
**China Renewable Energy Performance
and Battery Storage Project
ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM**

(DRAFT)

Huaxia Bank

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1. INTRODUCTION

1.1 Project Background

China has experienced fast economy growth, tied to fast growth of energy consumption in the past decades. The serious environmental pollution caused by coal-dominated energy structure has been recognized by the Government of China, RE development has been considered as one major energy source in the government's plans, aiming to reduce the share of coal in its energy mix. Large scale RE development has been launched since about 2005. By end of 2017, the installed capacity of wind power and solar PV amounted to 164 million MW and 130.25 GW respectively, ranked the top in the world.

Though China is already a leading country in RE development, efficiency of RE development has raised concerns due to serious curtailment problem. Improving the operational flexibility of power system, promoting the development of grid-friendly distributed RE, and developing new emerging markets to consume RE generation, are three major types of technical solutions to address the curtailment issue. The Government and related stakeholders in China are already exploring solutions to varying degrees, including with World Bank assistance in certain areas, in particular through the "Second Phase of the Renewable Energy Scale-up Program" (P127033) supported by a GEF grant. However, more action is needed to unlock the potential of each solution individually and in concert, including in the area of new energy storage solutions.

Under this broader national and sectoral context, Government of China is cooperating with the World Bank on this proposed "China Renewable Energy Performance and Battery Storage Project" in China. The project will be implemented by Huaxia Bank (HXB), a financial intermediary which will finance renewable energy storage sub-projects through on-lending operations.

As the project will include a series of sub-projects which cannot be determined at the project preparation stage, an Environmental and Social Management System (ESMS) is therefore developed as per the ESF.

1.2 Objectives and Application Scope

The objective of this ESMS is to set out principles, institutional arrangements, operation procedures to assess and manage the environmental and social risks and impacts of the sub-projects to be identified during the project implementation stage and establish procedures to continuously monitor the compliance of environmental and social performance of throughout the lifecycle of the sub-projects.

The ESMS is developed in accordance with the objectives and principles of national environmental and social management laws and regulations, as well as relevant key requirements of the World Bank's ESF (Annex 1).

It is designed as a management tool applicable to all sub-projects under the financing of the project. It will be used as a part of the operational manual of the project by HXB Bank (Green Financing Center and other relevant units at headquarter, as well as the client managers and review/approval units at various branches at the local level). Any sub-project of China Renewable Energy Performance and Battery Storage Project” identified by local branches is subject to environmental and social risks and impacts screening as established by this ESMS, when eligible, should be classified, assessed and implemented following the procedures and requirements of this ESMS. Implementation of ESMS is key element of the ESCP of HXB, which is part of the legal agreement between and the World Bank and HXB.

2. PROJECT DESCRIPTION

2.1 Project Activities

The development objective of the project is to promote and undertake target investments of both measures of reducing curtailment and new emerging use of RE in order to improve the efficiency of RE development. Project financing will comprise: (a) IBRD loan of \$200 million made to the Ministry of Finance and on-lent to HXB as a financial intermediary; (b) commercial debt at around \$[300] million from HXB; and (c) equity in order of \$125 million from sub-borrowers for target investments.

Target investments may cover a range of technologies and use cases in generation, grid and demand sides, subject to certain eligibility criteria, in line with the objective to improve efficiency of RE development. As such, project types could include:

- **Generation Side:**
 - *Installation of battery storage systems in existing wind farm and solar power plants.* It would improve the performance of both wind and solar power from “intermittent power” to “dispatchable power”, and store the electricity when it needs to be curtailed.
 - *Installation of advanced wind/solar power forecast system.* It would improve the accuracy of wind and solar power projection, so the dispatch centers can optimize its dispatch of these REs.
 - *Installation of heat/battery storage in existing non-coal power plants to increase its flexibility of dispatch.* It would provide additional capability to the power systems to dispatch more RE.
- **Grid Side:**

- *Installation of battery storage systems in existing substations.* It would provide additional capability to the power systems to balance wind and solar power, then reduce RE curtailment. Grid side battery systems in substations, as part of the transmission and distribution networks, can also provide peaking load control and system backup to help mitigate the impact of the integration of PV and wind energy.
 - *Installation of advanced energy management systems to improve dispatch of RE.* Examples of this type of investment could be joint dispatch of both hydropower and intermitted REs for better use of the intermitted REs.
 - *Improving existing distribution network or grid connection* to allow more REs to be dispatched.
 - *Developing micro-grid with majority of electricity coming from clean RE.*
- **Demand Side:**
 - Installation of energy storage excluding pumped storage in existing industrial zones or commercial consumers to meet the peak demand. This could reduce the peak load to be supplied by the grid and increase off-peak demand and enable power systems to integrate more RE with the same generation mix and transmission networks.
 - *Development of distributed RE with storage.* Installation of battery storage systems in micro-grid and 'behind the meter' at consumer sites (e.g. distribution network in development zones and commercial buildings) to complement distributed renewable energy generation and other services. The storage systems could enable the distributed RE more dispatchable and grid-friendly.
 - *Pilot and scaling up RE for heating.* This is an emerging use of RE in China. It uses electricity to replace the coal consumption for heating, while additional commercial arrangement will be made to increase the RE generation to meet this additional electricity consumption. The commercial arrangements include direct contracting, purchasing of green certificates, or administration measures to increase the utilization hours of RE.
 - Other innovative use of REs that can be proved to reduce RE curtailment.

2.2 Initial E&S Risk Screening and Classification

Based on above description of potential subprojects, the initial environmental and social risks screening is conducted as follows:

Table 1 Initial E&S Risk Screening and Classification

Criteria	E&S Risks Screening	Classification
A. Subproject type, location, sensitivity and scale	<p>Based on the project concept design and the provided list of potential subprojects, most of the anticipated investments will focus on the installation of Battery Energy Storage Systems (BESS) with the capacity of 1MWH~400MWH. Only mature and commercialized technologies will be accepted for project financing. Some BESS may be installed for existing solar/wind farms in northern and western areas with the presence of ethnic minorities around for grazing. As spatial demands of the project investments are likely minor and BESS will be installed within the boundaries of existing RE projects, potential direct adverse impacts on ethnic minorities are deemed to be low risk. However, a multitude of projects located close to vulnerable communities may give rise to limited degree of social conflict, harm, human security risk associated with perceptions of community endangerment and non-receipt of benefits. This can be mitigated through strict eligibility criteria of sub-projects and enforcement of culturally appropriate stakeholder engagement.</p>	<p>Environmental: Moderate</p> <p>Social: Moderate</p>
B . Nature and magnitude of the potential ES risks and impacts	<p>Potential negative impacts of electricity storage will depend on the type and efficiency of storage technology. Different battery technologies involve materials that pose environmental and safety risks throughout their lifecycle from resources extraction, processing, manufacturing, transportation and installation through to operation, recycling and disposal. Though China has promulgated the regulations on the life cycle management for batteries and electrical apparatus, the risks may increase exposure as new or inexperienced SMEs and individuals deploy distributed user-systems in disparate locations at proximity to people and communities. These can be addressed by enforcement of appropriate standards and strict eligibility criteria of sub-projects.</p> <p>Most of the subproject sites will be located in existing facilities in industrial and developed areas. Such subprojects are unlikely to result in any direct physical or economic displacement due to land acquisition or resettlement. In consideration of subproject size and nature,</p>	<p>Environmental: Substantial</p> <p>Social: Moderate</p>

Criteria	E&S Risks Screening	Classification
	<p>adverse social risks are considered moderate in significance during construction and operation phases. In a small number of cases, the subprojects will be installed with new solar/wind projects, which together will result in minor land acquisition (for permanent structures) and occupation (e.g., for PV and wind mill farms) and potential impacts on land to which ethnic minorities may be attached. The social impacts are generally site specific, low probability of serious effects to people, and can be easily mitigated in a predictable manner. Therefore, the social risks and impacts for the Project are classified as Moderate</p>	
<p>C . Capacity and commitment of HXB to manage risks and impacts</p>	<p>HXB has tracked experiences for successfully implementing World Bank projects. Its institutional arrangement for managing E&S risks have been substantially enhanced since the establishment of Green Credit Center under World Bank funded PforR program. HXB has also mainstreamed most of World Bank's E&S safeguard requirements into its own lending risk management. Although the client is among the first to implement ESF requirements in China, the management is highly committed to provide financial resources and mobilize external specialists to bridge gaps in terms of E&S management and ensure the project follows both domestic legal regulations and World Bank ESF requirements. The client's tracked records in delivering World Bank projects suggests the gaps on current E&S framework and E&S capacity can be readily addressed through implementation support. Notwithstanding this, a comprehensive review of HXB's current ESMS against the new ESF (especially ESS9) will be carried out and the appraisal stage ESCP will specify the action plans to enhance E&S management capacity in response to the ESF requirements, including the commitments from senior management and the engagement of sub-borrowers.</p>	<p>Environmental: Moderate</p> <p>Social: Moderate</p>
<p>D . Other factors</p>	<p>For the proposed BESS subprojects, it is understood that batteries will be manufactured, delivered, installed and recycled by the primary producers, who would therefore play a critical role in the appropriate management of E&S risks and impacts through responsible life cycle</p>	<p>Environmental: Moderate</p>

Criteria	E&S Risks Screening	Classification
	management of their battery products. Chinese government has promulgated and enforced regulations on the implementation of Extended Producer Responsibility (EPR) for batteries sector since 2016, and associated E&S risks are deemed moderate under existing legal framework.	Social: Moderate

2.3 Application of Environmental and Social Standards

During the project implementation, HXB will screen all the subprojects for environmental and social risks and impacts (against the exclusion list as defined in Section 2.4 and using the screening tool in Annex 3).

