

Green Financing Framework

The Export-Import Bank of China

Version 1.0

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1. Introduction

Foreword

Banking institutions play an important role in China's economic system as they bear the responsibility of serving the real economy and promoting economic development, while undertake the environmental and social responsibility of promoting green and sustainable development. The 19th CPC National Congress ushered China into a new era of socialism with Chinese characteristics and put the Chinese economy on a transition from high-speed growth to high-quality development which calls for more focuses and efforts onto green and sustainable development, low-carbon economy and circular economy by banking institutions and better utilization of their function of allocating resources thereby contributing to the goal of carbon peaking and carbon neutralization.

The Export-Import Bank of China (hereinafter referred to as the Bank), one of three policy banks of China, takes serving the real economy as its founding mission, while attaches high importance to fulfilling its environmental and social responsibility. Over the years, the Bank has embedded the concepts of low-carbon and green development and environmental protection in its medium and long-term development plans, business philosophy and credit policies, and made continuous efforts to improve its green credit system, accelerate the adjustment of credit structure, strengthen environmental and social risk management, and expand the portfolio of green financial products and services. A large number of green financial projects have been launched worldwide, providing a remedy and catalyst for environmental protection, and making significant contributions to building a beautiful China and improving harmony between mankind and nature.

To facilitate achieving the strategic 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 and Asian Infrastructure Investment Bank (“AIIB”) cooperated on a USD 200 million Green Credit On-lending Facility. With the assistance of AIIB, this Green Financing Framework is formulated. The Framework will be applied solely to the USD 200 million Green Credit On-lending Facility, which is a first step towards providing practical reference to the construction and improvement of green credit system of the Bank. The Framework may be amended and promoted as required.

About the Export-Import Bank of China

Founded in 1994, the Export-Import Bank of China is a state funded and state-owned policy bank with the status of an independent legal entity. It is a bank under the direct leadership of the State Council and dedicated to supporting China’s foreign trade, investment and international economic cooperation. The Bank’s mission is to serve China’s development strategies and build itself into a policy bank that operates with market principles and has a clear-cut positioning, well-defined portfolio, unique function, sufficient capital, good governance, strict internal control, safe operation, high-quality service and sustainable development capability. Its financial support mainly goes to foreign trade, cross-border investment, the Belt and Road Initiative, international industrial capacity and equipment manufacturing cooperation, the “going global” endeavors of science and technology, cultural industries as well as SMEs, and the building of an open economy.

With Chinese government’s credit support, the Bank plays a crucial role in promoting steady economic growth and structural adjustment,

supporting foreign trade and the “going global” endeavor. It is committed to reinforcing financial support to key sectors and weak links in the Chinese economy to ensure sustainable and healthy economic and social development. The Bank operates in a prudent and steady manner by abiding by relevant laws and regulations and the rules of prudent operation for the banking sector. It steps up efforts in meeting capital adequacy requirements and maintaining the market order, with the aim to achieve sustainable development in the long run. By now, the Bank has 32 branches in the Chinese mainland, one representative office in Hong Kong SAR, and four overseas institutions, namely, the Paris Branch, Representative Office for Southern and Eastern Africa, Representative Office for Northern and Western Africa, and St. Petersburg Representative Office.

Business Scope of the Bank includes short-term, mid-term and long-term loans approved for foreign trade and the “going global” endeavors, including export credit, import credit, loans for offshore contracts and overseas investment, Chinese government concessional loans and preferential export buyer’s credit; Special loans designated by the State Council; On-lending loans (donations) from foreign governments and international financial institutions whose risks are undertaken by the Bank as well as related Renminbi counterpart loans; Issuance of financial bonds; Organizing or participating in syndicated loans and other businesses approved by the banking regulatory authority under the State Council.

