any international conventions to which the country is a party may be taken into

¹⁵ The Bank to the best of its effort implements mutatis mutandis according to the actual situation the applicable Environmental and Social Standards in its financing Projects.

¹⁶ Refer to AIIB Environmental and Social Standard 1: Environmental and Social Assessment and Management (ESS1)

¹⁷ Refer to AIIB Environmental and Social Standard 2: Land Acquisition and Involuntary Resettlement (ESS2)

¹⁸ Refer to AIIB Environmental and Social Standard 3: Indigenous Peoples (ESS3). There is no universally accepted definition of Indigenous Peoples. Indigenous Peoples may be referred to in different countries by such terms as “indigenous ethnic minorities,” “aboriginals,” “hill tribes,” “minority nationalities,” “scheduled tribes,” “first nations,” or “tribal groups.”

account. A group that has lost collective attachment to geographically distinct habitats or ancestral territories in the investment area because of forced severance remains eligible for coverage, as an Indigenous People, under ESS 3.