

Second-Party Opinion

CEXIM Green On-lending Facility

Evaluation Summary

Sustainalytics is of the opinion that the CEXIM Green On-lending Facility is credible and impactful and aligns with the Green Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds – Green Transportation – is aligned with those recognized by the Green Loan Principles. Sustainalytics considers that the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals (SDG), specifically SDG 11.



PROJECT EVALUATION / SELECTION CEXIM’s business units will be responsible for evaluating and selecting eligible projects in line with the eligibility criteria stipulated in the loan agreement between the Asian Infrastructure Investment Bank and CEXIM.¹ The credit officers, advised by the Sustainability Committee, will review the nominated projects and sign off on the projects to be financed or refinanced. All allocation decisions in relation to the CEXIM Green On-Lending Facility must abide by the Environmental and Social Framework, which takes environmental and social risk elements into consideration during the credit lending and due diligence process to identify and mitigate risks appropriately. Sustainalytics considers the risk management system and the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS CEXIM’s On-Lending Department will be responsible for the management and allocation of proceeds. CEXIM intends to allocate all the proceeds to eligible projects within three years of the loan origination date. Pending allocation, CEXIM will temporarily invest the proceeds in cash, cash equivalents or other liquid marketable instruments that are not associated with carbon-intensive or controversial activities. Sustainalytics considers this to be in line with market practice.



REPORTING CEXIM commits to report on the allocation of proceeds and the corresponding impact on its website on an annual basis until full allocation. Allocation reporting will include a list of the eligible projects, brief introduction of the eligible projects, and the amount of allocated proceeds. In addition, CEXIM intends to report on relevant impact metrics. Sustainalytics views CEXIM’s allocation and impact reporting as aligned with market practice.

Evaluation Date May 4, 2023

Issuer Location Beijing, China

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China Green Bond Endorsed Projects Catalogue

Sustainalytics has assessed the CEXIM Green On-Lending Facility for alignment with the China Green Bond Endorsed Projects Catalogue (2021). CEXIM Green On-lending Facility’s use-of-proceeds criteria map to one China Green Bond Endorsed Projects Catalogue (2021) programme, and align with the applicable Project Endorsement Criteria in the Catalogue and the relevant requirements in the explanatory notes of the Green Industry Catalogue (2019).

¹ CEXIM shared the loan agreement with Sustainalytics confidentially.

Introduction

Founded in 1994, the Export-Import Bank of China (“CEXIM” or the “Bank”) is a state-funded and state-owned policy bank based in Beijing, China. The Bank is dedicated to supporting China’s foreign trade, investment, and international economic cooperation. As of December 2022, the Bank has 4,429 employees², 32 branches in mainland China, one representative office in Hong Kong, and six overseas institutions, namely, the Paris Branch, Representative Office for Southern and Eastern Africa, Representative Office for Northern and Western Africa, St. Petersburg Representative Office, Poland Representative Office and Chile Representative Office.³

CEXIM has developed the CEXIM Green Financing Framework (the “Framework”) under which the Bank obtained a USD 200 million Green On-Lending Facility (the “CEXIM Green On-Lending Facility”) from the Asian Infrastructure Investment Bank (AIIB) in October 2022, and will use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to contribute towards the decarbonization of CEXIM’s green loan portfolio. The first loan tranche⁴ of the CEXIM Green On-Lending Facility defines eligibility criteria in one area:

1. Green Transportation

CEXIM engaged Sustainalytics to review the CEXIM Green On-Lending Facility and provide a Second-Party Opinion on the facility’s environmental credentials and its alignment with the Green Loan Principles 2023 (GLP)^{5,6}, China’s Green Bond Endorsed Projects Catalogue 2021⁷ and Green Industry Guidance Catalogue 2019⁸. The Framework has been published in a separate document.⁹

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent¹⁰ opinion on the alignment of the CEXIM Green On-Lending Facility with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- Alignment with the Green Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds;
- Alignment of the use of proceeds criteria with China’s Green Bond Endorsed Projects Catalogue 2021 and the relevant requirements in the Green Industry Guidance Catalogue 2019 (jointly the “Catalogues”); and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.13, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider. Sustainalytics also

² CEXIM shared the information with Sustainalytics and communicated the figures will be further disclosed in CEXIM’s 2022 Annual Report.