Overarching sustainability strategy, commitments, targets and Sustainable Development Goals (SDGs)

Green finance serves as an important impetus to drive green development. The 19th CPC National Congress has clearly outlined the goals of building a system of market-oriented green-technology

innovation and developing green finance in support of industries of energy conservation, environmental protection, clean production and clean energy. China Eximbank, as a financial institution that supports the development of China's foreign trade, overseas investment and international economic cooperation, has integrated green development philosophy into its pursuit of sustainable development, kept improving its system and procedures of green credit, introduced new products and services to enhance its green finance business, so as to provide a strong backing for advancing green development.

The Bank is among the first banks in China to develop a green credit strategy. Over the years, it has actively implemented the philosophy of green development and taken strengthening green finance as an important long-term strategy. In such areas as the establishment of the credit system, procedures management, business innovation and its own performance, the Bank has stepped up green finance across the board. With active support to green industries and special attention to the prevention and control of environmental and social risks, the Bank has ensured the simultaneous growth of economic, social and ecological benefits. In implementing its reform plan and deepening renovation of its institutions and mechanisms, the Bank seeks to achieve "innovative, coordinated, green, open and shared" development and acts in firm commitment to the requirements of the five-sphere integrated plan and guides transition of the Bank's development approach with green development concept, and proposes that the green finance concept must be actively implemented, the green finance business must be vigorously developed through multiple means such as green credit, environmental protection funds, carbon finance and green bonds, strong support should be given to green industries, low-carbon and circular economy, and "going-global" enterprises in undertaking green projects and fulfilling their due

responsibilities in environmental protection, so as to promote global green growth. The Bank has made it clear in its 14th Five-Year Plan that it will take developing green finance as the cornerstone of thoroughly implementing new concept of development so as to promote the green and low carbon transition to achieve new development, motivate further its mental and physical initiative for green and low carbon transition, and implant the green culture, green philosophy and green requirement into the basic logic and operations. The Bank will establish and improve rules and regulations, credit policies, product structure and supporting system applicable to achieving the goals of carbon peaking and carbon neutrality.

The Bank is committed to support the United Nation's 2030 Agenda for Sustainable Development which includes 17 Sustainable Development Goals (SDGs). Through the formulation and implementation of this Green Financing Framework, the Bank seeks mainly to contribute to SDGs with respect to clean energy, environment protection and climate change, etc.

On April 25, 2019, the Bank became the first batch of financial institutions to sign the Green Investment Principles for the Belt and Road.

2. Environmental and Social Management

In order to strengthen environmental and social risk management, the Bank has formulated “Green Credit Framework” which is used in the Green Credit Onlending Facility between the Export-Import Bank of China and Asian Infrastructure Investment Bank. Projects to be supported in this Green Financing Framework must meet the requirements of the Green Credit Framework, including the Environmental and Social Exclusion List¹. Please refer to the Bank's website for the Green Credit Framework: <http://www.eximbank.gov.cn/>. The Bank establishes a Sustainability Committee responsible for reviewing the implementation of green credit policies on AIIB Green Credit Onlending Facility.

In terms of industry policies, the Bank, referring to the national environmental protection policies and taking into account the characteristics of specific industry, annually formulates industry-specific credit policies and puts forward targeted green credit standards and environmental and social risk management requirements. The Bank abides by the relevant national green credit policies, actively implements the guiding ideology of The State Council on the transformation and upgrading of manufacturing industry and adopts the differentiated credit policy to consistently optimize and adjust the credit structure.

¹ Appendix 1

3. Objective

This framework aims to provide a basis for the bank to evaluate and select green financing transactions. Via the implementation of this framework, the Bank will direct more effective investment into low-carbon, green and sustainable areas both domestically and abroad, contribute to important tasks of developing green finance in the 14th Five-year Plan of The People's Republic of China, help achieve the strategic goals of peak carbon dioxide emissions and carbon neutrality, and promote the realization of the Paris Agreement.