All the subprojects must be prepared and implemented in accordance with environmental and social national and local laws and regulations. For subprojects that involve resettlement (unless the risks or impacts of such resettlement are minor), adverse risks or impacts on Indigenous Peoples or significant risks or impacts on environment, community health and safety, labor and working conditions, biodiversity or cultural heritage, relevant requirements of the World Bank's ESSs shall apply (The key requirements of ESSs are indicated in Annex 1).

2.4 Exclusion List

The following types of subprojects are considered as ineligible and shall be excluded from the project financing:

- The project will only support energy storage related subprojects with objective of promoting renewable energy efficiency, increasing consumption of renewable energy and transmission efficiency, improving electricity forecast, and new usage of renewable energy. Any other sectors or projects that are not relevant are not eligible;
- Energy storage system in non-RE power plants (such as coal-fired power plant, nuclear power plant etc.);
- New construction of facilities within legally protected nature reserves, critical natural habitat, scenic areas or cultural heritages;
- Enterprises/subprojects in the area of Indigenous Peoples where broad dissatisfaction is expressed by the Indigenous Peoples communities;

- Enterprises that are considered as “Unsatisfactory” environmental and social performance by the HXB;
- Enterprises/subprojects that involved in forced labor/illegal child labor.

3. ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

3.1 Environment and Social Policy of HXB

HXB complies with relevant national and local laws and regulations concerning environment, health, safety and social management during the entire process of loan application and loan disbursement. For long time, HXB follows the development concept of “innovation, synergy, green, open and sharing”. Under the guidance of “Guideline of Green Financing” and “Opinions on Establishing Green Financing System” issued by central bank and banking supervision committee, HXB established green financing system and provided efficient and convenient financing services for energy saving, clean production and clean energy customers using its advantage of international cooperation and multi types of products, and made great achievements. A series of policies and management rules have been developed by HXB, which incorporate environmental and social risks and impacts management into the whole process of its loan subprojects. Some of the main regulations include:

3.1.1 Green Financing Management Regulation of HXB (revised in 2016)

This regulation is developed to promote green financing of HXB, strengthen support to green, low-carbon and circular economy, prevent and reduce environmental and social risks, improve environmental and social performance, and achieve healthy and sustainable development of business of HXB. The risks it addresses refer to potential environmental and social risks related to the construction, production and operation of HXB clients and associated parties, including environmental and social concerns related to energy consumption, pollution, land, health, safety, resettlement, ecological protection and climate changes etc.

This regulation establishes management system for environmental and social risks, specifies the responsibilities on the part of board, senior management and various units of loan approval, risk management, compliance management etc. Meanwhile, it also requires green financing concept be incorporated into every

step of loan management and strengthen environmental and social risks prevention and control through process control. Specific measures include:

- At the stage of subproject investigation, HXB shall conduct thorough and detailed investigation on environmental and social risks related to energy consumption, pollution, health, safety, land acquisition and resettlement of the client, taking into account the client's sector, location and regional context. Evidences shall be collected as baseline for later loan review and post-loan management;
- At the loan review stage, HXB conducts risks analysis for energy consumption, pollution, health, safety, land acquisition and resettlement issues, and ensures the compliance, validity and completeness of client's documents and legal approvals. The review process aims to make sure the client has adequate attention and effective measures to manage relevant risks, and complies with relevant legal requirements. Client that has unsatisfactory environmental and social performance will not be approved for loan financing. For client that has potential environmental and social risks, improvement actions and management measures are to be proposed;
- At the loan agreement signing stage, for client that has potential environmental and social risks, HXB will include in the contract the requirement of environmental and social risks report from the client, commitment provisions for the client to strengthen environmental and social risks management, and provisions for HXB to take remedial actions in case of client's default of contract compliance;
- At the loan disbursement stage, client's environmental and social management situation will be considered as one of the basis. Loan will be suspended in case significant risks are identified;
- At the post-loan management stage, HXB will conduct dynamic monitoring and analysis of client's environmental and social risks and provide timely warning for client with significant risks identified, and take remedial actions when necessary.

3.1.2 Financing Operation Appraisal Regulation of HXB (2013)

This regulation requires thorough appraisal on the project contents, legal compliance, investment, market outlook and loan repayment ability etc. during the appraisal of project financing loan. These include review of status and process of the key government approvals, including project approval from relevant

government department, land use approval from land resource department, environmental impact assessment from environmental authority.

3.1.3 Loan Investigation Management Regulation of HXB (revised in 2016)

This regulation specifies the process requirement on client screening, data collection and verification, investigation report preparation and verification. It requires investigation to be conducted by at least two persons. It explicitly requires that the borrower's environmental and social performance to be included in the data collection, analysis and verification. Investigation shall be conducted with combined field visit and indirect investigation, including information channels from local government and other social organizations etc.

3.1.4 Post-loan Management Regulation of HXB (revised in 2016)

This regulation clarifies the scope of post-loan management works, relevant units and staff responsibilities, and specific working contents and principles. It explicitly specifies the key contents of post-loan supervision, which include environmental and social risks of the client. It requires the client manager to conduct continuous monitoring on all factors that may affect the repayment of the loan, which include environmental and safety compliance performance.

3.1.5 Guidelines on Green Financing of HXB (2017)

This Guidelines aims to strengthen environmental and social risks control throughout the whole process in the credit operations, avoid providing financing to enterprises and subprojects that have serious environmental and social problems and direct funding to those with good environmental and social performance.

This Guidelines establishes an environmental and social risk classification system for the sectors that the enterprise belongs, i.e. three categories of A, B and C. In addition, it also establishes a performance evaluation system for the clients, which include three levels of "Satisfactory", "Attention needed" and "Unsatisfactory".

HXB implements a differentiated loan management strategy for different clients, depending upon their sector classification and performance evaluation (for details please see section 3.3.1 and Annex 2). Meanwhile, this guidelines also specifies the environmental and social risk control actions during each step of loan processing.

3.2 Organizational Setup and Responsibilities

3.2.1 Management System of Green Financing in HXB

Figure 1 Management Structure of Green Financing in HXB

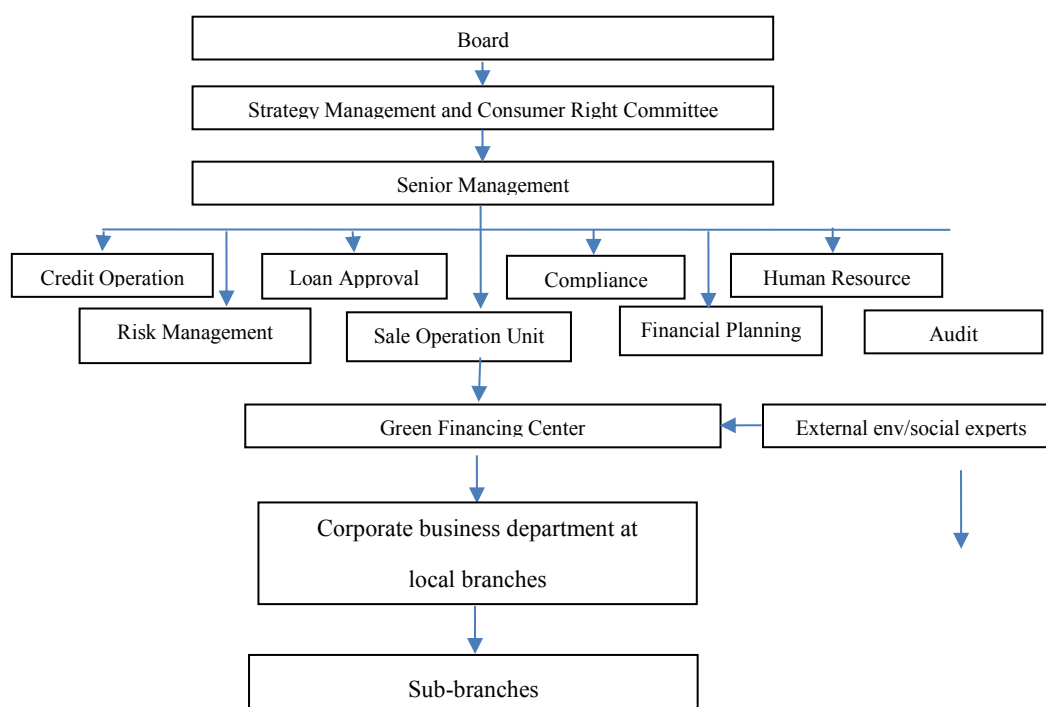


Table 2 Organizational Responsibilities of Green Financing in HXB

HXB Units	Responsibilities
Board of Directors and its Strategy Management and Consumer Right Protection Committee	Determine the green financing development strategy following regular work plan and review and approval management proposed green financing report, and supervising the implementation of green financing.
Senior Management	Formulate the objective of green financing development, approve and implement the policies and procedures of green financing, allocate adequate resources to ensure the implementation of green financing strategy and regularly report the implementation status to the board of directors.
Credit Operation Unit	Leading management department on green financing, which is responsible to establish and improve the

