

Export-Import Bank of India

Type of Engagement: Sustainability Bond Post-Issuance Review

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Engagement Team:

Nilofur Thakkar, nilofur.thakkar@morningstar.com,

Ankita Mani, ankita.mani@morningstar.com

Vedang Kulkarni, vedang.kulkarni@morningstar.com

Introduction

In January and March 2023, the Export-Import Bank of India (“EXIM Bank” or the “Bank”) issued sustainability bonds (the “2023 Sustainability Bonds”) under the EXIM Bank Environmental, Social, and Governance Framework (the “Framework”)¹ aimed at financing or refinancing “Eligible Projects” in the areas of Renewable Energy, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Clean Transportation, Green Buildings, Energy Efficiency, Access to Essential Services and Basic Infrastructure, Food Security and Sustainable Food Systems, MSME Financing and Affordable Housing in developing countries. Sustainalytics considers that such investments may advance the transition towards a sustainable economy and provide social benefits in developing countries.

EXIM Bank engaged Sustainalytics to review the alignment of the projects funded through the 2023 Sustainability Bonds with the Framework and provide an assessment as to whether the projects funded through the issued 2023 Sustainability Bonds met the Use of Proceeds, Project Evaluation and Selection, Management of Proceeds criteria and Reporting commitments outlined in the Framework.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2023 Sustainability Bonds based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Complied with the Project Evaluation and Selection and the Management of Proceeds commitments outlined in the Framework; and
3. Reported on allocation of proceeds category outlined in the Framework.

Table 1: List of Use of Proceeds Categories and Eligibility Criteria²

Use of Proceeds Category	Eligibility Criteria
Renewable Energy	<ul style="list-style-type: none"> Investments in renewable energy production, transmission, construction including equipment, appliances and products Eligible renewable energy technologies: solar, wind and small hydro (<25MW)
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> Sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation
Pollution Prevention and Control	<ul style="list-style-type: none"> Emissions reduction, waste treatment, recycling or reuse, energy/emissions-efficient waste to energy
Clean Transportation	<ul style="list-style-type: none"> Electric or hybrid rail transportation, freight and people rail transport, mass transit projects, electric or hybrid vehicles and related infrastructure, complying with the Climate Bonds Initiative Low Carbon Transport Criteria Version 2 (dated 3 November 2020)³
Green Buildings	<ul style="list-style-type: none"> Acquisition, construction or refurbishment of buildings which (i) meet one or more recognised standards, such as:

¹ The Export-Import Bank of India, “Environment, Social and Governance Framework”, at: <https://www.eximbankindia.in/esg-framework-details.aspx>

² The Framework defines six categories of green use of proceeds and four categories of social use of proceeds. The Bank has allocated proceeds from the current issuances to three green and two social categories.

³ Passenger Activity Threshold of 50g CO₂ per p-km and Freight Activity Threshold 25g of CO₂ per t-km (prior to issuance year 2025); zero thereafter.

	<ul style="list-style-type: none"> - U.S. Leadership in Energy and Environmental Design (LEED): minimum 'Gold'; or - Building Research Establishment Environmental Assessment Method (BREEAM): minimum 'Excellent'; or - Indian Green Building Council (IGBC): minimum 'Gold'; or - Any other appropriate green building label, that is an equivalent standard as the above;
Energy Efficiency	<ul style="list-style-type: none"> • Investments in energy efficient appliances and products (e.g. LED lights and motion sensor lights) • Refurbishment of buildings that delivers a minimum 30% increase in energy efficiency or grade improvement(s) according to local certifications.
Access to Essential Services and Basic Infrastructure	<ul style="list-style-type: none"> • Increasing or providing access to free or subsidized healthcare, emergency services and education and vocational training for the general public • Increasing or providing access to clean drinking water, sewers, sanitation, transport, telecommunications and energy in developing countries as defined by the OECD⁴
Food Security and Sustainable Food Systems	<ul style="list-style-type: none"> • Physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; reduction of food loss and waste;
MSME Financing	<ul style="list-style-type: none"> • Lending to MSMEs and contributing to creating or maintaining local jobs in low and lower middle income countries (L & LMI)⁵, including under Exim Bank's Grassroots Initiatives And Development Programme (GRID), Marketing Advisory Services (MAS) and Ubharte Sitaare Programme (USP)⁶
Affordable Housing	<ul style="list-style-type: none"> • Finance construction of affordable housing projects in developing countries as defined by OECD Development Assistance Committee (DAC) list of Official Development Assistance Recipients.³

Issuer's Responsibility

EXIM Bank is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from EXIM Bank's 2023 Sustainability bonds. The work undertaken as part of this engagement included collection of documentation from EXIM Bank and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by EXIM Bank. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by EXIM Bank.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

⁴ OECD Development Assistance Committee list of Official Development Assistance Recipients (current list can be downloaded here: <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/daclist.htm>)

⁵ As defined under Guidelines on Lines of Credit extended by the Government of India under the Indian Development and Economic Assistance Scheme - <https://www.eximbankindia.in/assets/pdf/loc/GOI-Guidelines-on-LOC.pdf>

