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CASE STUDY REPORT

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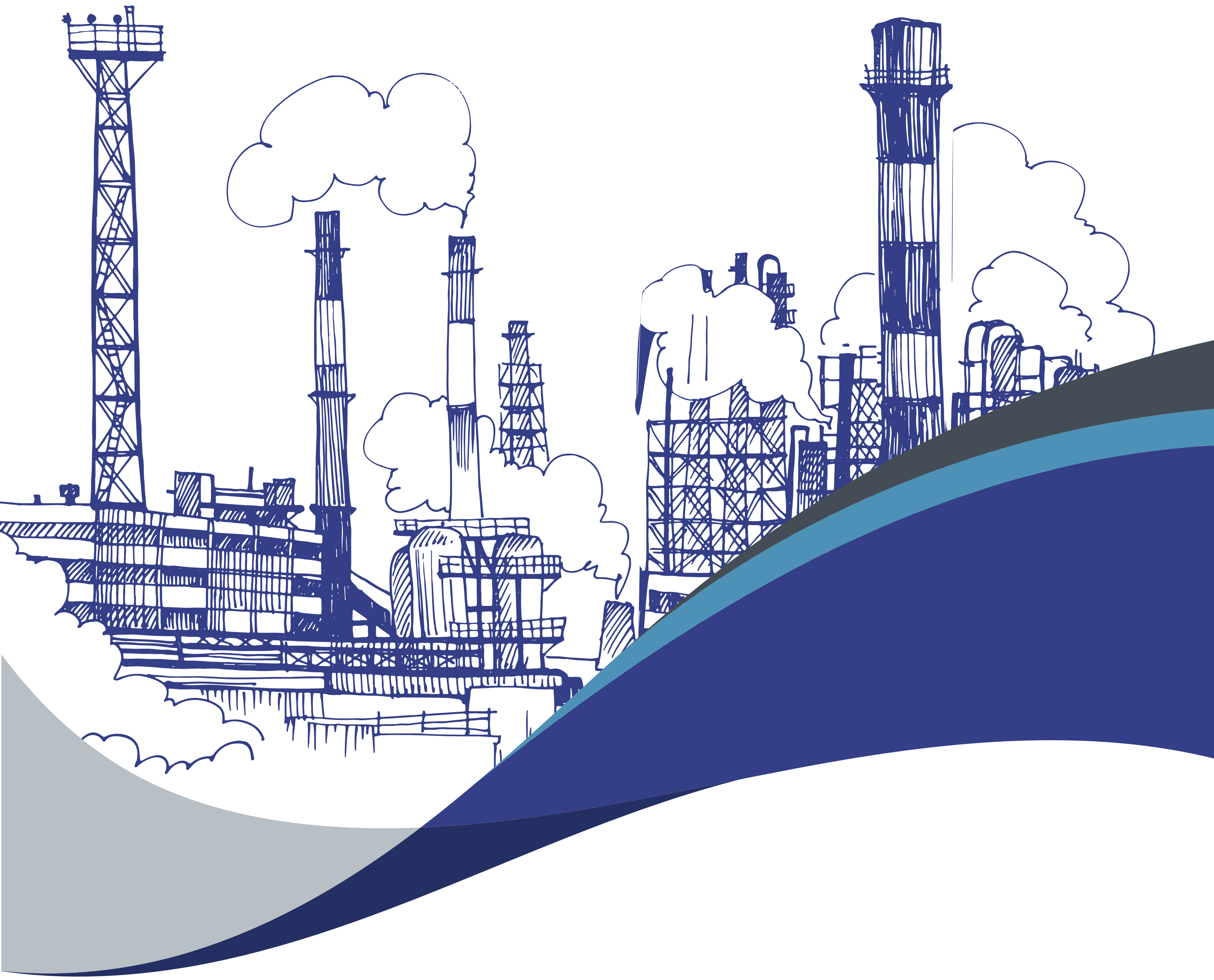
RESEARCH REPORT

CASE STUDY: ENVIRONMENTAL AND SOCIAL SAFEGUARD POLICIES OF FINANCIAL INSTITUTIONS IN TWO COAL-FIRED POWER PROJECTS



Contents

LIST OF *Acronyms*

No.	Acronyms	Stands for
1.	TKV (VINACOMIN)	Vietnam National Coal-Mineral Industries Holding Corporation Limited
2.	BOC	Bank of China
3.	CCB	China Construction Bank
4.	CDB	China Development Bank
5.	China EXIM bank	China Export and Import Bank
6.	ICBC	Industrial and Commercial Bank of China
7.	EPC	Engineering, procurement, and construction contract
8.	BOT	Build-Operate-Transfer contract
9.	IPP	Individual Power Plant
10.	CBRC	The China Banking Regulatory Commission
11.	EIA	Energy Information Administration
12.	PVN	Vietnam Oil and Gas Group (PETRO VIETNAM)
13.	EVN	Vietnam Electricity
14.	UNEP FI	United Nations Environment Programme Finance Initiative

Introduction

The urgency of the study

Vietnam's energy development process has seen significant achievements in recent years, which helps promote socio-economic development. However, this process also causes a variety of environmental and social impacts. Financial institutions financing such energy projects play a crucial role in preventing and mitigating these impacts through their socio-environmental safeguard policies. These safeguards are useful tools to help increase community engagement in the project development process, thereby helping minimize future impacts. In recent years, the source of finance for coal power development in Vietnam has been mainly from international loans. China is the top lender, lending to more than 20 coal-fired power projects, along with assuming the role as an engineering, procurement, and construction (EPC) contractor. Active coal power projects (with Chinese loans) are exposed to numerous social and environmental issues, such as Mong Duong coal-fired power plant, Hai Duong coal-fired power plant, etc. In the future, Vietnam expects to develop a series of new projects, including An Khanh - Bac Giang, Nam Dinh, Quynh Lap 1,2. As more governments and financial institutions issuing policies to restrict finance for coal-fired power, the financing for coal-fired power projects in Vietnam will be more dependent on Chinese loans. In this context, our research team conducted the "Case study: Social and environmental safeguard policies of financial institutions in 2 coal-fired power projects" on analytical basis to contribute to theoretical foundations and recommend solutions to energy financing problems in the world and Vietnam.

Purpose of the study

This study aims to provide evidence on the potential risks (environmental, social, and legal) of two coal-fired power projects, and risks from the environmental-social safeguard policies of financial institutions that have been considering funding these projects.

Objects and scope of the study

The objects of the study are the legal, economic, and social issues of coal-fired power projects, and the environmental and social policies of Chinese banks.

The scope of the study: Quynh Lap 1 and An Khanh - Bac Giang coal-fired power projects; the latest environmental and social policies of banks which are lending or plan to lend these projects. These two projects have received attention of Chinese investors.

Data collection and analysis method

The study synthesizes secondary data on two energy projects, and then evaluates the fundamental aspects of these projects including legal relevance, economic efficiency, and social contribution (environment, employment, etc).

Qualitative analysis is used throughout the study through desk review on theoretical bases and energy investment policies of several international banks. In addition, fieldtrips and interviews were conducted with people and local authorities in Quynh Lap commune, Hoang Mai district, Nghe An province and Vu Xat commune, Luc Nam district, Bac Giang province. The basic evaluation methods include comparison, descriptive statistics and induction which are used to highlight research characteristics.