HXB Units	Responsibilities
	<p>basic framework for green financing in the bank, organize and promote relevant departments involved in green financing activities, and monitor the implementation of green financing in the entire bank. The lending operation department of branch banks is the leading department of green financing in branch offices, responsible for organizing and promoting different departments involved in various activities associated with green financing, and continuous monitoring green financing lending operation in branch offices.</p>
Risk Management Unit	<p>Finalize the lending policy system, including green financing, identify the key direction and areas for supporting, and determine those sectors with major environment and social risks requiring differentiated and dynamic policies, following relevant national laws, regulations and sector policies and permitting requirements.</p>
Loan Approval Unit	<p>Continuously improve approval details for green financing, particularly concerning those potential environmental and social risks, and continuous facilitate the lending for the green, low carbon, and circular economy. For those customers with potential environment and social risks, following the green financing requirement HXB will strictly manage the lending requirement.</p>
Sale Operation Units (Corporate Business Unit, Financial Market Unit, Assets Management Unit)	<p>Established innovative working mechanism benefiting green financing. Under the condition of effective risk management, the new mechanism will be instrumental in promoting the process and products as well as innovative services in green financing.</p>
Internal Compliance Unit	<p>Coordinate all relevant departments and including various compliance review into the scope of internal control regarding implementation of green financing.</p>
Audit Unit	<p>Regularly carry out internal audit review on green financing and might conduct special audit if it is necessary.</p>
Financial Planning Unit	<p>Give priority in allocating business and financial resources to green financing department and include performance of green finance as part of performance review.</p>
Human Resource Unit	<p>Provide relevant support to green financing on human resources aspect and will include green financing lending into the performance review system. Under these arrangements, the headquarter of HXB and</p>

HXB Units	Responsibilities
	other departments will implement relevant policy requirements and actively carry out green financing activities.
Green Financing Center	The Green Financing Center is under the operation department of the headquarter, which is responsible for promoting market development of green financing in the entire bank, developing and managing new product, and cooperating with international financial agencies and on lending requirements. The main responsibilities include: (1) participating in formulation of green financing policies in the bank based on studying green financing market and sector policies, and proposing relevant market strategies and implementation measures and organizing the implementation; (2) setting up management details on green financing business and on-lending operation and organizing implementation; (3) national and regional green financing subprojects implementation management; (4) coordinating and guiding on-lending operations to branches, and organizing experience exchange and staff training; (5) Organizing and guiding credit investigation, post-loan management and loan repayment of local branches; internal compliance verification and risk management of green financing; etc.
External environmental and social experts	Assisting Green Financing Center to conduct environmental and social screening, review compliance of subprojects, review safeguards documents against requirements of this ESMS and provide suggestions on necessary actions.
Corporate business department at local branches	Managing World Bank on-lending activities, organizing market and promotion, coordinating with local development reform commissions and facilitating concrete financing plan with individual enterprises.
Sub-branches	Responsible for environment and social compliance investigation for subproject during loan application, and monitoring and evaluation of environmental and social performances of subproject after loan approval.

3.2.2 Implementation Units of World Bank Loan Project

A. Green Financing Center

The Green Financing Center is the key implementation unit for managing the World Bank loan project. It includes two divisions with a total of nine staff. One is project management divisions, i.e. Project Management Division and Marketing

Division. Project Management Division is responsible for managing loans and grants from the World Bank and other international financial agencies, including application and implementation of green financing activities and management of GEF grants. The Marketing Division is responsible for business planning, promotion and product development and introduction concerning green financing as well as business development, product management and training and statistics. The Green Financing Center is staffed with experienced professionals familiar with banking process, sector background, and relevant technical and legal aspects of green financing. Each staff is fluent in both English and Chinese and able to communicate with staff of the World Bank and other international partners. At the same time, there are designated staff responsible for managing environment and social aspects of the project.

B. External Environment and Social Experts

In order to better implement the World Bank project and ensure the basic environment and social policies to be implemented, HXB has selected external environmental and social experts to support the environment and social management during project implementation.

Environment expert: Dr. ZHOU Fuqiu. He was born in July 1966 and obtained PhD from Harbin Industrial University. He used to work in Huaneng Simulation Technical Company and is deputy director of national development reform commission energy research institute. His main focus is energy saving management policy, energy saving macro management, energy saving micro operation mechanism. He was environment expert for the project cooperated between HXB and France Development Agency, and is an environment expert for the World Bank PforR program.

Social expert: Prof. CHEN Hongai. She was born in July 1965. In 1986 she graduated from Shandong University. Now she is deputy director of Sociology Institute of Shanxi Academy of Social Science. Since 2000, she has been involved social assessment and social monitoring and evaluation for 18 different projects by the World Bank and Asian Development Bank. She is currently a social expert by HXB for the Innovative Financing for Pollution Control in Jing-Jin-Ji Area Program.

C. Green Financing Teams from Branch Offices

In order to participating green financing activities, branch offices in different provinces have established green financing teams which are responsible for managing World Bank on-lending activities, organizing market and promotion, coordinating with local development reform commissions and facilitating concrete financing plan with individual enterprises.

D. Subproject management teams of Huaxia Bank

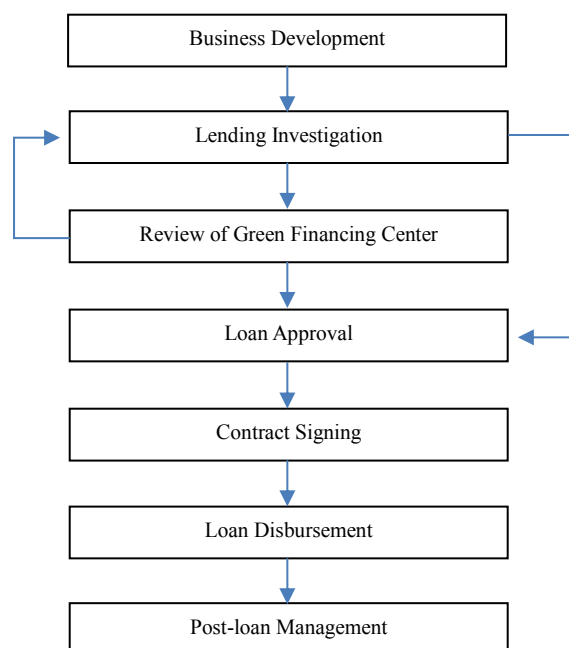
The Huaxia Bank subproject management teams are staff directly responsible for

obtaining Huaxia Bank loans for potential borrowers. As subproject management teams, they will be responsible for participating in environment and social compliance investigation during loan application process, conducting initial screening on potential environment and social risks for each subproject, and assisting preparation of safeguard documents by borrowers before construction and monitoring and evaluation on environmental and social performances during subproject implementation.

3.3 Environment and Social Management Procedures

HXB implements the differentiated environment and social management among different risks clients, which is reflected in different steps of lending process. In the process of green financing, through strengthening review and prevention of potential environment and social risk, the ability of environment and social risk identification and prevention in HXB could be improved. The diagram below indicates the basic process of environment and social management in the lending process in HXB.

Figure 2 Environmental and Social Management Procedures



3.3.1 Business Development

In the process of business development, in order to minimize potential environment and social risk, HXB adopts a differentiated management approach for different clients based on different sectors with different environment and social risks involved (details in Annex 2).

3.3.1.1 Principles of Differentiation

First, HXB divides its clients into A, B, and C three categories based on different sectors with consideration of different environment and social risks.