4. Summary

The Framework applies to green loans, bonds and trade finance. It is structured according to the following key pillars:

- A. Use of Proceeds
- B. Project Evaluation and Selection
- C. Management of Proceeds
- D. Reporting

A. Use of Proceeds

For green transactions with specific use of proceeds, 100%² of the proceeds shall be directed to an earmarked activity which demonstrates alignment with at least one of the following:

- i **China Green Bond Endorsed Catalogue (2021)**³: The China Green Bond Endorsed Catalogue is the basis to implement the spirit of Plenary Sessions of the 19th National Congress of the Communist Party of China, the General Plan for the Reform of the Ecological Civilization System and the requirements of building a green financial system. It seeks to standardize the domestic green bond market, leverage the positive role of green finance in restructuring, transformation mode, promote the construction of ecological civilization, and advocate sustainable economic development to achieve carbon peaking and neutrality targets.

² 100% of the proceeds will be directed to an earmarked activity over any other percentage as stated in the various catalogues, principles, principles and others.

³ April 2021. Source: [中国人民银行 发展改革委 证监会关于印发《绿色债券支持项目目录（2021年版）》的通知 \(pbc.gov.cn\)](http://www.pbc.gov.cn)

- ii **Climate Bonds Standard version 3.0⁴**: The Climate Bonds Taxonomy forms the basis of the Climate Bonds green bond database methodology. The Climate Bonds Taxonomy identifies the assets and projects needed to deliver a low carbon economy and gives GHG emissions screening criteria consistent with the 2-degree global warming target set by the COP 21 Paris Agreement. It has been developed based on the latest climate science including research from the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA) and has benefited from the input of hundreds of technical experts from around the world.
- iii **European Union (EU) Green Bond Standard⁵**: The EU Green Bond issued must be aligned with EU Taxonomy. The EU taxonomy is a classification system, establishing a list of environmentally sustainable economic activities. It is an important enabler to scale up sustainable investment and to implement the European Green Deal. Notably, by providing appropriate definitions to companies, investors and policymakers on which economic activities can be considered environmentally sustainable.
- iv **International Capital Market Association (ICMA) Green Bond Principles⁶**: The Green Bond Principles (GBP) promote integrity in the Green Bond market through guidelines that recommend transparency, disclosure and reporting. They are intended for use by market participants and are designed to drive the provision of information needed to increase capital allocation to such projects. With a focus on the use of proceeds, the GBP

⁴ December 2019. Source: [Climate Bonds Standard and Certification Scheme | Climate Bonds Initiative](#)

⁵ March 2020. Source: [European green bond standard | European Commission \(europa.eu\)](#)

⁶ June 2021. Source: [Green Bond Principles \(icmagroup.org\)](#)

- aim to support issuers in transitioning their business model towards greater environmental sustainability.
- v **Multilateral Development Banks (MDBs) - International Development Finance Club (IDFC) Common Principles for Climate Change Adaptation and Mitigation Finance, and IDFC's Green Finance**⁷: IDFC has conducted a periodic mapping of member institutions' green finance contributions. Detailed guidelines were provided to IDFC members on the categorization of projects and use of template, including standardized definitions. Green finance is split into three categories: (i) Common principles for climate mitigation finance tracking, (ii) Common principles for climate change adaptation finance tracking and (iii) Other environmental objectives.
 - vi **Loan Market Association (LMA, APLMA and LSTA) Green Loan Principles**⁸: The Green Loan Principles (GLP) have been developed by an experienced working party, consisting of representatives from leading financial institutions active in the global syndicated loan markets, with a view to promoting the development and integrity of the green loan product. The GLP build on and refer to the GBP administered by the ICMA, with a view to promoting consistency across financial markets.

For any transaction aligned with the China Green Bond Endorsed Catalogue, EU Green Bond Standard or Climate Bonds Standard, the Bank will conduct due diligence to evaluate if the applicable technical screening indicators (e.g., 100gCO₂/kWh) are met. The Bank may engage a qualified third-party E&S consultant for the appraisal.

⁷ Appendix 2

⁸ Feb 2021. Source: [Green Loan Principles - LSTA](#)

For avoidance of doubt, coal mining, coal transportation or coal-fired power plants, as well as infrastructure exclusively dedicated to support any of these activities is excluded from this Framework.

