

# **Green Investment Principles for the Belt and Road**

## **Preamble**

The Belt and Road Initiative (BRI) aims to substantially enhance the level of infrastructure and economic development across BRI countries. Financing BRI requires the participation of both public and private investors. Embedding the principles of sustainable development across all asset classes, financial products, project phases and participating institutions is critical for the shared interest of project developers, sponsors, investors, and host communities.

In order to ensure that environmental friendliness, climate resilience, and social inclusiveness are built into new investment projects in the Belt and Road, so that the goals of the United Nations 2030 Agenda for Sustainable Development and the Paris Agreement are met, and all countries in the region build a shared future for common prosperity, the Green Finance Committee of China Society for Finance and Banking and the City of London Green Finance Initiative have jointly taken the lead to develop this set of green investment principles, with participation of Principles for Responsible Investment, Sustainable Banking Network, Belt & Road Bankers Roundtable, Green Belt and Road Investors Alliance, World Economic Forum, and the Paulson Institute.

We, representatives of financial institutions and corporations, hereby put our signatures behind the Green Investment Principles for the Belt and Road (hereinafter referred to as the “GIP”) and pledge to uphold these principles in our investment and operations. We call on like-minded financial institutions and corporations to sign up to the GIP for it to become the common guiding principles for investment and business operations in the Belt and Road.

## **The Principles**

### **Principle 1: Embedding sustainability into corporate governance**

We will embed sustainability into our corporate strategy and organizational culture. Our boards and senior management will exercise oversight of sustainability-related risks and opportunities, set up robust systems, designate competent personnel, and maintain acute awareness of potential impacts of our investments and operations on climate, environment and society in the B&R region.

### **Principle 2: Understanding Environmental, Social and Governance Risks**

We will strive to better understand the environmental laws, regulations, and standards of the business sectors in which we operate as well as the cultural and social norms of our host countries. We will incorporate environmental, social and governance (ESG) risk factors into our decision-making processes, conduct in-depth environmental and

social due diligence, and develop risk mitigation and management plans, with the help of independent third-party service providers, when appropriate.

### **Principle 3: Disclosing environmental information**

We will conduct analysis of the environmental impact of our investments and operations, which should cover energy consumption, greenhouse gas (GHG) emissions, pollutants discharge, water use and deforestation, and explore ways to conduct environmental stress test of investment decisions. We will continually improve our environmental/climate information disclosure and do our best to practice the recommendations of the Task Force on Climate-related Financial Disclosure.

### **Principle 4: Enhancing communication with stakeholders**

We will institute stakeholder information sharing mechanism to improve communication with stakeholders, such as government departments, environmental protection organizations, the media, affected communities and civil society organizations, and set up conflict resolution mechanism to resolve disputes with communities, suppliers and clients in a timely and appropriate manner.

### **Principle 5: Utilizing green financial instruments**

We will more actively utilize green financial instruments, such as green bonds, green asset backed securities (ABS), YieldCo, emission rights-based financing, and green investment funds, in financing green projects. We will also actively explore the utilization of green insurance, such as environmental liability insurance and catastrophe insurance, to mitigate environmental risks in our operations.

### **Principle 6: Adopting green supply chain management**

We will integrate ESG factors into supply chain management and utilize international best practices such as life cycle accounting on GHG emissions and water use, supplier whitelists, performance indices, information disclosure and data sharing, in our investment, procurement and operations.

### **Principle 7: Building capacity through collective action**

We will allocate funds and designate personnel to proactively work with multilateral organizations, research institutions, and think tanks to develop our organizational capacity in policy implementation, system design, instruments development and other areas covered in these principles.

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# Frequently Asked Questions on the Green Investment Principles (GIP) for the Belt and Road

## 1. Terminology & Definitions:

- **Green Investment**

Investment activities that take into account climate and environmental considerations and generate positive environmental benefits, such as carbon emission reduction, water saving, energy conservation and efficiency improvement, environmental protection, etc.

- **Belt and Road**

The Silk Road Economic Belt and the 21st Century Maritime Silk Road, often referred to as the Belt and Road Initiative, Belt and Road or BRI, is an initiative promoted by the Chinese government to enhance infrastructure and economic connectivity in and between countries along the Belt and Road. However, BRI is a dynamic concept, and is also open to countries outside the region.

For more information on the Belt and Road, please visit:

<http://www.beltandroadforum.org/english/index.html>

<https://eng.yidaiyilu.gov.cn/>

- **Operations**

In the GIP the term “operations” refers to a chain of activities ranging from the daily running of a business to project development, financing, construction, outsourcing, and decommissioning, which are directly or indirectly related to investments along the Belt and Road.

- **ESG**

ESG stands for Environmental, Social and Governance. Investopedia defines ESG as a set of criteria used by socially responsible investors to screen potential investments. Environmental criteria look at how a company performs as a steward of the natural environment. Social criteria examine how a company manages relationships with its employees, suppliers, customers and host communities. Governance deals with a company’s leadership, executive pay, audits, internal controls and shareholder rights.

For more information on ESG, please visit:

<https://www.investopedia.com/terms/e/environmental-social-and-governance-esg-criteria.asp>

<https://www.unpri.org/esg-issues>

- **Equator Principles**

The Equator Principles (EPs) is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence and monitoring to support responsible risk decision-making. The EPs apply globally, to all industry sectors and to four financial products 1) Project Finance Advisory Services; 2) Project Finance; 3) Project-Related Corporate Loans; and 4) Bridge Loans.