³ CEXIM, “Organization Chart”, at: <http://english.eximbank.gov.cn/Profile/Organization/OrganizaitonC/>

⁴ Beyond the identified green transportation project, CEXIM may finance or refinance other green projects under the same Green Financing Framework and the CEXIM Green Credit On-Lending Facility. This second-party opinion, however, only opines on the single use of proceeds on green transportation. Any future green projects associated with other use of proceeds categories will require an update to the current version of Second-Party Opinion.

⁵ The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

⁶ CEXIM has communicated to Sustainalytics the following points: i) the CEXIM Green On-Lending Facility does not include contingent facilities (e.g. bonding lines, guarantees and LCs); ii) the CEXIM Green On-Lending Facility is not a multi-tranche facility; and iii) CEXIM commits to annual allocation reporting until the loan maturity.

⁷ The Green Bond Endorsed Projects Catalogue is administered by the People’s Bank of China, National Development and Reform Commission, National Association of Financial Market Institutional Investors and is available at <http://www.pbc.gov.cn/tiaofasi/144941/3581332/4239360/2021042709495725755.pdf>.

⁸ The Green Industry Guidance Catalogue is administered by the National Development and Reform Commission and is available at <http://www.xifeng.gov.cn/zwgk/zdlygk/xcyxdn/201907/P020200908756497559760.pdf>.

⁹ The CEXIM Green Financing Framework is available on CEXIM’s website at: eximbank.gov.cn

¹⁰ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

considered the assessment criteria in China's Green Bond Endorsed Projects Catalogue 2021 and Green Industry Guidance Catalogue 2019 as part of the use of proceeds evaluation.

As part of this engagement, Sustainalytics held conversations with various members of CEXIM's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. CEXIM representatives have confirmed that (1) they understand it is the sole responsibility of CEXIM to ensure that the information provided is complete, accurate or up to date; (2) they have provided Sustainalytics with all relevant information; and (3) any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the project and should be read in conjunction with that project.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and CEXIM.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the project with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, CEXIM is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that CEXIM has made available to Sustainalytics for the purpose of this Second-Party Opinion

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the CEXIM Green On-lending Facility

Sustainalytics is of the opinion that the CEXIM Green On-lending Facility is credible and impactful and aligns with the four core components of the GLP. Sustainalytics highlights the following elements of the CEXIM Green On-lending Facility:

- Use of Proceeds:
 - The eligible category – Green Transportation – is aligned with those recognized by the GLP. Sustainalytics considers that the eligible projects are expected to contribute towards the scaling of electric vehicle (EV) battery production, more broadly facilitating low-carbon transportation in China and supporting the country to achieve its climate targets.
 - Sustainalytics notes that financing or refinancing under this first tranche of the CEXIM Green On-Lending Facility will be limited to capital expenditures, which shall qualify without a defined look-back period. Sustainalytics considers this to be in line with market practice.
 - Under the Green Transportation category, CEXIM may finance or refinance the site construction and the production of artificial graphite anode materials, carbonized coated products of artificial graphite anode materials, and natural graphite anode materials, in accordance with the following criteria:
 - The loan proceeds will be used to finance or refinance only the share of construction expenses in proportion to the quantity of products produced for EV batteries.
 - The expenditures will not involve any upstream mining of fossil fuels to produce the aforementioned materials.
 - Sustainalytics considers the above to be aligned with market practice.
- Project Evaluation and Selection:

- CEXIM’s business units will be responsible for evaluating and selecting eligible projects in line with the eligibility criteria defined in the loan agreement between AIB and CEXIM. The credit officers, advised by the Sustainability Committee, will review the nominated projects and have the right to final sign off on the projects to be financed or refinanced. The Sustainability Committee comprises one general manager, two deputy general managers and six division officers from the On-Lending Department.
- All allocation decisions in relation to the CEXIM Green On-Lending Facility must abide by the Bank’s Environmental and Social Framework (ESF)¹¹, which takes environmental and social risk elements into consideration during the credit lending and due diligence process to identify and mitigate risks appropriately. For additional details, please see Section 2.
- Based on the establishment of the three-tier process to evaluate and select projects, as well as the presence of a risk management system, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - CEXIM’s On-Lending Department will be responsible for the management and allocation of proceeds. CEXIM will manage the proceeds through a portfolio approach and will ensure the value of the loan portfolio remains equal to or greater than the amount of net proceeds from the On-Lending Facility.
 - CEXIM intends to allocate all the proceeds to eligible projects within three years of the loan origination date. Pending allocation, CEXIM will temporarily invest the proceeds in cash, cash equivalents or other liquid marketable instruments that are not associated with carbon-intensive or controversial activities.
 - Based on these characteristics, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - CEXIM commits to report on the allocation of proceeds and the corresponding impact on its website¹² on an annual basis until full allocation.
 - Allocation reporting will include a list of the eligible projects, brief introduction of the eligible projects, and the amount of allocated proceeds.
 - In addition, CEXIM intends to report on relevant impact metrics, including the annual production of anode materials and annual GHG emissions avoided (tCO₂e).
 - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Loan Principles 2023