B. Project Evaluation and Selection

The Bank puts in place a three-tier process to evaluate and select projects as green:

The business units will screen and select potential transactions that qualify as green. It is the responsibility of the business units to identify which green catalogue, standards or principles the asset/ activity is aligned with.

The nominated green assets/ activities will be reviewed and approved by the credit officers in accordance with this green financing framework. The Sustainability Committee will provide advice to the credit officers, as requested.

Annual review will be carried out on the adherence to project evaluation and selection process.

C. Management of Proceeds

The Bank will build a common pool which reserves eligible green transactions over time. Transactions such as green loans/ bonds/ trade finance will be drawn from this pool subject to this Framework. The Use of Proceeds and the Pool will be tracked in avoidance of double counting as green project. For example, proceeds of a green loan which is also earmarked for a green bond will only be counted once.

A register is established to record the allocation of the proceeds for each Green Bond. For any unallocated proceeds due to pending allocation or reallocation, the Bank reserves the rights to invest the balance of the net proceeds, at its own discretion in cash, cash equivalent or high-quality marketable instruments. The Bank will on a best effort basis, substitute any redeemed loans and/or if any such loans or any other form of financing cease to be eligible, as soon as reasonably practicable, once an appropriate substitution option has been identified.

D. Reporting

The reporting requirement may vary depending on the financial instruments, stakeholders involved, and nature of the green catalogues, standards, principles, or others used.

The Bank is committed to report annually, in addition to the applicable reporting requirements of regulatory authorities such as PBC and CBIRC, a list of the projects to which proceeds have been allocated, brief description of the projects, amounts allocated and expected impact on our website: eximbank.gov.cn. Where confidentiality agreements, competitive considerations or other reasons may limit the amount of disclosure, an aggregated portfolio basis in generic terms can be used.

The Bank intends to align, on a best-efforts basis, the impact reporting with the portfolio approach described in “Handbook – Harmonized Framework for Impact Reporting (June 20219). This may include annual GHG emissions reduced/ avoided, annual amount of wastewater treated, number of people or percentage of population with access to clean water, and others.

⁹ Source: [Impact Reporting Metrics and Databases | ICMA \(icmagroup.org\)](https://www.icmagroup.org/impact-reporting/metrics-and-databases/)

5. External Review

The external review is applicable to the issuance of green bond and includes the following:

Second Party Opinion (pre-issuance): the Bank will seek an external review provider to assess through pre-issuance external review on the alignment of the Green Financing Framework with international green and/or climate standards and principles. The Green Financing Framework and Second Party Opinion will be published on the Bank's website.

Verification (pre-issuance): the Bank may seek a limited assurance report from an external auditor for the green bond including verifying the internal tracking and the allocation of funds from the Green Bond proceeds.

Verification (post-issuance): the Bank may request on an annual basis, starting one year after issuance, a limited assurance report of the allocation of the green proceeds to eligible Loans, provided by an external auditor. The limited assurance report, together with the annual green bond report will be published on the Bank's website.

6. Future developments

This framework will be revised every two years and be subject to any material revision from time to time as the various green catalogue, standards, principles and others continue to be revised¹⁰.

In between this framework and an updated version of green catalogue, standards, principles, and others, the updated version will be eligible, with an allowed transition period of 9 months from the date of effectiveness of the updated version.

Finally, the Bank will continue to monitor the developments in social, climate transition and other areas for potential expansion of this framework in future.

¹⁰ Nov 2021: The European Commission published a common ground taxonomy between the EU's and China's systems. It does not entail any legal implications in either the EU or China and is not formally endorsed by other members of the International Platform on Sustainable Finance (IPSF). Source: [Common Ground Taxonomy – Climate Change Mitigation \(europa.eu\)](https://ec.europa.eu/economy_finance/en/common-ground-taxonomy-climate-change-mitigation)

Appendix 1: Exclusion list¹¹

The Bank will not knowingly acquire loans that finance projects involving any of the following:

- i. Forced labour¹² or harmful or exploitative forms of child labour¹³;
- 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”)¹⁴.
 - Production of, or trade in, pharmaceuticals, pesticides/herbicides and other hazardous substances subject to international phase outs or bans (Rotterdam Convention, Stockholm Convention¹⁵).

