

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) FRAMEWORK
(Ver. December 2021)

Introduction

Established by the Government of India ("GoI") in 1982, Export-Import Bank of India ("EXIM Bank" or the "Bank") is the premier export finance institution of India, with a mission to facilitate the globalisation of Indian businesses. The Bank seeks to provide financial assistance to exporters and importers through acting as the principal financial institution for coordinating the working of institutions engaged in financing export and import of goods and services, with a view to promote India's international trade.

Over the years, EXIM Bank's vision has evolved from a product-centric approach with Export Credits and Export Capability Creation to a more customer-centric approach by offering a comprehensive range of products and services to empower business at all stages of a company's business cycle. The Bank develops commercially viable relationships with a target set of externally oriented companies through a wide array of products and services, aimed at enhancing their internationalisation efforts. Going forward, EXIM Bank aspires to capitalise on its leadership and expertise in Export Finance to enhance Indian companies with global aspirations.

EXIM Bank's Environmental, Social and Governance ("ESG") Approach

EXIM Bank has in place a board-approved ESG Policy for Sustainable Development / Responsible Financing. The ESG Policy seeks to ensure compliance with the respective host country regulations and envisages evolution of a common policy approach for all lenders in the consortium.

EXIM Bank is also involved in the deliberations led by the Indian Banks Association ("IBA") on a sustainability framework for banks. The IBA has appreciated the efforts of the Bank, among others, for making progress on integrating ESG-based risk assessment into the credit appraisal process, as well as on aspects of green investment using new modes of green finance.

Externally, EXIM Bank has been promoting sustainable banking both in India as well as internationally through its various financing programmes. The Bank has been funding projects in areas such as renewable energy, energy efficiency, waste management, mass transportation and energy efficient transport. Notably, Exim Bank was awarded for its best practices in the Category of Sustainable Financing Programme in the Latin American Association of Development Financing Institutions (ALIDE) Awards for 2019, held at the 49th General Assembly of ALIDE in Madrid, Spain.

Internally, EXIM Bank has been reviewing its operations for ESG-related parameters. The Bank has taken up electrical audit and associated measures for optimising energy consumption. Notable initiatives include the installations of solar panels at the Bank's staff quarters, LED lights in the work areas and motion sensor lights at its Head Office, which has considerably reduced energy consumption. Other initiatives include minimizing the use of paper through digitization of workflows, organizing sapling plantation drives, replacement of paper cups and single-use plastic water bottles with reusable glass mugs and bottles in the Bank's facilities, and participation in beach clean-up drives. Exim Bank was also awarded with the Indian Green Building Council's (IGBC) Green Interiors Platinum rating for its New Delhi office.

In terms of social responsibility, EXIM Bank has also been at the forefront in supporting causes including women empowerment and upliftment of underprivileged children. The Bank also promotes inclusive growth through its grassroot initiatives and development group.

EXIM Bank's Lines of Credit Facility

Exim Bank, on behalf and with the support of GoI, extends Lines of Credit ("LOCs") to sovereign governments, regional development banks and overseas entities to promote development in partner countries and support export of projects, goods and services from India. The Bank has extended LOCs to various overseas Governments, which includes countries in the Africa, Asia, LAC, CIS and Oceania regions.

These LOCs finance projects such as food security and irrigation development, social infrastructure and development projects, construction of hospitals and setting up of water supply schemes, farm mechanisation, establishment of rural broadband networks, solar power projects.

Apart from the above-mentioned LOC facilities, Exim Bank also extends financing to overseas buyers to support exports of goods, projects and services from India, including engineering works, turnkey projects, technical and consultancy services and supplies. The facility is also available for the development, upgrading and expansion of infrastructure facilities including green projects and socially sustainable projects.

Environmental, Social and Governance Framework and Alignment with ICMA / LMA Principles

This Environmental, Social and Governance Framework (the "Framework") sets out how EXIM Bank intends to enter into Sustainable Financing Transactions ("SFT") to finance projects that have positive environmental and/or social impact while supporting its business strategy. SFTs may include bonds and loans where proceeds are earmarked to eligible green and/or social projects ("Eligible Projects") as defined in this Framework. SFTs may be denominated in domestic or foreign currencies. Eligible Projects may be funded by a variety of financing products, including but not limited to Term Loans, Lines of Credit and Buyer's Credit facilities.