Sustainalytics has determined that the CEXIM Green On-lending Facility aligns with the four core components of the GLP.

Alignment with the China Green Bond Endorsed Projects Catalogue

Sustainalytics has assessed the CEXIM Green On-lending Facility’s selected project against the relevant applicable project endorsement criteria in the Catalogue.¹³ According to the information provided by the issuer, the use of proceeds for green transportation¹⁴ aligns with China Green Bond Endorsed Projects Catalogue and CEXIM commits to implement the projects according to the detailed criteria.

Green Transportation	Industrialization of graphite anode materials production by Ningbo Shanshan Co., Ltd.	Energy Saving and Environmental Protection Industry	The proceeds will be used to finance and refinance site construction for the production of artificial graphite anode materials, carbonized coated products of artificial graphite anode materials,	The use of proceed aligns with the conditions of programme 1.6.1.1 in the Green Bond Endorsed Projects Catalogue 2021 and relevant requirements
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¹¹ CEXIM, “Environmental and Social Framework”, (2022), at: <http://english.eximbank.gov.cn/News/highlights/CEXIMAIIB/202302/P020230216616190520326.pdf>

¹² CEXIM’s allocation and impact reporting will be published at: eximbank.gov.cn

¹³ The project endorsement criteria include the description and conditions for the programmes in the China’s Green Bond Endorsed Projects Catalogue 2021 and the instructions and conditions for the corresponding catalogues in the Green Industry Guidance Catalogue 2019.

¹⁴ The borrower is Ningbo Shanshan Co., Ltd., which is an A-share listed company in China. Its businesses include the research, development, and production of lithium-ion battery materials, construction of charging piles, new energy vehicle operation and energy management services and apparel, venture capital, and financial leasing. The products include lithium battery cathode materials, anode materials, and electrolytes.

			<p>and natural graphite anode materials.</p> <p>The issuer commits that:</p> <ul style="list-style-type: none"> • all the EV produced using the anode materials financed will meet the Administrative Provisions on the Admission of New Energy Vehicle Enterprises and Products (Amendment No.54 of the Order of the Ministry of Industry and Information Technology, PRC), and • the loan proceeds will be used to finance or refinance only the share of construction expenses in proportion to the quantity of products produced for EV batteries only. 	<p>in the Green Industry Guidance Catalogue 2019.</p>
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provides an overview of the alignment assessment on the use of proceeds. Appendix 1 and 2 provide detailed alignment assessment with the Catalogues.

Table 1: Alignment of the CEXIM Green On-lending Facility criteria with the Catalogues

Use of Proceeds	Activity	Category in the Catalogues	Description of the Use of Proceeds	Sustainalytics' Assessment
Green Transportation	Industrialization of graphite anode materials production by Ningbo Shanshan Co., Ltd.	Energy Saving and Environmental Protection Industry	<p>The proceeds will be used to finance and refinance site construction for the production of artificial graphite anode materials, carbonized coated products of artificial graphite anode materials, and natural graphite anode materials.</p> <p>The issuer commits that:</p> <ul style="list-style-type: none"> all the EV produced using the anode materials financed will meet the Administrative Provisions on the Admission of New Energy Vehicle Enterprises and Products (Amendment No.54 of the Order of the Ministry of Industry and Information Technology, PRC), and the loan proceeds will be used to finance or refinance only the share of construction expenses in proportion to the quantity of products produced for EV batteries only. 	The use of proceed aligns with the conditions of programme 1.6.1.1 in the Green Bond Endorsed Projects Catalogue 2021 and relevant requirements in the Green Industry Guidance Catalogue 2019.