¹¹ The Bank commits to actively implement the Environmental and Social Exclusion List in its cooperation with AIB with regards to the Green Credit Onlending Facility, and may adjust the content of the list according to the actual situation in its subsequent promotion of this Framework.

¹² 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)

¹³ 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.

¹⁴ 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.

¹⁵ 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 https://www.who.int/medicines/areas/quality_safety/safety_efficacy/pharm_restrictions/en/. A list of pesticides, herbicides and other hazardous substances subject to phase outs or bans is available at <http://www.pic.int/TheConvention/Chemicals/AnnexIIIChemicals/tabid/1132/language/en-US/Default.aspx>

- Production of, or trade in, ozone depleting substances subject to international phase out (Montreal Protocol)¹⁶.
- 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 Flora (CITES)¹⁷.
- iv. Trans-boundary movements of waste prohibited under international law (Basel Convention)¹⁸.
- v. Production of, or trade in, weapons and munitions, including paramilitary materials.
- vi. Production of, or trade in, alcoholic beverages, excluding beer and wine¹⁹.
- vii. Production of, or trade in, tobacco²⁰.
- viii. Gambling, casinos and equivalent enterprises²¹.
- ix. Production of, trade in, or use of unbonded asbestos fibers²².
- 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,

¹⁶ 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, <https://ozone.unep.org/treaties/montreal-protocol>

¹⁷ 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, <https://www.cites.org/eng/disc/species.php>

¹⁸ i Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, see <http://www.basel.int>

¹⁹ 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

²⁰ 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

²¹ 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

²² This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20 percent.

such as, Bonn Convention, Ramsar Convention, World Heritage Convention and Convention on Biological Diversity²³.

- xi. Commercial logging operations or 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 with IMO requirements (IMO, MARPOL, SOLAS and Paris MOU)²⁴.
- xv. Coal mining, coal transportation and coal-fired power plants, as well as infrastructure services exclusively dedicated to support any of these activities.

²³ Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention) - <https://www.cms.int/>; Convention on Wetlands of International Importance, especially as Waterfowl Habitat (Ramsar Convention) - <https://www.ramsar.org/>; Convention Concerning the Protection of the World Cultural and Natural Heritage - <https://whc.unesco.org/en/convention/>; Convention on Biological Diversity - <https://www.cbd.int/>

²⁴ 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/en/About/Conventions/ListOfConventions/Pages/International-Convention-for-thePrevention-of-Pollution-from-Ships-\(MARPOL\).aspx](http://www.imo.org/en/About/Conventions/ListOfConventions/Pages/International-Convention-for-thePrevention-of-Pollution-from-Ships-(MARPOL).aspx)

Appendix 2: List of activities eligible as green under MDBs and IDFC

Tables of green eligibility are included in the following three documents:

- IDFC and MDBs, version 3, October 2021. Common Principles for Climate Mitigation Finance Tracking. Available at: [mdb_idfc_mitigation_common_principles_en.pdf \(eib.org\)](https://www.eib.org/~/media/2021/10/mdb_idfc_mitigation_common_principles_en.pdf)
- Joint report on MDBs Climate Finance, 2020. Annex B. Common Principles for Climate Change Adaptation Finance Tracking. Available at: [2020-Joint-MDB-report-on-climate-finance_Report_final-web.pdf \(aiib.org\)](https://www.aiib.org/en/research-and-publications/2020-joint-mdb-report-on-climate-finance-report-final-web.pdf)
- IDFC Green Financing Mapping Report, Dec 2020. Other Environment. Available at: https://www.idfc.org/wp-content/uploads/2020/11/idfc-2020-gfm-full-report_final-1.pdf