

China works with the UK to green the Belt and Road Initiative

The Green Finance Committee (GFC) of China Society for Finance and Banking, in partnership with the City of London's Green Finance Initiative (GFI), published a set of principles on green investments for the Belt and Road (B&R) on November 30, 2018 in London.

Building on existing responsible investment initiatives and set to be published in seven languages, the *Green Investment Principles for the Belt and Road* aim to incorporate low-carbon and sustainable development into the Belt and Road Initiative by encouraging financial institutions and corporates involved and invested in B&R projects to sign up to a voluntary code of practice.

The announcement was made in London at the 3rd meeting of the UK-China Green Finance Taskforce, chaired by Dr. Ma Jun, Chairman of the GFC and who sits on the People's Bank of China Monetary Policy Committee and Sir Roger Gifford, Chairman of the GFI.

The Principles, a project first proposed in the 9th China-UK Economic and Financial Dialogue (EFD), were drafted by a group of organisations led by the GFC and the GFI, including the Belt & Road Bankers Roundtable, Green Belt and Road Investor Alliance, International Finance Corporation, PRI, Paulson Institute and World Economic Forum. A full text in Chinese and English of the Principles is provided at the bottom of this release.

The Principles consolidate seven principles at three different levels: strategy, operations, and innovation. It calls for top-down implementation of the incorporated strategy, communication among stakeholders, and utilization of green financial instruments and green supply chain practices, as well as knowledge sharing and capacity building.

A perspective Secretariat for the Principles will be established, to expand membership, review and report progress, and develop guidance and operational tools. Trainings will also be provided to facilitate the adoption and implementation of the principles.

Dr Ma Jun, Chairman of the Green Finance Committee said:

"The world is facing serious environmental and climate challenges. Most of the world's infrastructure investments in the coming decades will be in B&R countries, and these projects will have a significant impact on environment and climate.

"The Green Investment Principles for the Belt & Road aim to ensure that environmental consciousness, climate resilience, and social inclusiveness are built into new investment projects in the B&R, so that the goals of the United Nations 2030 Agenda for Sustainable Development and the Paris Agreement are met."

Sir Roger Gifford, Chairman of the Green Finance Initiative said:

"The UK and China are pioneers in green finance, and the announcements today show again why we are truly leaders in this field.

"I'm particularly excited by the Green Investment Principles, a potential game-changer in mitigating the potential environmental impact of the Belt and Road Initiative."

Dominic Waughray, Head of Centre for Global Public Goods, Member of the Managing Board, World Economic Forum said:

“The Belt and Road Initiative offers a new sustainable development paradigm that connects countries through infrastructure, trade and shared growth opportunities. Developing and implementing green investment principles is critical to ensuring investment flows into new infrastructure can support growth and development in line with delivering win-win benefits for people, ecosystems and the economy.”

Fiona Reynolds, CEO of the Principles for Responsible Investment (PRI) noted:

“The ambitious Belt and Road Initiative to develop infrastructure linking China to countries along the ancient Silk Road trade route is likely to generate a swath of ESG-compliant projects, with green bond and loan funding crucial to generating capital from international investors to finance the initiative.”

“The Principles are a welcome development, which complement the PRI’s six principles. Having these in place will be very helpful for investors who might be considering investing in these projects.”

The meeting of the China-UK Green Finance Taskforce, the third since establishment in December 2017, culminated in [a progress report and recommendations](#) and the [Progress of Pilot Work of UK-China Climate and Environmental Information Disclosure](#) in 2018.

For more information contact:

CHENG Lin

International Coordinator, China Green Finance Committee

Tel: +86 (10) 8302 1702

Email: lin.cheng@greenfinance.org.cn

Sherry Madera

Special Adviser for Asia, City of London

Tel: +44 (0)7834 341 830

Email: sherry.madera@cityoflondon.gov.uk

GREEN INVESTMENT PRINCIPLES FOR THE BELT AND ROAD

Principle 1: Embedding sustainability into corporate governance

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

Principle 2: Understanding Environmental, Social and Governance Risks

We will strive to better understand the environmental laws, regulations, and standards of the business sectors in which we operate as well as the cultural and social norms of our host countries. We will incorporate environmental, social and governance (ESG) risk factors into our decision-making processes, conduct in-depth environmental and social due diligence, and develop risk mitigation and management plans, with the help of independent third-party service providers, when appropriate.

Principle 3: Disclosing environmental information

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

Principle 4: Enhancing communication with stakeholders

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

Principle 5: Utilizing green financial instruments

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

Principle 6: Adopting green supply chain management

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

Principle 7: Building capacity through collective action

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