Section 2: Sustainability Strategy of CEXIM

Contribution of the Green On-lending Facility towards CEXIM's sustainability strategy

The Export-Import Bank of China has developed its 14th Five-Year Plan in 2021, outlining the blueprint for its development in the next five years by introducing the Bank's Five-Five strategy.^{15,16} Sustainalytics has focused on the areas below that are most relevant to the use of proceeds category that may be financed or refinanced under the CEXIM Green On-Lending Facility.

CEXIM has included green finance as one of its five key areas and implemented the green development strategy in the credit approval, performance review and statistical management to encourage green credit process in its lending practice.¹⁷ The Bank dedicates its products and services to serve China's national goal of peaking carbon emissions by 2030 and achieving carbon neutrality by 2060.¹⁸ Further, the Bank has committed to: i) expanding its green credit system, ii) driving product innovation in green financial instruments and iii) promoting carbon emissions trading.¹⁹ To achieve such goals, the Bank has incorporated green finance into its medium- and long-term development planning by taking efforts to increase investment in green projects.²⁰ This includes promoting the transition towards green manufacturing for industries and their supply chains by adopting green and low-carbon technologies, supporting research and development and promoting international cooperation on green industrial capacity and green trade.²¹

In 2015, CEXIM developed guidelines on green credit mandating adoption of environmental risk assessment during credit approval.²² Following China's national environmental protection policies, the Bank has established an industrial green credit policy to encourage industries to better manage their environmental and social risks.²³ The policy incorporates green credit-related standards into the performance appraisal system

¹⁵ CEXIM, "Annual Report 2021", at: <http://english.eximbank.gov.cn/News/AnnualR/2021/202206/P020220610384395830430.pdf>

¹⁶ The "Five-Five" strategy refers to five basic principles, five development goals, five key areas, five business sectors, and five forms of capacity building. CEXIM has communicated to Sustainalytics that detailed information regarding its "Five-Five" strategy is confidential.

¹⁷ CEXIM, "White paper on Green Finance The Export-Import Bank of China 2022", at:

<http://english.eximbank.gov.cn/News/WhitePOGF/202301/P020230106613030856905.pdf>

¹⁸ CEXIM shared the information with Sustainalytics confidentially.

¹⁹ CEXIM, "Annual Report 2021", at: <http://english.eximbank.gov.cn/News/AnnualR/2021/202206/P020220610384395830430.pdf>

²⁰ The Export -Import Bank of China, "White paper on Green Finance The Export-Import Bank of China 2022", at:

<http://english.eximbank.gov.cn/News/WhitePOGF/202301/P020230106613030856905.pdf>

²¹ Ibid.

²² Ibid.

²³ Ibid.

of business units, with a special pricing policy for green credit and a differentiated incentive mechanism to promote transition towards green activities among its business units.²⁴ With the green channel approval mechanism and a statistical system with green credit identifiers, the Bank intends to improve the quality, efficiency and management of its green credit business.²⁵ To promote low-carbon and green development projects, the Bank has developed the Framework which provides overarching criteria to evaluate and select green financing transactions such as green loans and trade finance using the applicable standards and principles, in different jurisdictions and markets.

CEXIM offers a tailor-made green finance model for emission-intensive companies listed on the China Carbon Emission Trade Exchange to promote its carbon finance services.²⁶ These companies are required to undertake a carbon quota pledge by setting targets related to energy conservation, emissions reduction and overall achievement of green transformation to leverage and broaden their financing opportunities.²⁷ The projects financed by the Bank through such initiatives have led to the environmental benefits, such as: i) saving 25.19 million tonnes of water; ii) emissions reduction of about 385.62 million tCO₂; iii) saving 50,100 tonnes of ammonia nitrogen use; iv) saving 2.3 million tonnes of SO₂; v) saving 4 million tonnes of NO; vi) saving 120,800 tonnes of PM 2.5; and vi) saving 23,000 tonnes of volatile organic compounds.²⁸ The Bank has established on-Lending cooperation mechanisms with institutions including the New Development Bank, Asian Infrastructure Investment Bank, European Investment Bank and KfW Group of Germany to support green development projects.²⁹