GENERAL INFORMATION

Resolution No. 55-NQ/TW of the Politburo dated February 11, 2020, on the strategic orientation of Vietnam's national energy development to 2030, with a vision to 2045 mentioned:

> “
>
> *Reasonably develop coal-fired power in the direction of prioritizing large-capacity and high-efficiency units, using advanced and modern technologies such as supercritical technology and above; ensure compliance with the law on ecological and environmental safety and alignment with international standards. Review and plan to upgrade the technologies of existing coal power plants to meet environmental protection requirements; shut down plants which fail to upgrade their technologies as required.*

Quynh Lap I
coal-fired power plant

- Project Name: Quynh Lap 1 coal-fired power plant (2x600MW)
- Investor: Vietnam National Coal and Mineral Industries Holding Corporation Limited (VINACOMIN)
- Location: Quynh Lap village, Hoang Mai town, Nghe An province.
- Capacity: 1200 MW, including 02 units x 600 MW (each unit has 01 boiler+ 01 steam turbine+ 01 generator).
- Total project investment: As stated in Decision No. 348/QD-TKV dated March 6, 2017, the total estimated project investment is VND 48,516,632,806,397, equivalent to USD 2,128,856,200 (with the exchange rate of VND 22,790/USD at the time of project approval) including taxes, fees, and provisions (excluding the cost of the transmission line from the distribution station to the national grid)[1].
- The project's investment capital includes 20% equity of VINACOMIN and other investors (if any), 80% of loans. According to Market Forces, those loans are expected from the Bank of China (BOC); China Construction Bank (CCB); China Development Bank (CDB); The Export-Import Bank of China - China EXIM bank; Industrial and Commercial Bank of China (ICBC)[2].

Legal basis

Quynh Lap 1 coal-fired power plant is one of the projects listed in the Appendix of power source projects put into operation in the period of 2021 - 2025, issued together with Decision No.428/QD-TTG dated May 18th, 2016 of the Prime Minister approving adjustment of the national electricity development planning for the period 2011 - 2020, with a vision to 2030. On December 30, 2010, the Minister of Industry and Trade issued Decision No.6949/QD-BCT approving the planning to connect power centres to the national grid system, which also included Quynh Lap Power Centre, Nghe An province. VINACOMIN issued Decision No.348/QD-TKV dated March 6, 2017, approving the project of Quynh Lap 1 Coal-fired Power Plant. The Environmental Impact Assessment Report of the project was approved by The Ministry of Natural Resources and Environment in Decision No.2784/QD-BTNMT dated December 2, 2016.

Social basis

Once completed and put into operation, Quynh Lap 1 coal-fired power plant expects to supply about 6.6 billion kWh/year to the national grid, contributing to economic development to adapt to the expected fast economic growth from now to 2030 in the North Central region and particularly in Nghe An province[3].

[1] http://cms.vinacomin.vn/Share/Image/2020/02/10/ho-so-moi-quan-tam-tieng-viet-1532208415.pdf accessed on December 25th, 2020
[2] https://www.marketforces.org.au/research/vietnam/quynh-lap/ Accessed on December 25th, 2020
[3] https://www.marketforces.org.au/research/vietnam/quynh-lap/ Accessed on December 25th, 2020

An Khanh - Bac Giang

coal-fired power plant

- Project name: An Khanh - Bac Giang coal-fired power project with the capacity of 650 MW[4].
- Investor: An Khanh - Bac Giang Coal-fired Power Joint Stock Company
- Location: Dam village, Vu Xa commune, Luc Nam district, Bac Giang province (meandering section of Luc Nam river, 250m downstream from Cam Ly bridge), about 20 km southeast of Bac Giang City and 60 km northeast of Hanoi.
- Total investment: more than 22.5 trillion VND (equivalent to 1 billion USD)[5].
- The two banks financing the project: China Development Bank (CDB) and Industrial and Commercial Bank of China (ICBC)[6].
- Up to now, An Khanh Coal-fired Power Company has finished the geological survey, basic design, and basic construction investment procedures of the project; completed compensation and ground filling with an elevation of 8.2m and an area of over 50ha; completed the electricity and water supply systems for domestic use and construction; completed the operation office and roads connecting National Highway 37, green and lighting systems; basically completed the administrative building, , hall, canteen, embankment system and fence surrounding the project area[7].

Legal basis

The Prime Minister appointed An Khanh - Bac Giang Coal-fired Power Joint Stock Company as the project investor of An Khanh - Bac Giang Coal-fired Power Plant in Document No. 4360/VPCP-KTN dated 3/6/2016. At the same time, the PM allowed the company to propose to the Government to adjust the capacity from 100MW to 650MW[8].

Social basis

Once completed and put into operation, An Khanh coal-fired power project (in Dam village, Vu Xa commune, Luc Nam district, Bac Giang) expects to contribute more than VND 1,000 billion a year to the state budget, create jobs for about 500 workers, and supply about 4 billion kWh/year to the national grid[9].

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[4] http://nhietdienankhanhbacgiang.com.vn/xem-tin/nang-cong-suat-du-an-nhiet-dien-an-khanh---bac-giang-len-650-mw/Mjk.html

[5] http://nhietdienankhanhbacgiang.com.vn/tin-tuc/tin-cong-ty/Mg.html

[6] http://nhietdienankhanhbacgiang.com.vn/xem-tin/ky-thoa-thuan-cung-cap-tin-dung-cho-nha-may-nhiet-dien-an-khanh---bac-giang/MjY.html accessed on 20/8/2020

[7] http://nangluongvietnam.vn/news/vn/dien-luc-viet-nam/nhiet-dien-an-khanh-bac-giang-gop-suc-danh-thuc-nhung-tiem-nang.html accessed on 25/12/2020

[8] http://nhietdienankhanhbacgiang.com.vn/xem-tin/nhiet-dien-an-khanh---bac-giang--don-bay-phat-trien- accessed on 20/8/2020

[9] http://nhietdienankhanhbacgiang.com.vn/xem-tin/nhiet-dien-an-khanh---bac-giang--gop-suc-danh-thuc-nhung-tiem-nang/NDM.html Accessed on January 5th, 2020

PROJECT ASSESSMENT

Despite fully following the process of building a coal-fired power project under the Building - Operation - Transfer contract (BOT) for the Quynh Lap 1 project and independent power project with the capacity of >=30MV invested by private investors (IPP) for the An Khanh - Bac Giang project, there have been indications of violations of law and social-environment safeguard policies of Chinese banks which have decided to invest to planned to invest.

Quynh Lap 1
coal-fired power project

Legal

The project violated the regulations on public consultation and publicizing compensation and resettlement plans.

The Ministry of Natural Resources and Environment approved Quynh Lap 1 coal-fired power plant's Environmental Impact Assessment Report in Decision No.2784/QD-BTNMT dated December 2, 2016, and VINACOMIN approved its compensation and resettlement plan. However, the research team could not find this information and documents on the website of the project. Therefore, local people were confused and unsatisfied because they did not have any information about the progress of the project and the compensation and resettlement plan; they also did not have any information on how the project would continue implement either.