⁶ Details available at <https://www.eximbankindia.in/ubharte-sitaare>

Conclusion

Based on the limited assurance procedures conducted,⁷ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. The Bank has disclosed to Sustainalytics that as of March 2023, of the total USD 1,098.50 million issuance, USD 1,019 million of the 2023 Sustainability Bonds proceeds were allocated⁸ and a balance of unallocated proceeds of USD 79.5 million will be held in accordance with the Bank's liquidity guidelines for short term time deposits or investments or will be used to repay debt, excluding any debt towards non-green activities.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the 2023 Sustainability Bonds to determine if projects aligned with the use of proceeds criteria outlined in the Environmental, Social and Governance Framework.	All projects reviewed complied with the Framework's Use of Proceeds criteria. ⁹	None
Project Selection, and Management of Proceeds Criteria	Verification of the projects funded by the 2023 Sustainability Bonds to determine if the commitments under processes for project selection and management of proceeds were consistent with the Framework.	EXIM Bank's processes for project selection and management of proceeds for the 2023 Sustainability Bonds issuance are consistent with the commitments described in the Framework.	None
Reporting Criteria	Verification of the projects funded with proceeds from the 2023 Sustainability Bonds to determine if the impact of projects was reported in line with the reporting criteria outlined in the Framework and above in Table 1.	EXIM Bank reported on the allocation of proceeds and is committed to report on the Eligible Green and Social Investments' environmental or social benefits per Use of Proceeds criteria.	None

⁷ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

⁸ EXIM Bank intends to fully allocate the proceeds from the issued 2023 Sustainability Bonds within the current financial year at the time of the issuance and the next two financial years (each ending March 31). The Bank has communicated that unallocated proceeds are being earmarked for the listed eligible projects as under this post issuance letter.

⁹ Sustainalytics notes that the Framework does not clarify the criteria related to target beneficiaries and reasonable assurances of affordability for the Affordable Housing category. Nevertheless, the Bank has communicated that the social housing projects supports both low- and middle-income population in the respective country, supported by government subsidy.

Appendices

Appendix 1: Allocation Reporting by Use of Proceeds Category

EXIM Bank issued a USD 1,000 million sustainability bond in January 2023 and a USD 98.50 million sustainability bond in March 2023 aimed at financing green and social projects as per the eligibility criteria outlined in the Framework. As of March 2023, the total allocated to eligible projects was USD 1,019 million of which 69% was used towards refinancing projects and 31% to finance new projects.

Use of Proceeds Category	Net Proceeds Allocation (USD million)
Renewable Energy	16.60
Sustainable Water and Wastewater Management	201.94
Clean Transportation	327.00
Access to Essential Services and Basic Infrastructure	396.11
Affordable Housing	77.30
Total Proceeds Allocated	1019.00
Total Proceeds Raised	1,098.50
Total Unallocated Amount	79.50

Appendix 2: Allocated Project Details

Use of Proceeds Category	Project description	Project location	Proceeds allocated towards eligible projects (USD million)	Total Proceeds allocated for each use of proceed category (USD million)
Renewable Energy	Rural electrification of villages through solar photovoltaic system	Niger	6.30	16.60
	Solar PV farms	Mauritius	2.70	
	Solar mini grid electrification and solar street lighting project	Nigeria	7.60	
Sustainable Water and Wastewater Management	Stung Sva Hab/Slab water resources development project	Cambodia	0.30	201.94
	Rehabilitation and upgradation of potable water system	Ghana	0.44	
	Engineering, Procurement and Construction (EPC) services for conversion and commission of diesel pumps into electric pump sets and upgradation of electric pumps	Lao People's Democratic Republic	1.00	
	Construction of a new water supply system from Likhubula River	Malawi	6.60	
	Water supply schemes	Tanzania	15.70	
	Construction of water supply scheme to the towns and villages in Tanzania	Tanzania	9.20	

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	Extension of Lake Victoria Pipeline	Tanzania	38.20	
	Construction and execution of the works related to rehabilitation and improvement of water supply scheme	Tanzania	71.7	
	Construction of water supply schemes in 25 towns	Tanzania	49.1	
	Up-gradation of Deka pumping station and river water intake system	Zimbabwe	9.7	
Clean Transportation	EPC of Metro Express Project Phase-III	Mauritius	327.00	327.00
Access to Essential Services and Basic Infrastructure	Procurement of medical equipment and rehabilitation of health establishment	Benin	7.00	396.11
	Drinking Water Supply System	Benin	5.30	
	Health care project	Cote d'Ivoire	7.30	
	Replacement of asbestos water pipes with UPVC pipes	Gambia	15.10	
	Vocational Training Center (Atal Bihari Vajpayee Centre for Excellence in Information Technology and Outsourcing)	Mongolia	7.70	
	Construction of borewells with handpumps and small water systems	Mozambique	0.10	
	Transmission line project	Nepal	69.30	
	Upgrading/ improvement of road in underdeveloped and rural areas	Nepal	124.6	
	Transmission line & substation project	Nicaragua	14.00	
	EPC for establishment of centre of excellence in farm mechanization	Rwanda	2.60	
	Prefabricated health posts	Zambia	12.20	
	Plant & design integrated water supply project	Sri Lanka	130.90	
Affordable Housing	Design and construction of social housing units	Maldives	53.60	77.3
	Social Housing Project	Mauritius	23.7	
Total Proceeds Allocated				1019.00

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