Sustainalytics is of the opinion that the objective of the CEXIM Green On-Lending Facility align with the Bank's overall sustainability strategy and initiative and will further the Bank's action on its key environmental priorities. Overall, Sustainalytics encourages the Bank to develop and publicly disclose quantifiable and time-bound environmental targets to further strengthen its sustainability strategy, where feasible.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the loans issued under the CEXIM Green On-Lending Facility will be directed towards eligible projects that are expected to have positive environmental impact. However, Sustainalytics is aware that such eligible projects could lead to negative environmental and social outcomes. By offering lending and financial services, the Bank plays a limited role in the development of projects financed by the Green On-Lending Facility but are exposed to risks associated with those projects. Some key environmental and social risks possibly associated with the eligible projects may include emissions, effluent and waste related to infrastructure projects, occupational health and safety, community related issues, land use and biodiversity issues associated with large-scale infrastructure development projects and business ethics.

Sustainalytics is of the opinion that CEXIM is able to manage or mitigate potential risks through implementation of the following:

- CEXIM has incorporated ESG requirements into loan contracts to identify and mitigate ESG risks. The Bank has developed an internal system of categorization to manage environmental and social risks throughout its credit process and conducts environmental and social due diligence (ESDD) according to its Operating Rules for Due Diligence of Credit Business policy. The Bank uses the ESDD to ensure its clients or projects comply with national industrial policies and market standards, including topics related to labour and working conditions, pollution prevention and control, health and safety measures. Such due diligence is conducted through onsite or offsite investigations and by an independent third-party consultant.³⁰
- Regarding community relations, CEXIM requires its clients to consult with stakeholders affected by projects and analyses the impact during project preparation and implementation. The consultation phase includes communication of the project design, mitigation and monitoring measures, sharing of development benefits and opportunities on a project-specific basis and implementation measures with project-affected people. The Bank establishes publicly accessible grievances redress mechanisms to facilitate the resolution of the concerns or complaints of people adversely affected by the projects it finances.³¹

²⁴ Ibid.

²⁵ Ibid.

²⁶ CEXIM, "Annual Report 2021", at: <http://english.eximbank.gov.cn/News/AnnualR/2021/202206/P020220610384395830430.pdf>

²⁷ Ibid.

²⁸ Ibid.

²⁹ CEXIM, "White paper on Green Finance The Export-Import Bank of China 2022", at: <http://english.eximbank.gov.cn/News/WhitePOGF/202301/P020230106613030856905.pdf>

³⁰ CEXIM, "Environmental and Social Framework", (2022), at: <http://english.eximbank.gov.cn/News/highlights/CEXIMAIIB/202302/P020230216616190520326.pdf>

³¹ Ibid.

- To mitigate risks related to land use and biodiversity issues associated with large-scale infrastructure development, CEXIM mandates its clients to conduct an environmental and social impact assessment or equivalent and prepare an environmental and social management plan for high-risk projects that may have significant adverse environmental or social impacts. For projects with limited environmental or social impacts, the Bank requires its clients to conduct an initial review of the environmental and social risks and impacts. Further, CEXIM's Green Credit Guidelines mandate the Bank to conduct post-loan inspections on the ESG impact of any construction and implementation of an environmental and social risk management plan.^{32,33}
- CEXIM commits to conduct its business in accordance with relevant national laws and regulations, and to abide by international conventions, guidelines and agreements in its international business activities. The Bank also implements a framework that provides guidance to identify and evaluate money laundering risks, including an anti-money laundering risk management system.^{34,35}
- Through its ESF, CEXIM commits to implement an Environmental and Social Exclusion List, which excludes the financing of activities and projects related to weapons, alcoholic beverages, tobacco, gambling, unbonded asbestos fibers, coal-dedicated infrastructure, uncertified wood products, shipment of oil or other hazardous substances, harmful marine and coastal fishing practices, trade in wildlife, polychlorinated biphenyl, internationally banned and ozone-depleting substances, illegal labour conditions,³⁶ movements of waste and projects located or relating to the protection of biodiversity resources or cultural resources.³⁷ The ESF also provides guidelines for the Bank to ensure that its clients conduct social impact assessments and develop social management plans during and post disbursement of loans to address or mitigate risks related to labour and working conditions, community healthcare and security as well as an analysis of impact of the financed projects on indigenous people and vulnerable populations. Overall, Sustainalytics is of the opinion that CEXIM has adequate measures in place to address and mitigate environmental and social risks.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that CEXIM has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the GLP. Sustainalytics has focused on where the impact is specifically relevant in the local context.