"They did it stealthily without informing the people that it was a land clearance, land for building project, but not a single villager knew about it. They did not let anyone know what the meeting was. We could hear the music (of the meeting), but they covered the stage they did not let villagers see, did not even let us go through…."

"They must have had the villager's consent or had a meeting with villagers before the ground-breaking, but they just came here and started the construction process without saying any words."

"Before building anything on this land, the villagers need to be informed and guaranteed that the project will not cause any pollution; if not, we will never accept that project."

According to Vietnamese law, particularly, point a of clause 2, article 69 of the Law of Land 2013:

"…a) The organization in charge of compensation and ground clearance shall make the plan for compensation, support, and resettlement and coordinate with the commune-level People's Committee in the locality to conduct consultations on the plans for compensation, support, and resettlement in the forms of meetings with land users living in the recovered area, posting up the plan for compensation, support, and resettlement at offices of the commune-level People's Committee and at common public places of the residential areas of which land is recovered."

The above documents must be publicly posted at the People's Committee's headquarter, and feedback from locals in the affected area must be collected and recognized. However, these documents were not made public, and related authorities did not consult with locals. As a result, according to the sharing of locals, Quynh Lap 1 coal-fired power project has violated many Vietnamese government's laws and banks' social-environment policies.

Natural, economic, and social conditions

Located in Quynh Luu district, Nghe An province, Quynh Lap commune has seafaring and fishing traditions. With its favourable natural conditions, the economy of Quynh Luu district has always been a fishery economy. The coastline is 19.5km long with two estuaries (Lach Quen and Lach Thoi) and nine regional communes where fishers always take the lead at using available resources to build and renovate fishing boats, gradually replace small boats with more extensive and modern ships to go further to the ocean, catching valuable seafood.

Once completed and put into operation, the total area of land and water surface of Quynh Lap 1 project will be 157,3 ha[10]. Due to the slow project implementation, hundreds of households in Quynh Lap commune have been affected. Hoang Mai town fell into a dilemma: people can neither stay nor leave[11].

100% of those interviewees disagreed with the construction of new power plants and expressed deep concern about air pollution, water sources, and diseases caused by emissions from coal-burning. They added that if wastewater, solid waste, and emissions from the plant were not treated carefully, they would cause pollution, significantly affecting people's daily life, aquaculture, and fisheries.

Local people said most of them did not have enough qualifications to have job opportunities in industrial parks and coal-fired power plants because the labour force in the commune was mainly manual laborers and fishers. Therefore, the project's target to employ locals working for the station might not be possible. Some people shared that they did not oppose the guidelines and policies of the State, but they would fight for the concealment of the project. Locals wanted the power station to convert into a green energy project (solar power, wind power, biomass power), which would be better for the area's economic and social conditions.

On November 26, the Standing Committee of Nghe An Provincial Party Committee proposed to the Prime Minister and the Ministry of Industry and Trade to stop the implementation of Quynh Lap Coal-fired Power Centre (including Quynh Lap 1 coal-fired power plant and Quynh Lap 2 coal-fired power plant), and to take this project out of the draft Power Plan VIII. The project did not receive acceptance and support from the local people and authorities, further confirming its natural, economic, and social unsuitability.

[10] Quynh Lap I project brief http://cms.vinacomin.vn/Share/Image/2020/02/10/ho-so-moi-quan-tam-tieng-viet-1532208415.pdf accessed on 25/12/2020
[11] https://baonghean.vn/mon-moi-vi-du-an-nhiet-dien-khong-trien-khai-264100.html Accessed on December 25th, 2020

An Khanh - Bac Giang

coal-fired power project

Legally

For the An Khanh - Bac Giang coal-fired power plant project, after the field survey, the research team identified the following signs of violations:

Firstly, violation of children's right:

The construction area of the power plant is only 280m from the commune kindergarten, 300m from the commune's high school, and the commune's secondary school locate in the industrial park, which is one of the prohibited acts according to Clause 13, Article 6, Law on Children 2016, specifically:

"…
13. Locating service establishments, production establishments, or goods storehouses that cause environmental pollution or hazards or are prone to fire and explosion near child protection service establishments, educational institutions, medical or cultural establishments, or play and recreation centres for children, or vice versa."

In addition, according to Article 74 of Law on Children 2016, children are entitled to participate in formulating and implementing programs, policies, legal documents, planning, and socio-economic development plans related to children. However, children living and studying in An Khanh - Bac Giang coal-fired power project area did not have the opportunity to participate or express opinions about the project.

Second, violation of industrial cluster scale's regulation.

In the construction plan of An Khanh - Bac Giang coal-fired power station, An Khanh industrial cluster has an area of 75 hectares (the maximum area of an industrial cluster as specified in Decree No.68/2017/ND-CP dated May 25, 2017). However, in the interview on November 27, 2020, local people said that the actual area used for the project might be more than 75 hectares. Decree No.68/2017/ND-CP on management and development of industrial clusters specifies as follows:

"…
Industrial clusters shall not exceed 75ha and not less than 10ha. In mountainous districts and craft village clusters, not less than 5ha." - Clause 1, Article 2

Similarly, Article 10 - Decree No.68/2017/ND-CP on the maximum area for the establishment and expansion of industrial clusters is as follows:

"…
a) Shall not exceed 75ha, having a land fund following the land use plan of the district."

An Khanh - Bac Giang coal-fired power plant project may have violated regulations on the scale of industrial clusters according to Vietnamese law and also violated the socio-environmental policies of investment banks.

Natural, economic, and social conditions

Luc Nam district is a mountainous district of Bac Giang province, with a strategic location and large road connecting many regions in the area. The district's natural condition is suitable for the development of cultural tourism due to its abundance of natural resources and beautiful landscapes. The district's orientation for socio-economic development in the coming years is to continue promoting agricultural development, industry, handicrafts, and focusing on tourism and services' investment. These are strengths that help the district to have a breakthrough in economic development.

After working with the people of Vu Xa commune, Luc Nam district, where An Khanh - Bac Giang coal-fired power project is expected to build, the research team has learned that this is a riverside commune with 90% of the people engaged in agriculture, animal husbandry and hired labour. Agricultural farming is directly affected by floods on the Luc Nam River because there is no system of dikes to control it. People are concerned that the coal-fired power project will directly affect the Luc Nam River because the plant uses a circulating cooling system and directly takes water from the river and then recirculates it back to the river with solid waste from the port construction dredging activities. Local people expressed concern and opposition to the option of burying coal ash right next to the river, as it would pollute the irrigation water, affecting many villages and communes along both banks of the river. Besides chimneys' smoke and dust, the transportation of coal from neighboring areas by waterway and road will also affect daily life, crops, and historical works around this area, such as Vinh Nghiem pagoda and Con Son - Kiep Bac relics.

100% of the people interviewed in Luc Nam commune, specifically Vu Tru Lang village (where the expected coal ash dump locates) and Dam village (where the coal-fired power plant will be built), think that the project will cause immediate and long-term environmental pollution. When asked about the plant's impacts on the environment, 100% believe that the water and air quality would deteriorate, leading to people's health issues. Not only environmental problems, but 74% of the interviewees are also concerned about agricultural land acquisition - fear the loss of a livelihood they once had[12]. Therefore, most people interviewed hope the project will be cancelled or replaced by a more environment friendly project.