- Category A: It refers to those sectors and clients, their construction, production and operation will significantly change the current environment and social status and the resulted impacts are difficult to mitigate or restore.
- Category B: It refers to those clients and sectors, where their construction, production and operation will not significantly change the current environment and social status and the resulted impacts are relatively easy to mitigate or restore.
- Category C: It refers to those clients and sectors where their construction, production and operation will not cause any negative environment and social impacts.

Secondly, for individual clients, based on review of their past records, their performance on environment and social management will be further divided into “Satisfactory”, “Attention needed”, and “Unsatisfactory” three categories. The detailed explanation of these three categories is provided in the following:

- Satisfactory: The performance of client on environment and social management meet the national law and regulations and sector policy requirements. Specifically, the clients obtained all required certificates and basic equipment and facilities are in compliance with national environment requirements. In addition, the client has outstanding performance on energy saving, environment, safe production, and quality control, and labor management, and no visible environment and social risks.
- Attention needed: The performance of client on environment and social management has not fully met national requirements and sector policy requirements. But they have not yet caused serious environment and social impacts. And the client is committed to make mitigating changes so that long term sustainable operation will not be affected.
- Unsatisfactory: The performance of client on environment and social management did not meet national laws and regulations. Due to its violation on environment and social management has been seriously punished and required for correction. Such correction has not yet been implemented or completed. In some cases, although the client has not be fined due to its violations, they already caused serious impacts. Due to lack of commitment for correction, there is high risk for continue sustainable operation.

3.3.1.2 Differentiated Management Approaches

According to different potential environmental and social risks degrees that the different sectors belong to, and different environmental and social performances of individual clients, HXB will adopt different lending management and

approaches:

(1) Differentiated Management according to ABC Categories

Since the clients with categories A and B will involve potential environment and social issues concerned with energy consumption, pollution, land acquisition, health, and safety during construction, production and operation and face potential environment and social risks with regard to sector policies, legal framework and public opinions, the lending permitting process should be more restrict in terms of environment and social risk review. During the lending implementation process, the environment and social risk examination should be carried out, and the clients' environment and social management performances should be comprehensively evaluated and managed accordingly. For those clients with C category, under the condition of sufficient risk control, the environment and social risk review process could be simplified, and could selectively carry out differentiated management based on environment and social management performances.

(2) Differentiated Management according to Environment and Social Performance

For those clients "Attention needed" and "Unsatisfactory", measures for mitigation and correction should be formulated so that potential environment and social risks could be avoided. For those "Satisfactory" clients, HXB will assist them to further improve and enhance environment and social management performances.

Table 3: HXB Environment and Social Classification and Management Strategies

Sector Clients	A	B	C
Satisfactory	<p>1 . Strengthen environment and social risk review, strengthen lending approval management, formulate concrete measures for risk prevention, and closely follow relevant national law and regulations on environment protection, product quality, and safety production as well as changing sector policies on the business operation of the clients;</p> <p>2. Actively monitor clients' lending needs during product upgrading and explore credit needs during the process of energy saving, pollution reduction, product upgrading and strategic development of new sectors;</p> <p>3. Strengthen the management of newly added projects by excluding those projects clearly identified to be abandoned on the list of sector readjustment, avoid those projects causing public concerns, ensure potential projects as in compliance with relevant laws and regulations, and seek professional opinions on those projects with potential environment and social risks;</p> <p>4. Strengthen dynamic management on potential environmental and social risks after loan approval, and</p>		<p>Timely monitor the performances of clients' environment and social management</p>

	include performance of clients' environment and social management as part of daily after lending review requirement;	
Need Attention	<ol style="list-style-type: none"> 1. Strengthen credit approval management, and carefully support new lending; 2. Formulate risk mitigation measures, strengthen after lending management, and actively ensure clients to correct incompliance measures; 3. Under the risk control management, to provide credit to meet the needs of improvement of environment and social management by the clients. 	
Unsatisfactory	<ol style="list-style-type: none"> 1. Forbid approving new credit for such enterprises; 2. To set up warning system, and formulate special risk mitigation measures for relevant clients, and ensure proper corrected measures will be taken to mitigate impacts of violations. For those clients who failed to implement corrected measures, their outstanding credit should be reduced and removed. 	

3.3.2 Lending Investigation

Environmental and social risk data collection of potential client and project is very important for HXB in making decisions on lending approval process. HXB credit investigation staff will carry out detailed investigation on potential client for their performance on environment and social management based on their unique situation and from various aspects, such as energy consumption, pollution, land acquisition, health, safety and resettlement.

In the process of investigation, HXB staff will rely on both primary and secondary information and utilize the information from government sources, credit system, and different environmental protection information systems. After collection of relevant information, the loan officer needs to provide environment and social risk rating for the client and specify preliminary categorization on environment and social management, and fill in the preliminary environmental and social risk screening form as included in the **Annex 3**.

3.3.3 Preliminary Review by Green Financing Center

For subprojects applying for the World Bank project finance, HXB requires one more review by HXB Green Financing Center. All branch offices are required to submit the investigation package for the potential projects to HXB Green Financing Center for preliminary review. The list of data and documents required for preliminary review include the following:

- a) Project approval documents issued by in charge government agencies;
- b) Land use certificate or land pre-examination approval document issued by land resources departments;

- c) For permanent land acquisition, provide evidence of compensation payment to the affected people or relevant documents; for temporary land occupation, provide compensation or lease agreements with affected people; and the affected attachments, provide copies of compensation agreements or evidence of compensation payment. or compensation agreements with affected people;
- d) EIA documents;
- e) EIA approval document by relevant environment protection agencies;
- f) Project feasibility report, preliminary design and detailed design reports;
- g) Approval documents for certain special sector projects.

The content of preliminary review by Green Financing Center include: subproject's eligibility; technical assessment; environmental and social impact assessment; anti-corruption assessment etc. At this stage, the staff of Green Financing Center will be responsible to review the following. If it is necessary, the external environmental and social experts will be invited to participate in the review.

- a) Preliminary environmental and social risk screening form filled by the local branches;
- b) EIA documents for each subproject;
- c) EIA approval documents issued by relevant local environmental authority;
- d) Approval documents related to land use approval;
- e) Agreement and/or evidence for compensation of land acquisition and resettlement;
- f) Subproject's feasibility study or preliminary design documents;
- g) Other approval documents from relevant government authorities;

Based on the review of above-mentioned documents, the experts will provide the following conclusions:

- a) Confirmation on the overall environmental and social risk rating for the proposed subproject (L, M, S or H). Preliminary environmental and social risk screening form filled by the local branches. If a subproject involves resettlement (unless the risks or impacts of such resettlement are minor), adverse risks or impacts on Indigenous Peoples or significant risks or impacts on environment, community health and safety, labor and working conditions, biodiversity or cultural heritage, then HXB shall classify this subproject as S or H;
- b) Confirmation whether the subproject complies with environmental and social national and local laws and regulations. For subprojects that involve resettlement (unless the risks or impacts of such resettlement are minor), adverse risks or impacts on Indigenous Peoples or significant risks or impacts on environment, community health and safety, labor and working conditions, biodiversity or cultural heritage, relevant requirements of the World Bank's ESSs shall be met too. A resettlement framework and an

ethnic minority development framework were developed and included in Annex 5 and 6 to provide guidance on the preparation of relevant resettlement plan or ethnic minority development plan for those subprojects identified with substantial or high social risks.

- c) If it is found that assessment and/or mitigation measures cannot meet the above-mentioned requirements, then relevant requirements on additional assessment or plan development shall be proposed. These additional documents shall be re-submitted to the Green Financing Center for compliance confirmation. Depending upon specific situations, these additional documents may include environmental and social impact assessment, resettlement plan, and ethnic minority development plan etc. (see indicative outline of such documents, or resettlement policy framework and ethnic minority development framework in **Annex 4-6**.)
- d) In the process of preliminary review, the Green Financing Center and its external environmental and social experts may keep timely communication with the World Bank in terms of risk screening and requirements of additional documentations.

3.3.4 Loan Approval

In the loan approval process, the main focus is to ensure potential client has complete and effective environment and social documents indicating the availability of production authorization, operation permit, project approval document, environment impact assessment, equipment acceptance paper, and performance records of environment and social management by potential clients, ensure that investigation staff have thorough understanding of the clients' performance on environment and social management, which is one of the important factors for approving the loan.

Once the compliance and completeness of environmental and social documentations are confirmed by the Green Financing Center, the loan approval staff at headquarter and local branches will take the environmental and social performance as important factor and make the following decisions:

- a) Determines the final risk category for differentiated management;
- b) Decline the loan for those clients that are classified as "Unsatisfactory";
- c) For clients and subprojects eligible, environmental and social risks will be indicated and necessary environmental and social management plans will be incorporated into the loan approval and conditions for loan disbursement.

3.3.5 Contract Signing

For those potential clients with certain environment and social risks, HXB will manage such risks by asking clients to submit risk mitigation report, set up special

provisions in the contract to strengthen environment and social risk management, and specify measures to be taken in case violation taking place.