Importance of financing EV development in China

The transport sector was responsible for 21% of global anthropogenic CO₂ emissions in 2022, requiring concentrated efforts to decarbonize this sector.³⁸ According to the World Energy Outlook 2021, global transport emissions must peak between 2020 and 2025 to limit global temperature rise to 1.5°C.³⁹ The transport sector in China accounted for 9% of the country's total carbon emissions in 2022, of which road transport emissions alone accounted for 70%.^{40,41} Without any mitigation measures, China's transport sector emissions are estimated to rise until they peak at about 150% of 2022 levels by 2040, emitting more than 1Gt of CO₂ annually in 2060.⁴²

³² Ibid.

³³ CEXIM, "White paper on Green Finance The Export-Import Bank of China 2022", at: <http://english.eximbank.gov.cn/News/WhitePOGF/202301/P020230106613030856905.pdf>

³⁴ Ibid.

³⁵ CEXIM, "Charter of the Export-Import Bank of China", at: http://www.eximbank.gov.cn/aboutExim/profile/zczy/201902/t20190225_8813.html

³⁶ CEXIM has communicated to Sustainalytics that they are in the process of updating its green credit guidelines to include policies, measures and due diligence processes regarding human rights assessments. Sustainalytics encourages CEXIM to publicly disclose the relevant policy documents.

³⁷ CEXIM, "Environmental and Social Framework", (2022), at:

<http://english.eximbank.gov.cn/News/highlights/CEXIMAIIB/202302/P020230216616190520326.pdf>

³⁸ The International Council on Clean Transport, "China's Efforts to Decarbonize Road Transport: Decent, But Not Sufficient", (2022), at:

<https://theicct.org/china-ev-efforts-mar22/>

³⁹ World Resource Institute, "How China Can Cut its Road Transportation Emissions by 95%", (2022), at: <https://www.wri.org/insights/how-china-can-cut-road-transportation-emissions>

⁴⁰ Lu, Quanying. et al. (2022), "Decarbonization scenarios and carbon reduction potential for China's road transportation by 2060", npj urban sustainability, at: <https://www.nature.com/articles/s42949-022-00079-5>

⁴¹ World Resource Institute, "Toward Net Zero Emissions in the Road Transport Sector in China", (2019), at: <https://wri.org.cn/en/research/toward-net-zero-emissions-road-transport-sector-china>

⁴² World Bank Group, "China – Country, Climate and Development Report", (2022), at:

<https://openknowledge.worldbank.org/server/api/core/bitstreams/35ea9337-dfcf-5d60-9806-65913459d928/content>

China committed to peaking its CO₂ emissions before 2030 and achieve carbon neutrality before 2060 as part of its Nationally Determined Contribution (NDC) targets of September 2020.⁴³ China has introduced the following national initiatives to reduce emissions from the transport sector: i) Action Plan for Carbon Dioxide Peaking Before 2030; ii) New Energy Vehicle Industrial Development Plan 2021-2035; and iii) The Technology Roadmap for Energy-Saving and New Energy Vehicles 2.0.⁴⁴ Implementation of these initiatives are expected to help China halve its road transport emissions by 2060 from 2020 levels.⁴⁵ According to the International Council on Clean Transportation, China should: i) limit CO₂ emissions to about 30 g/km in 2030 and to zero by 2035 for new passenger vehicles; and ii) achieve a 67% reduction in CO₂ emissions by 2035 compared to 2022 for new commercial vehicles, to maintain a steady progress toward its NDC targets.⁴⁶ China International Capital Corporation Limited estimates that the transport sector would require approximately USD 5.9 trillion worth of additional investment between 2020 and 2060 for technological scale-up and financing clean transport infrastructure.⁴⁷

Based on above, Sustainalytics believes that CEXIM’s investment in EV technology is expected to contribute to the decarbonization of transportation in China and more broadly to the country’s climate targets.