An Khanh - Bac Giang coal-fired power project may promote local socio-economic development, but it is entirely not supported by the people because it is unsuitable with the district's natural, economic, and social conditions. Specifically, the project is against the economic development orientation of Luc Nam district, which is focused on developing agriculture and handicrafts, tourism, and services. In addition, Vu Xa commune often suffers from floods of Luc Nam river. There will be consequences on the land, water, and air if the investor does not have advanced environmental protection plans during the construction and operation process. Head of the Fatherland Front Committee of the residential area (Vu Tru village) said, *"When completed and put into operation, the plant will cause environmental pollution, not only air pollution but also groundwater pollution. The village is less than 1km away from the ash-slag dump. With 40 tons of coal ash every day, the decision to locate the dump right next to the village is not suitable. In the long run, pollution would deeply affect the health of people and children in the area."*

[12] Project report: Improving public awareness on sustainable energy development (GreenID)

Favourable natural conditions are the foundation for the development of local agriculture. 90% of the villagers live by farming, based on traditional experiences, and do not require any qualifications. Although their income is not high, the farmers have their arable land. With multiple cropping practices and productivity-increasing techniques, the life quality of each household is getting better. According to the promise of the project owners, the power plant will provide 400 jobs for the local people. However, local labour cannot meet the plant's recruitment requirements. Working in coal-fired power plants require highly skilled technical training. Most local people cannot apply for a job because of a lack of skills. Therefore, after the land acquisition, villagers will be robbed of their entire livelihood as they will lose their jobs and will be unable to change careers due to low education and a lack of skills. The Head of the Fatherland Front Committee of the residential area (Vu Tru village) said, "After three months of skill-testing, if our children do not pass, he/she will be eliminated. Meanwhile, the people's compensation money has already been spent on the training, so who is going to re-train them? They will be unemployed, come back home with empty hands. If people do not have their fields, they will starve to death…".

An Khanh - Bac Giang coal-fired power project did not receive local support due to its unsuitability with natural, economic, and social conditions of the district, in addition to environmental pollution problems (air, land, water) and their health Consequences; Unresolved social issues such as unemployment, social security are the causes leading to people's disagreement.

BANKS' ENVIRONMENTAL AND SOCIAL POLICIES

RELATED TO QUYNH LAP 1 AND AN KHANH BAC GIANG COAL-FIRED POWER PROJECT

Five banks are expected to invest in Quynh Lap 1 coal-fired power project: the Bank of China (BOC), the China Construction Bank (CCB), the China Development Bank (CDB), and the Export-Import Bank of China (China EXIM bank)[13]. Meanwhile, two banks are expected to invest in the An Khanh-Bac Giang coal-fired power project: the China Development Bank (CDB) and Industrial and Commercial Bank of China (ICBC)[14]. Through internal information, the bank's website, and the project's website, the research team could only access the environmental and social policies of the China EXIM Bank, BOC, and CBD. Bank of China has only issued two documents, namely Corporate Social Responsibility Policy and Environmental-Social Policy[15]. However, these two documents do not mention anything about overseas projects. Due to limited accessibility and disclosure of information in China, the research team was unable to collect documents on the socio-environmental policies of China Construction Bank (CCB) and Industrial and Commercial Bank of China (ICBC).

[13] https://www.marketforces.org.au/research/vietnam/quynh-lap/ Accessed on December 25th, 2020

[14] http://nhietdienankhanhbacgiang.com.vn/xem-tin/ky-thoa-thuan-cung-cap-tin-dung-cho-nha-may-nhiet-dien-an-khanh---bac-giang/MjY.html. Accessed on August 20th, 2020

[15] https://www.bankofchina.co.th/en-th/top/about-us/corporate-social-resposibilty/corporate-social-responsibility-policy-bochk.html. Accessed on December 25th, 2020

China government's Green Credit Guidelines

To reduce and prevent disasters from large-scale development projects funded by domestic financial institutions, in 2007, the China government, specifically The China Banking Regulatory Commission (CBRC) published the "Green Credit Policy and Guidelines." This Policy and Guidelines established standards in sustainable finance. At the same time, it was the foundation for China's future green finance policies. The Green Credit Guidelines encouraged banks to lend more to climate-friendly projects, actively adjusting their credit structure, and preventing environmental and social risks, all of which would better serve the economy and promote economic growth.

In 2012, CBRC updated its "Green Credit Policy and Guidelines" to "Green Credit Guideline" (GCG). GCG, through its regulations, put the first brick into the global sustainable finance foundation by requiring banks and financial institutions to comply with the local law and international standards in lending activities and foreign investments. GCG is the only tool for China and its banking industry to affirm its commitment to sustainable investment[16].

Based on these guidelines, banks must strengthen the environmental and social risk management for overseas projects and comply with the local laws and regulations on environment, land, health, and safety. In addition, they must publicly commit to applying relevant international standards or best practices to overseas projects, thereby ensuring projects are in line with international best practices[17].

China Development Bank (CDB)'s environmental and social policy

The 2015 Sustainability Report stated that CDB has a framework for environmental and social management for foreign loans[18]. However, due to limited access to information, the research team can only access CDB's Environmental and Social Policy for domestic projects. We cannot confirm if the CDB's lending process for domestic energy projects is similar to overseas projects. Therefore, domestic environmental and social policies analysis is for reference purposes only.

Over the years, CDB has developed many finance processes and internal guidelines about the society and environment. In addition, CDB has also participated in international agreements related to this subject. However, several internal procedures and policies are not disclosed to the public, namely the 2004 CDB Lending Assessment Handbook, providing specific instructions on lending procedures, customer assessment, environmental examination process, a different financial standard for each industry; In addition, there exist sectoral policies on environmental protection, energy-saving, emission reduction, and solar energy development; Branch Policies or Global Compact[19].

The Chinese Government requires the CDB to comply with the National Environmental Law. The bank also requires loan applicants to submit an Environmental Impact Assessment (EIA) report. CBD will refuse the loan application

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[16] Socio-environmental safeguard policy in foreign investment projects of China, Korea, and Japan: The Manual (GreenID)

[17] http://www.gflp.org.cn/public/ueditor/php/upload/file/20181106/1541438088498422.pdf accessed on 25/12/2020

[18] https://s3-us-west-2.amazonaws.com/ungc-production/attachments/cop_2016/335091/original/CHINA_DEVELOPMENT_BANK_SUSTAINABILITY_REPORT_2015.pdf?1478253427 Accessed on December 25th, 2020

[19] Socio-environmental safeguard policy in foreign investment projects of China, Korea, and Japan: The Manual (GreenID)

if the project fails to comply with environmental protection laws or obtain valid licenses from related authorities. However, the question is whether loan applicants are compliant with the State environmental laws and regulations, and how CBD ensures that their clients strictly follow the bank's socio-environmental policies.

CBD has developed a socio-environmental guide for domestic loan applicants. Using a loan agreement contract, CBD makes sure that the applicants comply with the bank's policies, including environmental policies and financial industry standards. In case of non-compliance, CBD may reduce collateral asset value or even cancel the loan.

China Exim Bank’s environmental and social policy

In 2004, China EXIM bank announced an “Environmental Safeguard Policy” requiring loan applicants to assess environmental impacts at all three phases of a project (design, construction, and operation) and to improve their environmental management.