3.3.6 Loan Disbursement

In loan disbursement process, the loan officer should regularly monitor the clients' performance on environment and social management against the conditions set in the loan agreement and urge them to make up measures in case they are not yet fully implemented. For those clients who have not yet met the loan disbursement conditions, no disbursement should be made. For those clients found with serious environment and social risk warning, the loan disbursement should be stopped, and HXB should start the risk warning system in accordance with relevant regulations in the bank.

3.3.7 Post-loan Management

After loan approval, continuous monitoring on environment and social management performance will be conducted by client managers at the local branches as an important part of subproject monitoring. Specific requirements include:

- a) For those Category A and B clients, at least every six month, field visit to the project and assessment of actual environment and social performance by the client should be made.
- b) For those clients with high environment and social risks, more frequent monitoring and assessment (at least quarterly) should be carried out in order to manage the risk.
- c) For those clients found with actual environment and social impacts, timely warning system should be set up, and concrete mitigation measures should be made.
- d) Detailed monitoring and documents should be made on the performance of environment and social management during investigation after loan approval, and update such information into the lending information system, and create condition for continuous management of environment and social risk.

3.4 Monitoring and Reporting

During the implementation of subprojects, HXB headquarter and its branches will establish an environmental and social performance monitoring and reporting mechanism. The specific contents include:

- a) Client managers conduct periodic field inspection according to the post-loan management procedures to keep tracking of the environmental and social performance of the client;
- b) Client managers/local branches will keep records of field inspection, and

- provide semi-annual reports on the environmental and social performance to the Green Finance Center at the headquarter of HXB;
- c) In case non-compliance is identified during subproject implementation, HXB will request time-bound remedial action by the client. If the client failed to address the non-compliance by the time required, HXB will adopt necessary remedial actions, including suspending loan disbursement;
 - d) If HXB find that serious accidents happened during the subproject implementation, it will immediately report to the World Bank on: enterprises/subproject involved; nature of accident; time and location, known damages and injury/fatality, whether it has been controlled, actions taken by clients/government departments; reason of accidents (or whether investigation has been engaged), preventive measures of the client for future accident prevention etc. The World Bank will follow up with HXB on the tracking of accidents investigation and resolution as necessary;
 - e) HXB will submit annual environmental and social report on the World Bank portfolio, including environmental and social management setup and procedures, environmental and social risks of all subprojects, environmental and social performance of clients, key issues identified and remedial actions, any accidents related information etc.

4. STAKEHOLDER ENGAGEMENT

4.1 Identification and Analysis of Stakeholders

For the project, stakeholders refer to groups and individuals who will be affected by those subprojects financed by Huaxia Bank and those groups and individuals who might have interest in the project. The stakeholders cover wide range of parties. They include staff of Huaxia Bank from both headquarter and branch offices, potential borrowers from Huaxia Bank, and various government agencies, contractors, and related enterprises involved in implementation of subprojects as well as those individuals and groups who might be affected during construction and operation of individual subprojects to be financed by Huaxia Bank.

Primary stakeholders identified for the Project would include the responsible FI (HXB), sub-borrowers under this project, entities to be installed with energy storage systems (e.g. grid company, RE developers, etc.), communities located close to the subprojects, suppliers of batteries and equipment, contractors for construction and equipment transportation, vendors for disposal of waste batteries, project beneficiaries, sector specialists (including Energy Storage Association) and relevant government authorities for approval of subprojects. Namely, the responsible government bureaus would include, but not limited to Power Bureau (for approval of grid access), Ecological and Environmental Protection Bureau, Fire-fighting Brigade, Administration of Work Safety, Natural Resources Bureau and Ethnic Minority and Religious Bureau (for confirming

status of ethnic minorities in subproject areas). Initial due diligence identified grid companies, big data centers, industrial parks, enterprises and the public will benefit substantially from the Project.

Among these stakeholders and interested parties, the staff of Huaxia Bank, potential borrowers of Huaxia Bank and those groups and individuals who might be directly affected during the construction and operation of those subprojects are key stakeholders as they are most relevant with the implementation of environment and social management system. The potential environment and social impacts of the Project will be directly brought by those potential borrowers of Huaxia Bank through construction and operation of individual subprojects.

Based on the project design, the potential borrowers of Huaxia Bank for the Project will mainly include those enterprises involved in development renewable energy storage system in order to improve efficiency of renewable energy usage and reduce renewable energy curtailment. On the generation side, they would involve a range of enterprises in renewable energy power generation by investing on installation of battery storage systems in existing wind farm and solar power plants and deployment of advanced wind/solar power forecast systems, which provide additional capability and flexibility to power systems to dispatch RE and avoid curtailments. On the grid side, regional and local grid companies could also be potential borrower by investing on installation of battery storage systems in existing substations in order to provide additional capability to power systems to better integrate wind and solar power and reduce RE curtailment. On the demand, various enterprises of RE energy users including big data centers and industrial park could be potential borrowers by investing on installation of battery storage systems in existing industrial zones or commercial consumers to meet the peak demand. In addition, potential borrowers also include those enterprises involved in development of distributed RE with storage and installation of battery storage systems in microgrids and 'behind the meter' at consumer sites to complement distributed renewable energy generation and other services. The storage systems could enable the distributed VRE more dispatchable and grid-friendly. The potential borrowers also include some enterprises piloting and scaling up of RE for heating. This is an emerging use of RE in China and the world. In China, it would consist of using VRE electricity to displace coal consumption for heating. Additional commercial arrangements or investments will be made to increase the VRE generation to meet this additional electricity consumption. Commercial arrangements include direct contracting, purchasing of green certificates, or administrative measures to increase the utilization hours of RE. Other innovative use of VRE that can be proved to reduce RE curtailment or increase RE use efficiently, such as integrated PV (iPV), hydrogen, heating pump.

Most of these potential borrowers from Huaxia Bank are state owned or privately owned enterprises involved in renewable energy development, electricity generation, transmission, and distribution, as well as micro grid development for renewable energy utilization. Most investment activities by these enterprises to be financed by Huaxia Bank will be concentrated on installation of storage battery facilities in order to improve efficiency use of renewable energy and reduce curtailment which appear to have limited potential environment and social impacts. Based on visit to a range of such facilities and consultant with similar enterprises, it seems that most of battery storage construction would involve minimum environment and social impacts. That is because most invested battery storage facilities could be accommodated within existing power plant site or substation site with little land acquisition. Only in the case of installation of battery storage in new renewable energy plants, where entire new renewable energy plant becomes linked activity, the moderate social and environment impacts due to construction of new renewable energy plant could be expected. Most such impacts associated with some renewable energy plants such as windfarm and concentrated solar power would be moderate, including permanent and temporary land acquisition in rural areas, normal construction impacts, as well as potential environment impacts during operation of these plants. If they are located in western provinces with high concentration of ethnic minority population, potential impacts on ethnic minority communities could not be ruled out.

In such cases, environment and social issues like land acquisition, indigenous people, labor laws, and community health and safety need to be addressed. In order to ensure that proper mitigation could be developed to address such impacts, and affected people in those subproject could be consulted regarding various mitigation measures, Huaxia Bank established a screening system and a set of procedures under ESMS to ensure for those subprojects that will involve with potential environment and social impacts, affected people will be consulted and stakeholders will be engaged during the preparation and implementation of individual subprojects.

4.2 Huaxia's Requirements on Stakeholder Engagement for Subprojects

Following the requirement of Environment and Social Framework of the World Bank, Huaxia Bank has developed an environment and social management system for the proposed Project in order to address potential environment and social impacts. Under the environment and social management system a screening process has been established which will divide all potential subproject into two different groups based on their potential environment and social impacts. For those subprojects with minimum or minor social and environment impacts, which cover most subprojects involve in installation of battery storage facilities from renewable energy power generation, grid transmission and distribution, and power utilization, since most of investment activities are installation of battery

facilities within the existing power plants, substations or premises of existing enterprises, little land acquisition and little construction will be involved. For those subprojects with substantial to high environment and social impacts, stakeholder identification and engagement will be carried out throughout subproject preparation and implementation. This is particularly true for those affected people and communities.

To ensure the consultation process is effective and meaningful, a stakeholder engagement plan has been developed and included as Annex 7, which include basic principles, timeline and detailed procedures for stakeholder engagement, and disclosure requirement for both Huaxia Bank and subproject sponsors. For Huaxia Bank, the stakeholder engagement refers mainly to consultation and disclosure among potential borrowers in relevant sectors, key government authorities, and professional associations. For subproject sponsor and Huaxia branch office, the stakeholder engagement will be concentrated on local government agencies and potential affected communities and individuals as well as interested parties such as contractors and potential beneficiaries. Since the potential environmental and social impacts of the Project will be mainly through implementation of various subprojects, stakeholder engagement for subproject sponsor will be more relevant for environmental and social management for the Project.