Bonds issued under the Framework will be aligned to the ICMA Green Bond Principles 2021 ("GBP") / ICMA Social Bond Principles 2021 ("SBP") / ICMA Sustainability Bond Guidelines 2021 ("SBG") or as they may be subsequently amended. Green loans issued under the Framework will be aligned to the LMA Green Loan Principles 2021 ("GLP") or as they may be subsequently amended. Other forms of financing may conform to established green or sustainable finance principles as may have been established at the time.

Each SFT will adopt procedures for managing (1) Use of Proceeds (2) Project Evaluation and Selection (3) Management of Proceeds and (4) Reporting, as set out in the Framework. This Framework may be updated from time to time to ensure continual alignment with market practices, emerging standards and classification systems.

Use of Proceeds

The net proceeds from any SFT will be used to finance or refinance, in whole or in part, new or existing Eligible Projects that meet one or more of the following categories of eligibility as recognised in the GBP/SBP/SBG/GLP. Refinancing of Eligible Projects will have a look-back period comprising the current financial year at the time of issuance and the prior three financial years (each ending 31 March). EXIM Bank will strive to fully allocate the net proceeds of each SFT within the current financial year at the time of issuance and the next two financial years (each ending 31 March).

The Eligible Project categories that may be utilised under the Framework, together with associated selection criteria ("Eligibility Criteria") are set out below.

ELIGIBLE PROJECT CATEGORIES	ELIGIBILITY CRITERIA & EXAMPLES	UN SDG MAPPING
GREEN PROJECT CATEGORIES		
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)¹ 	
GREEN BUILDINGS	<ul style="list-style-type: none"> Acquisition, construction or refurbishment of buildings which (i) meet one or more recognised standards, such as: <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. 	
¹ Passenger Activity Threshold of 50g CO ₂ per p-km and Freight Activity Threshold 25g of CO ₂ per t-km (prior to Issuance year 2025); zero thereafter		
SOCIAL PROJECT CATEGORIES²		
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 OECD³ 	  
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 & LM)⁴, including under Exim Bank's Grassroots Initiatives And Development Programme (GRID), Marketing Advisory Services (MAS) and Ubharte Sitaare Programme (USP)⁵ 	
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 Recipients³ 	

Proceeds from the SFTs will not be allocated to finance expenditures related to fossil fuel extraction, processing and distribution, fossil fuel related power generation, gambling, alcohol, tobacco, weapons and military equipment.

(2) Project Evaluation and Selection

The Project Evaluation and Selection Process will ensure that the proceeds of the EXIM Bank's SFT are allocated to projects that meets the criteria set out above in section 'Use of Proceeds'.

² Social Project Categories may include projects that directly aim to address or mitigate specific social issues and/or seek to achieve positive social outcomes as brought on by the impact of the Covid-19 pandemic

³ 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/dac-list.htm>)

⁴ 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>

⁵ Details available at [<https://www.eximbankindia.in/ubharte-sitaare>]

Sustainable Financing Committee (SFC)

A separate committee is set up to decide the eligibility of a project under the ESG framework. The internal constitution of the SFC shall be decided by the Managing Director of Exim Bank and is currently comprised of representatives from its Compliance Group, Operations Group and Legal Group. After due consideration, the SFC will have the authority to classify a project as Green/Sustainable/Social etc as per the abovementioned criteria.

The SFC will ensure that the selected Eligible Projects to comply not only with the section of Use of Proceeds but also the environmental and social guidelines under Green Bond Principles and Social Bond Principles which are applicable within EXIM Bank, as well as with Exim Bank's Environmental, Social and Governance Policies which offers risk management tools to mitigate related ESG risks. Projects will be selected with the United Nations Sustainable Development Goals in mind and guided by EXIM Bank's risk management and internal control systems and policies."

In addition to the above, an annual review of all such projects shall be undertaken by the SFC and projects which no longer meet the criteria will be removed. Any such changes to the overall portfolio considered under the Green/Sustainable/Social categories including removal and addition of individual projects from the portfolio shall have to be cleared by the SFC.