For more information on Equator Principles, please visit: <http://equator-principles.com>

- **Principles for Responsible Investment**

The Principles for Responsible Investment are a set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice.

For more information on Principles for Responsible Investment, please visit: <https://www.unpri.org/about-the-pri>

- **Sustainable Banking Network**

The Sustainable Banking Network (SBN) is an International Finance Corporation-supported community of financial sector regulatory agencies and banking associations from emerging markets committed to advancing sustainable finance in line with international good practices. 35 countries are currently represented at SBN.

For more information on Sustainable Banking Network, please visit: [www.ifc.org/sbn](http://www.ifc.org/sbn)

- **Task Force on Climate-related Financial Disclosures**

The Task Force on Climate-related Financial Disclosures (TCFD) was established by the Financial Stability Board (FSB) in December 2015. The TCFD seeks to develop recommendations for voluntary climate-related financial disclosures that are consistent, comparable, reliable, clear, and efficient, with an objective to provide useful information to lenders, insurers, and investors.

For more information about the TCFD, please visit: <https://www.fsb-tcfd.org/about/#>

- **Environmental Risk Management Initiative for China's Overseas Investment**

*The Environmental Risk Management Initiative for China's Overseas Investment* was jointly launched by the Green Finance Committee of China Society for Finance and Banking and six other industrial associations in China in September 2017. The Initiative was developed to encourage and guide efforts by Chinese financial institutions and enterprises to accelerate the progress towards key sustainability goals, such as greening the BRI, achieving targets of the SDGs and the Paris Agreement, and implementing the *Guidelines for Establishing the Green Financial System*, by adopting responsible investment principles and improving environmental risk management in overseas investment.

## **2. What is the GIP?**

The GIP is a set of principles for greening investment in the Belt and Road. It includes seven principles at three levels, i.e. strategy, operations and innovation.

Principle 1 and Principle 2 are designed to encourage signatories to incorporate sustainability and ESG factors into corporate strategies and management systems, aiming to call for implementation starting from the highest level and throughout the whole organization whenever possible.

Principle 3 and Principle 4 focus on communication with stakeholders at the operational level. Specific measures that signatories could take to contain environmental and social risks include environmental risk analysis, information sharing and conflict resolution mechanism.

Principles 5 to 7 are set to encourage signatories to utilize cutting-edge green financial instruments and green supply chain practices, and to improve organizational capacity through knowledge sharing and collective actions.

## **3. Why do we need the GIP?**

The Belt and Road Initiative currently consists of more than a hundred countries located in Asia, Europe and Africa. It is a dynamic concept and the number of countries under the initiative is still growing.

Countries included in the Belt and Road region have great potential for economic development as well as for GHG emission reductions. Given the huge gap in infrastructure in the Belt and Road countries, the newly built infrastructure must be climate-resilient, environment-conscious and community-friendly for the world to achieve the goals of the SDGs and Paris Agreement. It is therefore important to have a set of green investment principles to guide financial institutions and corporations in their investments and operations in the Belt and Road region.

## **4. How does the GIP distinguish itself from other responsible investing initiatives?**

The GIP has been developed based on the shared principles of existing responsible investment initiatives, such as the Equator Principles, the Principles for Responsible Investment, and the Environmental Risk Management Initiative for China's Overseas Investment. However, the GIP has its own characteristics:

- (1) Signatories of the GIP include not only financial institutions (banks, institutional investors, funds, etc.), but also corporations, because it takes both to effectively manage environmental and social risks.
- (2) Geographical focus of the GIP is countries covered by BRI spanning across Asia, Europe and Africa. Most of the countries are emerging economies who are critical in delivering global climate change targets and in achieving the UN 2030 Agenda for Sustainable Development.
- (3) Themes addressed by the GIP include ESG issues, environmental information disclosure, green financial instruments, and green supply chain management.

## **5. Who will be the participating institutions (or signatories) of the GIP?**

Organizations, including financial institutions and corporations that operate in or hold assets related to the Belt and Road region, especially those whose investments and operations have considerable environmental and social impacts, are prospective participating institutions or signatories of the GIP.

## **6. How will the GIP be implemented by its signatories?**

The GIP signatories are expected to incorporate the principles into their corporate strategy and decision-making processes. In practice, the GIP Secretariat will work with partners and signatories to develop guidance and tools to support implementation. Training will also be provided to facilitate the adoption and implementation of the GIP.

## **7. Why doesn't the GIP categorize projects and countries based on their risk levels?**

The GIP is a set of general principles to guide financial institutions and corporations to adopt best practices of environmental and social risk management, green finance and supply chain in their investments and operations, it does not categorize projects based on their size and impacts, nor does it differentiate countries according to maturity of their laws and regulations. For such categorization and corresponding risk management practices, signatories are advised to refer to the Equator Principles.

## **8. Will the GIP be legally binding?**

No. The GIP is a set of voluntary principles which are not legally binding. The signatories are expected to adopt and apply these principles in their investments and operations in or related to the Belt and Road region.

## **9. Does the GIP get reviewed/revised regularly?**

Yes. The GIP will be reviewed from time to time based on feedback and implementation experience. Based on these reviews, changes will be made to the GIP in future editions.

## **10. Will the GIP be available in other languages?**

Yes. The GIP will be available in Arabic, Chinese, English, French, Portuguese, Russian and Spanish. Nonetheless, only Chinese and English versions are official.