Such stakeholder engagement plan will be mainly carried out by subproject sponsors under the requirements and guidelines set out by Huaxia Bank. Once potential environment and social impacts are identified and considered as substantial or high, a set of safeguard instruments need to be prepared in accordance with environment and social management framework, and included as part of subproject loan application package. As agreed in the environment and social management framework, for those classified as substantial or high environment and social risk subprojects, in order to develop appropriate measures to minimize such impacts, subproject sponsor should develop a set of safeguard instruments, including environment and social assessment, resettlement plan or ethnic minority development plan, They will be assisted by Huaxia Bank branch office staff and Huaxia Bank Green Financing Center staff, as well as selected external environment and social experts. In the process of developing relevant safeguard instruments, extensive consultations will be carried out with affected communities and individuals to inform them potential impacts, basic project design and proposed compensation and rehabilitation measures to address such impacts.

4.3 Huaxia Bank Communication Arrangement and Information Disclosure

To facilitate effective stakeholder engagement, disclosure of relevant project information is important element of stakeholder engagement plan. The stakeholder engagement plan will be designed to take into account the main characteristics and interests of the stakeholders, and different levels of

engagement and consultations that will be appropriate for different stakeholders. The stakeholder engagement plan will set out how communication with stakeholder will be handled throughout project preparation and implementation. For Huaxia Bank, the relevant project information will include scope of activities to be eligible for financing, basic exclusion as part of project environmental and social risk management, detailed requirements on environmental and social risk screening and basic procedures for review and approval of subprojects from environmental and social management consideration. Most such information is included in the environmental and social management framework for Huaxia Bank, which will be disclosed to the public and potential borrowers through information booklet to be delivered during project marketing and promotion events, and through Huaxia Bank official website.

For individual subprojects, particularly those subprojects identified as substantial or high environmental and social risks, information disclosure will be carried out in the local project areas throughout the process of project preparation and implementation. The project sponsor should provide affected communities and individuals with access to the key information in a timely manner that allows meaningful consultations with stakeholders on project design and development of mitigation measures. They include (1) the purpose, nature and scale of the project; (2) duration of project activities; (3) potential risks and impacts to be brought by the project and proposed mitigation measures; (4) the proposed stakeholder engagement process; (5) the time and venue of proposed public consultation meetings; and (6) process and means by which grievance can be raised and will be addressed. These subproject information will be disclosed in relevant local language and in a manner that is acceptable and culturally appropriate.

4.4 Grievance Mechanism

In order for Huaxia Bank and subproject sponsor to respond to concerns and grievance of project affected people related to environmental and social performances of the project in a timely manner, a grievance mechanism to receive and facilitate resolution of such concerns and grievances has been proposed. The grievance mechanism is expected to address concerns promptly and effectively in a transparent manner that is culturally appropriate and readily accessible to all project affected parties at no cost and without retribution.

During implementation of the Project, concerns or complaints may arise related with environmental and social performances. In order to ensure that the affected people can voice their complaints, a grievance mechanism is established within this ESMS and also in relevant safeguard instruments. The purpose of this appeals procedure is to provide a mutually satisfactory means for rapid response to any APs complaint, to avoid any likelihood of a complicated legal procedure. The detailed procedure is as follows:

For complaint or concern directly to Huaxia Bank in reference to its lending procedures or requirements under the Project, the affected person or unit should first voice his or her concern to relevant branch office staff, which will take records and consult with relevant departments and provide an explanation or resolution to the affected person. If the affected person still does not accept the proposed resolution, he or she could appeal directly to Huaxia Bank Green Financing Center by calling Huaxia Bank headquarter customer center 95577. Huaxia Bank Green Financing Center after receiving appeal through customer center will provide a resolution or response within 15 days. If the dispute still cannot be resolved, then the affected person can appeal to Huaxia Bank management. The Huaxia Bank Green Financing Center is responsible for keeping records of all appeals, and the resultant resolutions.

For the complaints directly towards subprojects in reference to environmental and social impacts and performances of relevant mitigation measures, the detailed procedures are as follow:

- If any affected person does not satisfy with the compensation or mitigation measures related with social and environment impacts caused by the subproject, he/she can voice their complaint to the local township government, which will take records, consult with the responsible agency and provide a solution to the affected person within 10 days.
- If the affected person still does not accept the proposed resolution, then they can appeal directly to the subproject sponsor or local city or county responsible agency, which is the main organization responsible for the whole subproject. The city subproject resettlement office should make a record of any appeal and provide a resolution within 15 days.
- If the dispute still cannot be resolved, then the affected person can appeal to relevant Huaxia Bank branch office or headquarter; go through an administrative appeal according to the “***Administrative Procedure Law of People’s Republic of China***”; or go directly to the People’s Court. The Huaxia Bank Green Financing Center is responsible for keeping records of all appeals, and the resultant resolutions.

The affected people will be informed of their right to appeal through disclosure of proposed subproject and grievance mechanism through various mass media in the project area. The project will also publicize information about ESMS and grievance mechanism through Huaxia Bank website,

5. CAPACITY BUILDING AND TRAINING PLAN

HXB has been working with the World Bank for years in the fields of energy efficiency and air pollution control, with multiple projects implemented, including China Energy Efficiency Financing (I and II), Jingjin-jin-ji Air Pollution Control Program for Results etc. Therefore, HXB has accumulated rich experiences of World Bank’s environmental and social safeguards policies, and with satisfactory performance track records.

As the new World Bank Environmental and Social Framework applies to this project, which has broader and more detailed requirements based on previous safeguards policies. In addition, this project focuses on energy storage field, which is also an innovative field compared with previous World Bank projects implemented by HXB, thus presents new challenges in terms of technical, economic, safety, environmental and social concerns. Therefore, a capacity training plan is developed as part of the project implementation, to strengthen environmental and social risk management capacity and skills at HXB headquarter and local branches for better and effective risks and impacts management.

Table 4 Capacity Training Plan

Trainee	Contents	Time	Person-times	Budget (RMB)
HXB headquarter units related to green financing review/approval	<ul style="list-style-type: none"> • National laws and regulations on environmental and social risks and impacts management; • HXB environmental and social management system; • World Bank ESF; • ESMS of the World Bank project 	1 day Prior to loan effectiveness	10	10,000
HXB Green Financing Center, external environmental and social experts	<ul style="list-style-type: none"> • Emphasis on detailed requirements and procedures of ESMS; • Key requirements of World Bank ESSs; • Project monitoring and reporting requirements 	2 days Prior to effectiveness of loan	8	20,000
Relevant units at HXB local branches	<ul style="list-style-type: none"> • National laws and regulations on environmental and social risks and impacts management; 	1day/ once a year	To be determined	20,000

	<ul style="list-style-type: none"> • HXB environmental and social management system; • World Bank ESF; • ESMS of the World Bank project 			
Client enterprises applying World Bank loan	<ul style="list-style-type: none"> • Implementation requirements of ESMS; • Key requirements of World Bank ESSs 	1 day each time	To be determined	20,000

6. ANNEXES

Annex 1: Key Requirements of World Bank ESSs

ESSs	Key Requirements
ESS1: Assessment and Management of Environmental and Social Risks and Impacts	<ol style="list-style-type: none"> 1. Carry out an environmental and social assessment of the project to assess the environmental and social risks and impacts, at the scale and level of detail appropriate to the potential risks and impacts 2. Evaluate the project's potential environmental and social risks and impacts; including all relevant direct, indirect and cumulative risks and impacts and project alternatives, including the "no project" alternative. 3. Apply appropriate environmental and social impact assessment (ESIA), instruments as may be required, including ESIA; audit, hazard or risk. 4. Prepare an environmental and social management plan or framework to plan, allocate resources. The plan will specify the technical, organizational and human resources and actions to be taken, as well as any necessary training and other capacity enhancement necessary for ensure full compliance with such requirements. 5. Monitor and measure the environmental and social performance of the project against all applicable legal and regulatory requirements of the project. 6. If there are significant changes to the project that result in additional risks and impacts, particularly where these will impact project-affected parties, the proponent will provide information on such risks and impacts and consult with project-affected parties as to how these risks and impacts will be mitigated and will report to relevant authorities in a timely manner all information on any such risks, impacts and consultations. 7. Ensure that all contractors and subcontractors engaged in the project operate in a manner consistent with these requirements, including those relating to environmental management, monitoring and reporting