In August 2007, China EXIM bank released an updated and more detailed version of the policy, “Guidelines for Environmental and social impact assessment of China EXIM bank’s Loan Projects,” which applies to domestic and foreign investments. Accordingly, besides economic benefits, various social and environmental aspects also need to be considered before the project is approved. These guidelines require ecological and social impact assessment in the lending process and loan management.

Based on the Environmental Safeguard Policy, China EXIM Bank has established three stages for assessing environmental risks:

- An environmental impact assessment is required before project approval, and it must be considered a prerequisite for project approval. Therefore, the bank never considers funding any projects that are not approved by environmental authorities.
- During the implementation process, the bank will regularly review data on the project's environmental impacts. If a project harms the environment, the bank will require immediate measures and may even suspend lending.
- The final environmental impact assessment of the project will be conducted in the post-completion or pre-completion phase. Note that during this phase, there may be modifications to the environmental requirements.

When China Exim Bank was assigned by the China Government to promote international trade in goods and services, lending process requirements for overseas projects must be the main focus. However, it is difficult to access information about the environmental and social factors affecting lending decisions of China EXIM bank.

In case of non-compliance with environmental laws, China Exim bank may take the following actions: demanding customers to remedy violations, pausing and blocking credit, issuing warning letters, enacting business restrictions, withdrawing credit, imposing stringent collateral requirements, reducing collateral assets value, and cancelling loans.

Recommendation mechanism for communities of banks

As of now, it is still difficult for affected communities to contact China EXIM bank and CDP about the borrowers’ environmental or social violations. Although China Exim bank has general contact information on the two banks' websites, there is no specific information on who or what department is designated to manage responses to public requests for loans. Over the past few years, communities, along with civil society organizations, have coordinated efforts to communicate with CDB about the environmental and social compliance of CDB borrowers through a social responsibility management email, but it seems this email is no longer active.

Evaluation of environmental and social policies of banks

According to the Green Credit Guidelines, all Chinese banks must declare and publish which international measures or international standards will be applied to foreign projects such as The Equator Principle, the Global Compact, United Nations Environment Program Financing Initiative (UNEP FI). Basically, banks must meet international regulations on environmental and social impacts. However, in their social and environmental policies, both CDP and China EXIM banks have not yet met some general principles such as the Principles of Consultation and Information Disclosure, Principles of complaint mechanisms.

Basically, the spirit of the environmental and social policies of most Chinese banks is consistent with the provisions of Vietnamese law, according to which the socio-environmental impact assessment is evaluated based on Vietnamese law. Although there are still some limitations, in general, the environmental and social policies of the banks are compatible with the Vietnamese laws and regulations, so that the project evaluation is also more convenient based on the general spirit of protecting the social environment.

During the research process, we made great efforts to approach the social and environmental policies of Chinese banks, but the research team only approached the social and environmental policies of some banks such as China Development Bank CDP, China Export-Import Bank (China EXIM Bank) while other banks' information on policy - environment was inaccessible. Difficulties in accessing information of banks led to the research not being able to show all the risks in social and environmental policies that banks may face when investing in coal-fired power projects in Vietnam.

RISKS FOR FINANCIAL INSTITUTIONS

WHEN INVESTING IN QUYNH LAP 1 COAL-FIRED POWER PROJECTS AND AN KHANH - BAC GIANG COAL-FIRED POWER PLANTS

As a source of investment capital, credit institutions play a very important role in directing cash flows to projects to balance financial goals and ensure environmental protection. Within the scope of this report, by pointing out the risks from the bank's practice of applying environmental and social policies, the research team makes recommendations for banks that have been and are planning to invest, which need to be balanced. Reminders of risks when investing in Quynh Lap 1 coal-fired power projects and An Khanh - Bac Giang coal-fired power plants as shown below.

Risks from two coal-fired power projects Quynh Lap 1 and An Khanh - Bac Giang

First, the loss of coal-fired power: The world has been rapidly transitioning to renewable energy, prioritizing protecting human health. Resolution 55 of the Politburo issued on February 11 on "Vietnam's national energy development strategic orientation to 2030, with a vision to 2045" reveals Vietnam's new prioritization on developing renewable energy sources and reducing the proportion of coal coal-fired power in a reasonable way.

In recent years, the world has witnessed with its own eyes the severe consequences caused by environmental pollution and climate change, whether that be the increasing air pollution in China and Vietnam within recent years, forest fires across Indonesia in 2019, or the ravaging of the Amazon by forest fires in 2020. In addition, the Covid -19 pandemic is still traumatizing the whole world. In just the two months of October and November, Vietnam suffered seven catastrophic storms that claimed the lives of hundreds of people, thousands of people losing their houses, caused tens of trillions in damage. Environmental pollution and climate change are no longer a problem of any country or territory, but rather that of the whole world. The economic benefits from hydroelectricity and coal-fired power plants cannot overcome the consequences of environmental pollution and climate change caused by the construction and operation of hydroelectric and coal-fired power plants.

Secondly, credit risk: currently, enterprises investing in the form of IPP do not have policies to have foreign currencies guaranteed and annual electricity output underwritten. The price of coal-fired power in 2019 issued by the Ministry of Industry and Trade was VND 1,677- 1,896/kWh, an average of VND 1,787/kWh (www.evn.com.vn). Without taking into account the above environmental costs, the price of coal-fired power is already higher than the highest price of gas power that PetroVietnam (PVN) is selling to Electricity of Vietnam (EVN) at Nhon Trach 2 power plant at 1,603 VND/kWh (www.stockbiz.vn). The price of coal-fired coal-fired power is also higher than the price of land and water surface solar power. Since coal electricity is costly and EVN does not consume the annual electricity output, one must ask where these coal-fired power projects get the source to repay loans. This is a risk that banks need to consider and consider when planning to invest in coal-fired power projects in general and two coal-fired power projects in Quynh Lap 1, An Khanh - Bac Giang in particular.

Third, legal risk: the project shows signs of serious violations of Vietnamese law and the criteria in the Bank's environmental and social policy. Through a survey in late November 2020 and early December in two localities where two coal-fired power projects were implemented, many signs of violations were detected in the process of environmental impact assessment in implementation of projects. Thus, lenders must ask themselves if there is a future for projects that violate the laws. While legal risks are always present in energy projects in Vietnam, the risks associated with these two projects are already high based on this research. Since it is the project owner who has the legal obligation to address risks before they are discovered, owners must be judicious in their investigations, risks will be discovered only once they have caused significant damage to the community, which will prevent meaningful capital recovery for these owners and force developers out of any future projects due to a loss of public trust. This is a risk that banks need to consider ensuring safe and effective investment.

Fourth, image-reputation risk: Banks have a role in deciding whether to lend to the project through the appraisal of the borrower's profile. Therefore, if the bank does not seriously assess the environmental and social impacts of the project within the context of the existing consequences of pollution for various suffering populations, these banks will become the object of criticism. If the plant is built and put into operation, causing environmental and social losses to the locality, there is no basis to guarantee that the banks will not be affected in terms of reputation and image. The two coal-fired power projects mentioned above did not receive the community's consent due to their potential economic, environmental, and communal risks, especially the signs of law violation of the two projects above frustrated people. Banks need to consider this aspect before deciding to invest.