Alignment with/contribution to SDGs

The Sustainable Development Goals were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The first loan tranche of CEXIM’s Green On-lending Facility is expected to advance the following SDG and target:

Use of Proceeds Category	SDG	SDG target
Green Transportation	11 Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons

Conclusion

CEXIM has developed the CEXIM Green Financing Framework under which it obtained the CEXIM Green On-Lending Facility and will use the proceeds to finance or refinance projects expected to contribute towards the decarbonization of CEXIM’s green loan portfolio. Sustainalytics considers that the project funded by the CEXIM Green On-Lending Facility is expected to contribute to decarbonization of transportation in China and more broadly to the country’s climate targets.

The CEXIM Green On-Lending Facility outlines a process for tracking, allocating, and managing proceeds, and makes commitments for CEXIM to report on allocation and impact of the use of proceeds. Sustainalytics considers that the CEXIM Green On-Lending Facility is aligned with the overall sustainability strategy of the Bank and that the use of proceeds will contribute to the advancement of the UN Sustainable Development Goal 11. Additionally, Sustainalytics is of the opinion that CEXIM has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Sustainalytics has also assessed the CEXIM Green On-Lending Facility for alignment with the China Green Bond Endorsed Projects Catalogue (2021). The On-Lending Facility’s use of proceeds criteria map to one China Green Bond Endorsed Projects Catalogue (2021) programme and align with the applicable Project Endorsement Criteria in the Catalogue and the relevant requirements in the explanatory notes of the Green Industry Catalogue (2019).

⁴³ International Energy Association, “An energy sector roadmap to carbon neutrality in China”, (2021), at: <https://www.iea.org/reports/an-energy-sector-roadmap-to-carbon-neutrality-in-china>
⁴⁴ World Resource Institute, “How China Can Cut its Road Transportation Emissions by 95%”, (2022), at: <https://www.wri.org/insights/how-china-can-cut-road-transportation-emissions>
⁴⁵ Ibid.
⁴⁶ The International Council on Clean Transport, “China’s Efforts to Decarbonize Road Transport: Decent, But Not Sufficient”, (2022), at: <https://theicct.org/china-ev-efforts-mar22/>
⁴⁷ World Bank Group, “China – Country, Climate and Development Report”, (2022), at: <https://openknowledge.worldbank.org/server/api/core/bitstreams/35ea9337-dfcf-5d60-9806-65913459d928/content>

Based on the above, Sustainalytics is confident that CEXIM is well positioned to issue green loans and that the CEXIM Green On-Lending Facility is robust, transparent, and in alignment with the four core components of the Green Loan Principles 2023.

Appendices

Appendix 1: Approach to Assessing Alignment with the Catalogues

Sustainalytics has assessed the criteria in CEXIM Green On-lending Facility or the selected project(s) against the criteria for the relevant programme in the Green Bond Endorsed Projects Catalogue 2021 (the “Green Bond Catalogue”) and the relevant requirements listed in the explanatory notes of the Green Industry Guidance Catalogue 2019 (the “Green Industry Catalogue”). This appendix describes Sustainalytics’ process and presents the outcome of its assessment of alignment with the Catalogues’ applicable Project Endorsement Criteria (PEC). Sustainalytics’ assessment involves two steps:

1. Mapping Criteria or Projects to Activities in the Green Bond Catalogue

The initial step in Sustainalytics’ assessment process is mapping each criterion or selected project to a relevant and applicable programme in the Green Bond Catalogue. Note that each criterion or selected project may be relevant and applicable to more than one of the catalogue’s programmes and vice versa. Sustainalytics recognizes that some of the criteria or selected projects do not map well to a programme. In such cases, Sustainalytics has used the programme that is most relevant with respect to each project’s or criterion’s primary environmental objective and impacts.

In some cases, a criterion or project cannot be mapped to a programme in the Green Bond Catalogue because some activities are not yet covered by the Catalogue, and some categories which are traditionally included in green bonds may not be associated with a specific economic programme. In these cases, Sustainalytics has not assessed these criteria or projects for alignment, but acknowledges that financing projects in these areas may still provide environmental benefits.

Table 2 below shows the result of Sustainalytics’ mapping process for CEXIM Green On-lending Facility.

2. Determining Alignment with the Catalogues’ Project Endorsement Criteria

The second step in Sustainalytics’ process is to determine the alignment of each criterion or selected project with the relevant PEC in the Green Bond Catalogue and the requirements in the Green Industry Catalogue. Alignment with the PEC is usually based on the specific criterion in CEXIM Green On-lending Facility or project description and may also be based on management systems, processes or regulatory compliance.