<p>ESS2:</p> <p>Labor and Working Conditions</p>	<ol style="list-style-type: none"> 1. The Borrower will develop and implement written labor management procedures applicable to the project. These procedures will set out the way in which project workers will be managed, in accordance with the requirements of national law and this ESS. 2. Provide project workers with information and documentation that is clear and understandable regarding their terms and conditions of employment including their rights at the beginning of the working relationship and when any material changes to the terms or conditions of employment occur. 3. Apply all relevant Occupational, Health and Safety measures to the project, consistent with applicable laws, regulations and industry best practices. 4. Employment of project workers will be based on the principle of equal opportunity and fair treatment, and there will be no discrimination on the basis of personal characteristics unrelated to inherent job requirements. 5. Provide appropriate measures of protection and assistance to address the vulnerabilities of project workers, including specific groups of workers, such as women, people with disabilities, migrant workers and children of legal working age. 6. No child under the minimum age of 14 will be employed or engaged in connection with the project. No child over the minimum age and under the age of 18 will be employed or engaged in connection with the project in a manner that is likely to be hazardous or interfere with the child's education or be harmful to the child's health or physical, mental, spiritual, moral or social development 7. Forced labor will not be used in connection with the project. 8. The project will comply with national law with respect to workers' rights to form and to join workers' organizations of their choosing and to bargain collectively without interference. 9. A grievance mechanism will be provided for all direct workers and contracted workers (and, where relevant, their organizations) to raise workplace concerns.
<p>ESS3:</p> <p>Resources Efficiency and Pollution Prevention and Management</p>	<ol style="list-style-type: none"> 1. Implement technically and financially feasible measures for improving efficient consumption of energy, water and raw materials, as well as other resources. 2. Avoid the release of pollutants, or, when avoidance is not feasible, minimize and control the concentration and mass flow of their release using the performance levels and measures specified in national law and regulation. 3. Where the project involves historical pollution, will establish a process to identify the responsible party. 4. Avoid the generation of hazardous and non-hazardous waste as defined by national law and regulation. 5. Avoid the manufacture, trade and use of chemicals and hazardous materials subject to international bans, restrictions or phase-outs consistent with Borrower government commitments under the applicable international agreements. 6. Where projects involve recourse to pest management measures, give preference to integrated pest management (IPM) or integrated vector management (IVM) approaches using combined or multiple tactics before resorting to synthetic pesticides.

	<p>7. The project shall estimate and report on greenhouse gas emissions consistent with national law and regulations issued in compliance with national commitments under international agreements and in accordance with internationally recognized methodologies and good practice.</p>
<p>ESS4: Community Health and Safety</p>	<ol style="list-style-type: none"> 1. Evaluate the risks and impacts of the project on the health and safety of the affected communities during the project life-cycle. Identify risks and impacts and propose mitigation measures in accordance with the mitigation hierarchy. 2. Identify, evaluate and monitor the potential traffic and road safety risks to workers and potentially affected communities throughout the project life-cycle. 3. Conduct a Risk Hazard Assessment (RHA) for projects having the potential to generate emergency events. Identify and implement measures to address emergency events. 4. Document and review the emergency preparedness and response activities, resources, and responsibilities, and disclose appropriate information, as well as any subsequent material changes thereto, to affected communities, relevant government agencies, or other relevant parties. 5. When the direct or contracted workers are retained to provide security to safeguard its personnel and property, assess risks posed by these security arrangements to those within and outside the project site. 6. To ensure that government security personnel deployed to provide security services act in a manner that avoids or minimizes risks to the project-affected communities.
<p>ESS5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement</p>	<ol style="list-style-type: none"> 1. For all projects having the potential to require physical or economic displacement of communities or persons conduct a social, legal and institutional assessment to identify potential risks and impacts. 2. Seek all feasible alternative project designs and measures should to minimize and mitigate adverse economic and social impacts of physical or economic displacement, unless public health or safety would be adversely affected as a result. 3. Assess environmental, social, and financial costs and benefits, and pay particular attention to gender impacts and impacts on the poor and vulnerable. 4. Where land acquisition or restrictions on land use are unavoidable, conduct a census to identify the persons and communities to be affected. Establish an inventory of land and assets to be affected, to determine who should be eligible for compensation and assistance. 5. In the case of physical displacement, design a resettlement plan, proportionate to the risks and impacts associated with the project, to mitigate the negative impacts of displacement and, as warranted, to identify development opportunities. 6. Where the exact nature or magnitude of the land acquisition or restrictions on land use related to a project with potential to cause physical and/or economic displacement is unknown during project preparation, a framework should be prepared

	<p>to establish general principles and procedures compatible with the Bank's policies. Once the individual project components are defined and the necessary information becomes available, such a framework should be expanded into a specific plan proportionate to potential risks and impacts.</p> <ol style="list-style-type: none"><li data-bbox="539 427 1337 600">7. When land acquisition or restrictions on land use, whether permanent or temporary, cannot be avoided, the affected persons should be compensated at replacement cost, and other assistance as may be necessary to help them improve or at least restore their standards of living or livelihoods.<li data-bbox="539 629 1337 1256">8. In case that relocation is necessary, (a) the displaced persons should be offered choices among feasible resettlement options, including adequate replacement housing or cash compensation; and (b) relocation assistance should be provided suited to the needs of each group of displaced persons. New resettlement sites should offer living conditions at least equivalent to those previously enjoyed, or consistent with prevailing minimum codes or standards, whichever set of standards is higher. If new resettlement sites are to be prepared, host communities should be consulted regarding planning options, and resettlement plans should ensure continued access, at least at existing levels or standards, for host communities to facilities and services. The displaced persons' preferences with respect to relocating in preexisting communities and groups should be respected wherever possible. Existing social and cultural institutions of the displaced persons and any host communities should be respected.<li data-bbox="539 1285 1337 1666">9. In the case of physically displaced persons have formal legal rights to land or assets, or do not have formal legal rights to land or assets, but have a claim to land or assets that is recognized or recognizable under national law, they should be offered the choice of replacement property of equal or higher value, with security of tenure, equivalent or better characteristics, and advantages of location, or cash compensation at replacement cost. Where livelihoods of displaced persons are derived primarily from land, compensation in kind should, where possible, be offered in lieu of cash.<li data-bbox="539 1695 1337 2038">10. Where livelihoods of displaced persons are land-based, or where land is collectively owned, the displaced persons should be offered an option for replacement in kind, unless equivalent replacement land is unavailable. Payment of cash compensation for lost land and other assets may be appropriate where: (a) livelihoods are not land-based; (b) livelihoods are land-based but the land taken for the project is a small fraction of the affected asset and the residual land is economically viable; or (c) active markets for land, housing, and labor exist, displaced persons use such markets,
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there is sufficient supply of land and housing, and the borrower has demonstrated to the satisfaction of the Bank that insufficient replacement land is available.

11. In the case that the displaced persons have no recognizable legal right or claim to the land or assets they occupy or use, they should be provided arrangements to allow them to obtain adequate housing with security of tenure. Where these displaced persons own structures, they should be compensated for the loss of assets other than land, such as dwellings and other improvements to the land, at replacement cost. Based on consultation with such displaced persons, relocation assistance in lieu of compensation for land sufficient for them should be provided to restore their standards of living at an adequate alternative site.
12. The displaced communities and persons should also be provided opportunities to derive appropriate development benefits from the project. In the case that the affected persons have no recognizable legal right or claim to the land or assets they occupy or use, resettlement assistance should be provided in lieu of compensation for land.
13. The displaced persons can be taken possession of acquired land and related assets only after compensation has been made available and, where applicable, resettlement sites and moving allowances have been provided in addition to compensation.
14. Negotiating in situ land development arrangements can be considered as an alternative to displacement, by which the affected persons may accept a partial loss of land or localized relocation in return for improvements that should increase the value of their property after development. Any person not wishing to participate should be allowed to opt instead for full compensation and other assistance.
15. Economically displaced persons who face loss of assets or access to assets should be compensated for such loss at replacement cost. Economically displaced persons should be provided opportunities to improve, or at least restore, their means of income-earning capacity, production levels, and standards of living.
16. When identifying potential economic and social risks and impacts of the project, particular attention should be paid to gender aspects and the needs of the poor and the vulnerable. The consultation process should ensure that women's perspectives are obtained and their interests factored into all aspects of resettlement planning and implementation.
17. The affected communities, including host communities, should be engaged in through the process of stakeholder engagement. Decision-making processes related to resettlement and livelihood restoration should include