Risks from environmental and social policies of banks that have been and are planning to invest in two coal-fired power projects

Firstly, the risk of failure to disclose and be transparent about the environmental and social policies of banks: Difficulties and limitations in China's access to information is a political issue. However, the economic-environmental policies applied to foreign projects and loans should be made public so that foreign project owners have opportunities to access capital. Additionally, by publicizing their environmental-social policies, these banks will enable individuals and organizations concerned with the environment to access these policies and serve as supervisors for the implementation of these rules. In Vietnam, the environmental impact assessment and the evidence on the social environment provided by the project owners to the bank is still very formal and subjective. Even the communities affected by environmental pollution do not know the behaviours of project owners violate the environmental social policies of the lending banks who provide these loans and therefore are unable to provide information timely to the banks. This is a potential risk that threatens the bank's reputation as a lender.

Second, the risk of ineffective recommendation mechanism for the community: For example, the community recommendation mechanism of two banks, China EXIM Bank and CDP, shows that the quality of the community recommendation mechanism has not been invested enough with the importance of the problem, leading to ineffectiveness in practice. In fact, the community does not know who to report to, nor who is responsible for promptly responding about environmental and social issues to the banks, and it seems that the banks have lost an effective monitoring channel from the community. Due to not being promptly reported, the issues increase credit, legal, and reputational risks to the banks.

Conclusions

Currently, not only credit institutions and banks but also other investors who finance fossil energy projects such as coal-fired power are aware that they not only face increasing risks financially but can also be subject to criticism and reputational damage if they fail to properly inspect and appraise the environmental and social impacts of projects.

The world turned away from coal-fired power in the context that the environmental hazards of this form of energy is one of the main causes of environmental pollution and climate change. Additionally, the risks of capital recovery and image deterioration that result from when projects violate regulations or fail to get support from the community or local authorities has made investors wary of fossil fuel projects. Environmental and social risks to the localities where the projects are located, in addition to financial and reputational risks to banks are the reasons why the research team made a number of recommendations to investors, financial institutions and banks planning to lend to coal-fired power projects in general and two coal-fired power projects Quynh Lap 1 and An Khanh - Bac Giang coal-fired power plant in particular as follows:

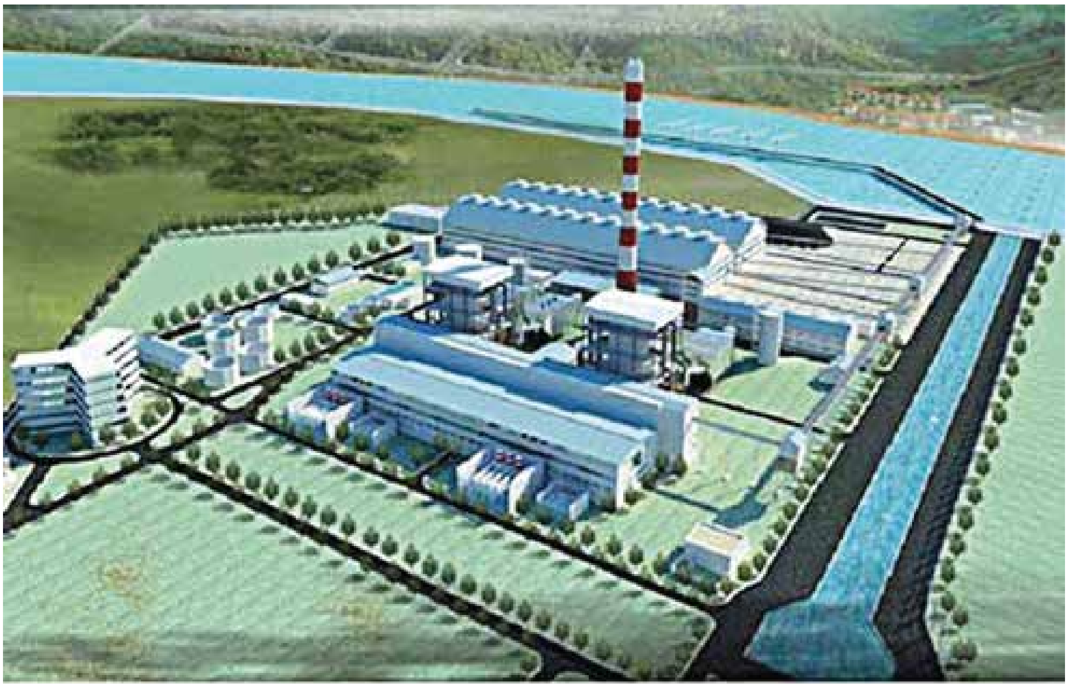
- Ensure application of international principles that have been entered and signed on environmental and social policies for investment activities.
- Consider financial, legal, and reputational risks when investing in projects with potential environmental and social hazards such as coal-fired power plants.
- Publicize the Environmental - Social Policy on the website so that interested parties can access it, enhancing the effectiveness of the community's recommendation mechanism.
- For Vietnamese commercial banks, it is necessary to consider the risks from projects that cause environmental pollution, in accordance with the spirit of not compromising the environment, culture, and social civilization for economic benefits of the country.

Annex

Annex 1

Diagram of 02 coal-fired power projects Quynh Lap 1 and An Khanh - Bac Giang

1. Quynh Lap 1 coal-fired power project map (baodautu)



2. Model of An Khanh - Bac Giang coal-fired power plant (nangluongvietnam.vn)

Annex 2

China Export and Import Bank (China EXIM Bank)

Notice for the “Guidelines for Environmental and Social Impact Assessments of the China Export and Import Bank’s (China EXIM Bank) Loan Projects"

Guidelines for Environmental and Social Impact Assessments of the China Export and Import Bank’s (China EXIM Bank) Loan Projects

General Principles

Article 1. In order to implement the national strategies for sustainable development, promote economic, social and environmental development, and effectively control credit risks, the Guidelines were developed according to the "People's Republic of China’s Environmental Impact Assessment (EIA) Act," "People's Republic of China’s Environmental Protection Law", "Environmental Management for Construction Project Ordinance" and other relevant state laws and regulations, and with reference to the relevant regulations and procedures for the environmental and social assessments of international financial organizations.

Article 2. These Guidelines apply to the loan procedure of China EXIM Bank.

Article 3. The China EXIM Bank’s loan projects are classified as domestic or offshore projects, according to the area in which the projects are implemented. Domestic projects mean that the projects are implemented inside China with China EXIM Bank’s loan support. Offshore projects refer to projects that are implemented outside China with China EXIM Bank’s loan support.

Article 4. When China EXIM Bank reviews its loan projects, the bank considers not only economic benefits, but also social benefits and environmental standards.

Article 5. Environmental assessment refers to the systematic analysis and evaluation of environmental impacts and its related impacts on human health and safety due to the implementation of the projects. The assessment then proposes policies and measures to reduce the impact. The scope of the impact assessment includes assessment of air, water, soil, waste, natural environment, and other factors.

Article 6. Social impact refers to the systematic analysis and assessment of the impact on socio-economic, natural resources and social environment caused by project implementation, and proposals for policies and measures to reduce that impact. The scope of evaluation includes labour and terms of employment, social security and health, land acquisition and migrants’ protection, etc.