Sustainalytics’ detailed assessment of alignment with the PEC and the relevant requirements in the explanatory notes of the Green Industry Catalogue is provided in Appendix 2.

Table 2: Criterion or project mapping table

CEXIM Green On-lending Facility Category or Project Name	CEXIM Green On-lending Facility Criterion or Selected Project	Serial Number in Green Bond Catalogue	Programme in Green Bond Catalogue	Refer to Table	Alignment
Industrialization of graphite anode materials for new energy vehicles	<p>Finance or refinance the construction of anode material production base and graphitization process base to produce artificial graphite anode materials, carbonized coated products of artificial graphite anode materials, and natural graphite anode materials.</p> <p>The issuer commits that:</p> <ul style="list-style-type: none"> all the EV produced using the anode materials financed will meet the Administrative Provisions on the Admission of New Energy Vehicle Enterprises and Products (Amendment No.54 of the Order of the Ministry of Industry and Information Technology, PRC), and the loan proceeds will be used to finance or refinance the share of construction expenses in proportion to the quantity of anode materials produced for EV batteries only. 	1.6.1.1	Manufacturing of Key Components of New Energy Vehicles and its Industrialization	Table 3	Aligned

Appendix 2: Comprehensive Alignment Assessment with China’s Green Bond Endorsed Projects Catalogue 2021 and Green Industry Guidance Catalogue 2019

The tables below provide a detailed assessment of the alignment of CEXIM Green On-lending Facility criteria or selected projects with the Green Bond Catalogue’s PEC for the relevant programme in the Green Industry Catalogue.

Table 3: Alignment Assessment with Project Endorsement Criteria

CEXIM Green On-lending Facility Category or Project Assessed	Industrialization of graphite anode materials for new energy vehicles		
Serial Number in Green Bond Catalogue	1.6.1.1	Serial Number in Green Industry Catalogue	1.4.1
Programme in Green Bond Catalogue	Manufacturing of Key Components of New Energy Vehicles and its Industrialization	Programme in Green Industry Catalogue	Manufacturing and industrialization of key components of new energy vehicles
Project Endorsement Criteria		Sustainalytics’ Alignment Analysis	
<p>Criteria in Green Bond Catalogue Manufacturing of core components of new energy vehicles including batteries, motors and its control systems, electrical accessories, plug-in hybrid special engines, electromechanical coupling systems, and energy recovery systems, the construction and operation of its industrial facilities, and the trading and purchasing of new and clean energy vehicles. The relevant projects should meet the requirements of the <i>Administrative Provisions on the Admission of New Energy Vehicle Enterprises and Products</i> (Amendment No.54 of the Order of the Ministry of Industry and Information Technology, PRC).</p> <p>Criteria in Green Industry Catalogue Manufacturing and industrialization of equipment including battery, motor and control system of new energy vehicles, electrical accessories, plug-in hybrid special engine, electromechanical coupling system and energy recovery system, etc.</p>		<p>CEXIM is committed to allocate all the fund raised to finance or refinance the construction of anode material production base and graphitization process base. The production of artificial graphite anode materials, carbonized coated products of artificial graphite anode materials, and natural graphite anode materials is considered important to industrialization of lithium-ion batteries, and the supply of anode materials plays a key role in the production of electric vehicles.</p> <p>Approximately 80% of the products will be used for electric vehicle (EV) battery production, while the remaining 20% will be used for digital product battery production.</p> <p>CEXIM is also committed to ensure that:</p> <ul style="list-style-type: none"> all the EV produced using the anode materials financed will meet the Administrative Provisions on the Admission of New Energy Vehicle Enterprises and Products (Amendment No.54 of the Order of the Ministry of Industry and Information Technology, PRC), and the loan proceeds will be used to finance or refinance the share of construction expenses in proportion to the quantity of anode materials produced for EV batteries only. <p>Sustainalytics considers that the CEXIM’s commitment is aligned with the endorsement criteria for Manufacturing of Key Components of New Energy Vehicles and its Industrialization stated in the China Green Bond Endorsed Projects Catalogue 2021 and Manufacturing and industrialization of key components of new energy vehicles stated in the Green Industry Guidance Catalogue 2019.</p>	Aligned

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