(3) Management of Proceeds

The net proceeds from each SFT will be deposited in EXIM Bank's [General Funding Account], pending allocation to Eligible Projects. EXIM Bank will maintain a register to keep track of the use of proceeds for each SFT, which will contain the descriptive information on each Eligible Project including alignment with the Eligibility Criteria, amount of SFT proceeds allocated to each Eligible Project, balance of unallocated proceeds and other relevant information. Pending such allocation, the net proceeds from each SFT 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 debt towards non-green activities.

EXIM Bank intends to allocate the proceeds of a given SFT to Eligible Green or Social Projects within [24] months from the date of issuance.

(4) Reporting

EXIM Bank will provide information on the allocation of the net proceeds from each SFT in the Bank's Annual Report, ESG or Sustainability Report or website. Such information will be provided on an annual basis until substantially all the net proceeds have been allocated and in the event of any material changes until the relevant maturity date.

The information disclosed will contain the following details:

Allocation Reporting

- Details of each SFT that is outstanding
- Aggregate amount of proceeds from each SFT that has been allocated to Eligible Projects
- Balance of unallocated proceeds from each SFT
- Where feasible, a list of Eligible Projects to which proceeds from each SFT have been allocated and summary information on such projects

Impact Reporting

- Qualitative and, where practicable, quantitative performance indicators ("KPI") of the Eligible Projects, which may include the following:

ELIGIBLE PROJECT CATEGORIES	POTENTIAL KPI AND REPORTING METRICS
GREEN PROJECT CATEGORIES	
RENEWABLE ENERGY	<ul style="list-style-type: none"> • Capacity of renewable energy plant(s) constructed/rehabilitated in MW • Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) • Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent
SUSTAINABLE WATER AND WASTEWATER MANAGEMENT	<ul style="list-style-type: none"> • Annual absolute (gross) amount of raw/untreated sewage sludge that is treated and disposed of (in tonnes of dry solids p.a. and in %) • Annual volume of clean drinking water in m3/a supplied for human consumption through infrastructure supporting sustainable and efficient water use
CLEAN TRANSPORTATION	<ul style="list-style-type: none"> • Passenger-kilometres or tonne-kilometres • Number of low-carbon transport vehicles
GREEN BUILDINGS	<ul style="list-style-type: none"> • Level of certification • Annual GHG emissions reduced/avoided (t CO2 eq p.a.) • Annual energy savings (MWh p.a.) • Annual reduction in water consumption (in m3)
ENERGY EFFICIENCY	<ul style="list-style-type: none"> • Annual energy savings in MWh/GWh • Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent
SOCIAL PROJECT CATEGORIES	
ACCESS TO ESSENTIAL SERVICES AND BASIC INFRASTRUCTURE	<ul style="list-style-type: none"> • Capacity of public hospitals or schools constructed/upgraded • Number of individuals/households benefitted • Number of housing/ infrastructure units constructed • Number of infrastructure projects built/upgraded
FOOD SECURITY AND SUSTAINABLE FOOD SYSTEMS	<ul style="list-style-type: none"> • Capacity of basic food and dairy processing facilities • Number of individuals/households benefitted from the food programmes
MSME FINANCING	<ul style="list-style-type: none"> • Number of MSMEs financed • Amount of MSME financing • Breakdown of MSME financing by region
AFFORDABLE HOUSING	<ul style="list-style-type: none"> • Number of housing units constructed • Number of individuals/households benefitted

External Review

(1) Second Party Opinion

EXIM Bank has engaged Sustainalytics to provide an External Review in the form of a Second Party Opinion on the Framework and confirm alignment with the GBP/SBP/SBG/GLP. The External Review has been made public on EXIM Bank's website at <https://www.eximbankindia.in/esg-framework>.

(2) External Verification

EXIM Bank's annual reporting will also be subject to external verification by an External Consultant viz. Auditor, SPO Provider, Professional Consultant etc. The external consultant will verify:

- The compliance of assets financed by the proceeds of a SFT with eligibility criteria defined in the use of proceeds section in this Framework
- Allocated amount related to the eligible green or social assets financed by the proceeds of a SFT
- The management of proceeds and unallocated proceeds amount

The external consultant's report will be published on EXIM Bank's website at <https://www.eximbankindia.in/esg-framework>.