(CDB); The Export-Import Bank of China - China EXIM bank; Industrial and Commercial Bank of China (ICBC).

Chapter I. Domestic Project Evaluation

Article 7. Domestic projects should abide by the government policy of Energy Conservation, Pollution Reduction and adjustment of industrial structure, control and restrain the loan commitment for industries with high-level pollution, high-level energy consumption and surplus production capacity, and withhold financial support for inefficient projects and technological projects.

Article 8. China EXIM Bank encourages clean production, especially the creation of a circular economy, which protects the environment, saves energy, and develops technology to combat pollution.

In accordance with the National Development and Reform Commission (NDRC)'s "Catalogue of Guidelines for the Adjustment of the Industrial Structure", China EXIM Bank will increase the loan commitment for investment projects encouraged by the Government. The investment projects that are classified as "restricted by the government" will face differential treatment. "Incremental stock projects" in the restricted list will not be provided with credit support, while "stock projects" in the restricted list, if the state allows for adjustment in a certain period of time, will be granted the necessary credit support. If projects are not included in both lists of restriction or elimination, resource conservation and environmental protection factors should be carefully considered when providing credit support in accordance with the principle of credit.

Article 9. When considering loans for non-construction related domestic the review mainly concerns with the borrower's environmental compliance and resource and energy conservation factor. Borrowers who exceed emissions and energy consumption standards and do not meet the requirements of environmental protection and energy conservation will not be given additional lines of credit, and the existing credit will be gradually withdrawn. The energy consumption and pollutant emissions standards refer to the industry standards and norms set by relevant state departments.

Article 10. Domestic construction projects shall undergo not only environmental protection and energy consumption reviews, but also an environmental impact review, according to the approval advice from the EIA, conducted by the departments in charge of environmental protection. China EXIM Bank has the right to request that borrowers hand in their EIA report, EIA form and EIA registration form under the environmental protection departments regulation. The projects that do not gain the approval from the environmental protection department will not get credit support from China EXIM Bank.

The specific approval procedures of the environmental protection departments can be found at the "construction project EIA document classification and approval regulation" (the State Environmental Protection Administration (SEPA) 2004, No. 15) and "EIA construction project approval procedure" (the SEPA Order Year 2005, No. 29).

Article 11. China EXIM Bank, if necessary, shall take environmental and social responsibilities into account in the loan contract to facilitate and control the borrowers' behaviours.

Chapter II. Offshore Project Evaluation

Article 12. Offshore project assessments should abide by the following principles:

(1) An EIA should be done before or during the loan period and, to monitor the environmental impacts during post-loan period.

(2) The host country's environmental policies and standards are the basis for evaluation. Offshore projects should abide host country's laws and regulations and obtain necessary environmental permits. When the host country does not have a complete environmental protection mechanism or lacks environmental and social impact assessment policy and standards, we should refer to our country's standards or international practices.

(3) Respect the local people's rights to land and resources, and properly handle the resettlement problems.

(4) For the projects that have serious negative impacts on the local environment, Exim believes that “investors should openly consult with the public in accordance with the host country’s requirements”.

Article 13. China EXIM Bank follows these procedures of environmental and social assessment for offshore projects:

(1) The borrowers or project owners submit the approval document and environmental and social impact assessment report issued by the authorities of the host country.

(2) China EXIM Bank reviews the loan application documents submitted by the borrower and hires independent experts when necessary.

(3) China EXIM Bank negotiates with the project owners or the borrowers to make amendments to the project proposal, based on the environmental and social assessments.

Article 14. China EXIM Bank, if necessary, can require the inclusion of environmental and social responsibilities in the loan contract, to monitor and control the behaviour of borrowers.

Chapter III. Loan Management and Supervision

Article 15. China EXIM Bank shall inspect and monitor project planning and implementation, based on the results of environmental and social impact assessments.

Article 16. For projects under construction, the borrowers or project owners should regularly report to China EXIM Bank about the actual impacts on the environment and society due to project construction, and the progress in implementing measures used to curb and lessen these impacts.

China EXIM Bank shall inspect the project’s post-loan management including its environmental and social impacts.

Article 17. During the project completion stage, the borrowers or project owners of the construction projects need to submit document concerning the commitment to environment standards for the completion stage of the project, which should abide by "the commitment to environmental standards on the completion of the construction project" (the SEPA Order Year 2001 No. 13); the borrowers or project owners of the offshore construction projects should submit these documents during the completion stage of projects to the China EXIM Bank. The documents should meet the requirements of the host country’s regulations.

Article 18. For construction projects in its implementation stage, China EXIM Bank should carry out during and post-project monitor and management. The monitoring of project's environmental and social impact should be carried out together with the post-project management, and the post-project inspection report should also include environmental and social impact content.

Article 19. For projects under construction or in implementation but cause serious environmental and social problems, China EXIM Bank has the right to require the borrowers or project owners to take timely measures to curb these impacts. If they fail to do so, the China EXIM Bank has the right to stop disbursing the loans and demand an early payback of the loan, in accordance with the contract.

Supplementary Provisions

Article 20. These Guidelines were developed, interpreted, and revised by the China EXIM Bank.

Article 21. These Guidelines shall come into force upon its issuance.

2007-08-28

Annex 3

China's Green Credit Guide

CBRC China Banking Regulatory Commission's announcement on the release of the CBRC Green Credit Guidelines

CBRC representative office, policy bank, state-owned commercial bank, joint-venture commercial bank, financial asset management company, PSBC, provincial rural credit union, as well as all trust companies, corporate finance companies, and direct finance leasing companies regulated by CBRC:

To Implement macro-adjustment policies specified in the State Council's General Work Plan on Energy Saving and Emission Reduction in the 12th Five-Year Period and the State Council's Opinion on Strengthening the Environmental Protection Priorities, and in accordance with the requirements to align with the Supervisory Policy with industrial policies, the CBRC has developed Green Credit Guidelines aimed at encouraging banking institutions, focusing on green credit, active adjustment to credit structure, effective prevention against environmental and social risks, to better serve the economy and promote the transformation of economic growth model and economic restructure. This guide is printed and released for implementation.

The banking supervisory body needs to forward the Notice to the local banking institutions in the area and urge these banking institutions to implement it.

February 24, 2012
China Banking Regulatory Commission

GREEN CREDIT PRINCIPLES

Chapter I. General Rules

1. The Guidelines are developed based on the Banking Industry Regulation and Regulatory Law of the People's Republic of China and Commercial Banking Law of the People's Republic of China, with the aim to promote green credit growth between financial institutions.
2. The Guidelines apply to policy banks, commercial banks, rural cooperative banks, and rural credit unions established in the People's Republic of China (hereinafter referred to as banks).
3. Banks will promote green credit as a strategy, supporting the economy to develop green, low-carbon, and recycling models through business innovation, environmental and social (E&S) risk management, the bank's own environmental and social performance improvement, and in doing so the banks will optimize credit structures, improve services, and contribute to the transformation of economic growth models.
4. Banks must effectively identify, assess, monitor, control or reduce environmental and social risks in their business operations, develop environmental and social risk management systems, increase credit for relevant policies and procedures. Environmental and social risks as referred to in the Guidelines address the potential impact and risk to the environment and communities due to the business operation of bank's customers and their primary supplier through construction, production and operation activities, including environmental and social issues such as energy consumption, pollution, land, health, safety, resettlement, ecosystem reservation, climate change, etc
5. The China Banking Regulatory Commission (CBRC) is responsible for the supervision and management of banks' green credit operations and environmental and social-related risks management.

Chapter II. Organizational Structure: Roles and Responsibilities

6. The Board of Directors or the Bank's Board shall promote concepts related to green credit including resource efficiency, environmental protection, and sustainable development, emphasizing the role of banks in contribute to inclusive, balanced and sustainable economic and social development, and develop a sustainable business model that enables win-win for banks and society at large.
7. The Board of Directors or the Bank's Board takes responsibility in devising green credit growth strategies, approving the banks' green credit targets, and reports developed by senior management, supervisors, and managers, monitoring, and evaluating the implementation of banks' green credit growth strategy.
8. The bank's senior management will follow the decisions of the Board of Directors or the Board, develop green credit goals, establish mechanisms and processes, clarify responsibilities and authorities, carry out internal audit and conduct evaluation, provide an annual report on green credit activities to the Board of Directors or Board and report to the regulatory agencies.
9. The bank's senior management must arrange a senior manager and a division to lead and manage the green credit-related work and provide necessary resources. If necessary, a multifunctional green credit committee can be established to ensure effective facilitation.

Chapter III. Policy and Capacity Building

10. Banks must develop and improve policies, systems, and procedures for environmental and social risk management, identify the focus and priorities for green credit investment in accordance with national environmental laws and regulations, industry guidelines, and industry-specific entry

policies. For industries (i) falling into the restricted list and being subjected to national control; or (ii) with significant environmental and social risks, banks will develop specific credit guidelines, implementing a differentiated and dynamic credit policy, and incorporating risk control systems.

11. Banks must develop an environmental and social risk rating standard to assess and classify their customers' environmental and social risks. The results of the evaluation and classification will become an important basis for customer ratings, credit approval, portfolio management, and making exit decisions. In addition, based on that outcome, banks will have different risk management measures in the 3 checkpoints of the loan cycle (due diligence, credit review, and portfolio review investment), and in loan pricing, setting risk and capital-adjusted return targets. Banks must develop a list of clients with major environmental and social risks. Such clients will be required to develop and implement action plans for the major risks involved, put in place comprehensive and effective communication mechanisms with stakeholders, and seek mitigation measures, for example through a third party that shares potential environmental risks.
12. Banks must create a mechanism to encourage green credit innovation. The Bank will promote innovation in green credit business, products, and services under the basis of effective risk control and reasonable commercial viability.
13. Banks must improve the performance of environment and society-related activities during operation, incorporate relevant systems, emphasize awareness-raising on green credit, standardize business conduct, promote green office, and improve resource efficiency.
14. Banks must strengthen capacity in green credit, develop and improve green credit business definition, classify, and provide statistics, improve relevant credit management system, carry out more trainings, recruit and train full-time green credit staff. If needed, banks can use qualified and independent third-party environmental and social risk assessment or other professional service providers for efficient outsourcing.

Chapter IV. Loan process management

15. Banks must strengthen due diligence. Banks must define the scope of their environmental and social risk due diligence based on sectoral and geographic characteristics of their clients or projects, to ensure a thorough, and detailed assessment. If needed, banks can seek assistance from qualified and independent third-party and relevant regulatory authorities.
16. Banks must conduct rigorous compliance reviews of their customers. Banks will develop list of compliance documents and a list of compliance risk assessment for environmental and social factors based on the client's specific industry characteristics, making sure that the documents and Licenses submitted by the customer are compliant, effective, and complete, showing that the client has sufficient knowledge and effective measures to monitor and control the identified risks and comply by nature.
17. Banks must strengthen credit approval management. Banks will determine the procedures and credit approval authorization based on the nature and severity of the environmental and social risks faced by the customer. Banks shall not give credit to customers who do not comply with environmental and social standards.
18. Banks must make changes to loan contracts to encourage customers to improve environmental and social risk management. For customers with significant environmental and social risks, loan contracts will require the customer to provide E&S (environmental and social) risk reports, containing customer representatives and guarantees on improving E&S risk management, designing covenants so that customers are subjected to lender supervision, and offering remedial measures to banks in the event of any breach to E&S agreements by the customer.

19. Banks strengthen loan disbursement management. The management of environmental and social risks for customers will become an important basis for banks to make loan disbursement decisions. Throughout the project cycle, including design, project preparation, implementation, completion, operation, and closure, the E&S risk assessment will be systematically examined. In the event of potentially large risk, the banks may hold or even terminate capital disbursement.
20. Banks must strengthen portfolio management. Banks will develop and implement specific portfolio management practices for clients with significant environmental and social risks. Banks should closely follow national policies on the performance impact of “influencing customers”, maintain active monitoring and analysis, and make timely adjustments to classify asset risk, provisioning, and write-off loss. Banks must develop and improve an internal reporting and accountability system for major E&S risks. In case of major E&S issues, banks should take timely measures and report to the authorities about the potential risks that the bank incurs.
21. Banks will strengthen E&S risk management for proposed overseas projects, ensuring the sponsors will comply with environmental, land, health laws, and laws and regulations on safety in the project country or region. Banks will publicly commit to applying relevant international standards or best practices to offshore projects, ensuring that projects are in compliance with international practices.

Chapter V. Internal management and information disclosure

22. Banks must include green credit activities as part of their internal compliance review, organize regular internal reviews of green credit activities. Where key issues are identified in such reviews, banks will be subjected to the relevant regulatory accountability.
23. Banks must develop a green credit performance assessment, reward and penalty system, ensure that incentives are applied and implemented, and that green credit is implemented effectively.
24. Banks must publish green credit strategies and policies, and green credit implementation progress. For credit information related to major environmental and social risks, banks are required to disclose information as required by laws and regulations and are subjected to market and stakeholder’s scrutiny. If necessary, banks may hire a qualified and independent third party to conduct an assessment or audit of the bank's E&S responsibility performance.

Chapter VI. Monitoring and Inspection

25. CBRC will further its coordination with other regulators, establish and develop a long-term information sharing mechanism, improve information services and provide banks with up-to-date information about the relevant E&S risks.
26. CBRC will strengthen external supervision and management, establish, and improve external monitoring indicators, reinforce monitoring and analysis of E&S that the banks are facing, and provide timely guidance so that the banks can improve their risk management and adjust their investment directions. In line with the Guidelines, banks will conduct a comprehensive review of green credit operations at least twice a year and submit a self-assessment report to the CBRC.
27. For on-site audits, the CBRC must carefully consider the E&S risks faced by banks, determining the scope and requirements for such inspections. Areas or banks with residual E&S risks will be specifically examined and required to implement enhancement measures based on the inspection results.
28. CBRC will continue to reinforce its guidance for banks to conduct self-assessment of green credit performance, fully assess banks' green credit results based on offsite monitoring and on-site inspections, use those results as an important basis for regulatory reviews, licensing, and senior management performance reviews in compliance with relevant laws and regulations.

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