	<p>options and alternatives from which affected persons may choose, where applicable.</p> <p>18. Disclosure of relevant information and participation of affected communities and persons should take place during the consideration of alternative project designs, and thereafter throughout the planning, implementation, monitoring, and evaluation of the compensation process, livelihood restoration activities, and relocation process.</p> <p>19. A grievance mechanism for the project should be in place as early as possible in project development to address specific concerns about compensation, relocation or livelihood restoration measures raised by displaced persons (or others) in a timely fashion.</p> <p>20. A monitoring procedure should be established to monitor and evaluate the implementation of the resettlement plan and will take corrective action as necessary during implementation. The extent of monitoring activities will be proportionate to the project's risks and impacts.</p> <p>21. For projects with significant involuntary resettlement impacts, competent resettlement professionals should be retained to monitor the implementation of resettlement plans, design corrective actions as necessary, provide advice and produce periodic monitoring reports. Affected persons should be consulted during the monitoring process. Periodic monitoring reports should be prepared and affected persons should be informed about monitoring results.</p>
<p>ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources</p>	<p>1. Carry out environmental and social assessment considering direct, indirect and cumulative project-related impacts on habitats and biodiversity, for example habitat loss, degradation and fragmentation, invasive alien species, overexploitation, hydrological changes, nutrient loading, pollution and incidental take, as well as projected climate change impacts.</p> <p>2. For the protection and conservation of biodiversity, the mitigation hierarchy includes biodiversity offsets, which will be considered as a last resort only after appropriate avoidance, minimization, and restoration measures have been applied but residual adverse impacts remain. A biodiversity offset will be designed and implemented to achieve measurable, additional, and long-term conservation outcomes that can reasonably be expected to result in no net loss and preferably a net gain of biodiversity; in the case of critical habitats, a net gain is required.</p> <p>3. Certain residual adverse impacts cannot be offset, particularly if the affected area is unique and irreplaceable from a biodiversity standpoint. In such cases, the Borrower will not undertake the project unless it is redesigned to avoid the need for such offset, and to meet the requirements of this ESS.</p> <p>4. Where the project occurs within or has the potential to adversely affect an area that is legally protected, designated for protection, or regionally or internationally recognized, the Borrower will, in addition to efforts of biodiversity</p>

	<p>conservation: (i) Demonstrate that the proposed development in such areas is legally permitted; (ii) Act in a manner consistent with any government recognized management plans for such areas; (iii) Consult and involve protected area sponsors and managers, project-affected parties including Indigenous Peoples, and other interested parties.</p> <ol style="list-style-type: none"> 5. All introductions of alien species will be subject to a risk assessment to determine the potential for invasive behavior as part of environmental and social assessment. The Borrower will not intentionally or unintentionally introduce any new alien species (not currently established in the country or region of the project) unless this is carried out in accordance with the existing regulatory framework. Do not deliberately introduce any alien species with a high risk of invasive behavior regardless of whether such introductions are permitted under the existing regulatory framework. 6. The Borrower with projects involving primary production and harvesting of living natural resources will assess the overall sustainability of these activities, especially for forest and aquatic system. Where primary production practices for the sustainable management of living natural resources are codified in standards that are globally, regionally, or nationally recognized, particularly for industrial-scale operations, implement such practices consistent with these standards, as relevant to such operations. 7. Where the project includes land-based commercial agriculture and forestry plantation (particularly projects involving land clearing or afforestation), locate such projects on land that is already converted or highly degraded (excluding any land that has been converted in anticipation of the project). 8. Where a Borrower is purchasing natural resource commodities, including food, timber and fiber, that are known to originate from areas where there is a risk of significant conversion or significant degradation of natural or critical habitats, the Borrower's environmental and social assessment will include an evaluation of the systems and verification practices used by the primary suppliers: (i) identify where the supply is coming from and the habitat type of the source area; (ii) where possible, limit procurement to those suppliers that can demonstrate that they are not contributing to significant conversion or degradation of natural or critical habitats; and (iii) where possible and within reasonable period, require shift the Borrower's primary suppliers to suppliers that can demonstrate that they are not significantly adversely impacting these areas.
<p>ESS7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities</p>	<ol style="list-style-type: none"> 1. Screen to determine that Indigenous Peoples present in, or with collective attachment to, the project area are fully consulted about, and have opportunities to actively participate in, project design and the determination of project implementation arrangements. 2. For projects designed specifically to provide benefits directly to Indigenous Peoples, proactively engage with the relevant Indigenous Peoples to ensure their ownership and participation in project design, implementation, monitoring

	<p>and evaluation.</p> <ol style="list-style-type: none"> 3. Design and implement the project in a manner that provides affected Indigenous Peoples with equitable access to project benefits. 4. Undertake Free, Prior, and Informed Consent (FPIC) of the affected Indigenous Peoples when the project will: (a) have impacts on land and natural resources subject to traditional ownership or under customary use or occupation; (b) cause relocation of Indigenous Peoples from land and natural resources subject to traditional ownership or under customary occupation or use; or (c) have significant impacts on Indigenous Peoples' cultural heritage. In these circumstances, the Borrower will engage independent specialists to assist in the identification of the project risks and impacts. 5. Adverse impacts on Indigenous Peoples will be avoided where possible. Where alternatives have been explored and adverse impacts are unavoidable, minimize and/or compensate for these impacts in a culturally appropriate manner commensurate with the nature and scale of such impacts and the form and degree of vulnerability of the affected Indigenous Peoples. 6. Where projects are likely to have significant impacts on land that is traditionally owned or under customary use or occupation by Indigenous Peoples, prepare a plan for legal recognition of their perpetual or long-term renewable custodial or use rights. 7. Given priority to the avoidance of significant adverse on cultural heritage that is relevant to the identity and/or cultural, ceremonial, or spiritual aspects of Indigenous Peoples' lives.,. Where such impacts are unavoidable, obtain the FPIC of affected Indigenous Peoples. 8. With the participation of affected Indigenous Peoples, identify mitigation measures designed to avoid, or if avoidance is not a possible minimize, mitigate or offset such impacts as designs opportunities for culturally appropriate and sustainable development benefits. Ensure the timely delivery of agreed measures to affected Indigenous Peoples. 9. Establish a grievance mechanism is e for the project, which is culturally appropriate and accessible to affected Indigenous Peoples, and takes into account the availability of judicial recourse and customary dispute settlement mechanisms among Indigenous Peoples
<p>ESS8: Cultural Heritage</p>	<ol style="list-style-type: none"> 1. Determine whether the proposed activities of the project are likely to affect cultural heritage through the environmental and social assessment, considering direct, indirect and cumulative project-specific risks and impacts on cultural heritage. 2. Avoid impacts on cultural heritage. When avoidance of impacts is not possible, identify and implement measures to address

	<p>impacts on cultural heritage in accordance with the mitigation hierarchy. As required to law and regulation, develop a Cultural Heritage Management Plan.</p> <ol style="list-style-type: none"> 3. Implement globally recognized practices for field-based study, documentation and protection of cultural heritage in connection with the project, including by contractors and other third parties. 4. Include a “chance finds” procedure in all contracts relating to construction of the project, including requirements to notify relevant authorities of found objects or sites by cultural heritage experts; to fence-off the area of finds or sites to avoid further disturbance; to conduct an assessment of found objects or sites by cultural heritage experts; consistent with the requirements of national law and regulation and to train project personnel and project workers on chance find procedures. 5. Where necessary due to the potential risks and impacts of a project, involve the participation of accredited cultural heritage experts in the environmental and social assessment. 6. Carry out meaningful consultations with stakeholders, including project affected parties and other interested parties (including local or national authorities) in order to identify cultural heritage that may be affected by the potential project. 7. Where a project intends to use cultural heritage (including knowledge, innovations or practices of project affected parties) for commercial purposes, (i) carry out meaningful consultation; (ii) provide for fair and equitable sharing of benefits from commercialization of such cultural heritage, consistent with customs and traditions of the project affected parties; and (iii) identify mitigation measures according to the mitigation hierarchy.
<p>ESS9: Financial Intermediaries</p>	<ol style="list-style-type: none"> 1. FIs will put in place and maintain an ESMS to identify, assess, manage, and monitor the environmental and social risks and impacts of FI subprojects on an ongoing basis. 2. The FI will put in place and maintain clearly defined environmental and social procedures. 3. The FI will have institutional capacity on management of the environmental and social issues of its portfolio. 4. FIs will screen and categorize all FI subprojects for environmental and social risks and impacts. 5. The FI will review and monitor the environmental and social performance of its portfolio of FI subprojects in a manner proportionate to the risks and impacts of the portfolio of subprojects. 6. The FI will provide a safe and healthy working environment
<p>ESS10: Stakeholder Engagement and Information Disclosure</p>	<ol style="list-style-type: none"> 1. Engage with stakeholders throughout the project life-cycle, commencing such engagement as early as possible in the project process. 2. Develop and implement a Stakeholder Engagement Plan (SEP) which describes the timing and methods of engagement with stakeholders throughout the life-cycle of the project. 3. Disclose project information to allow stakeholders to understand the risks and impacts of the project, and potential opportunities. 4. Engage in meaningful consultations with all stakeholders. Provide stakeholders with timely, relevant, understandable

	<p>and accessible information, and consult with them in a culturally appropriate manner, which is free of manipulation, interference, coercion, discrimination and intimidation.</p> <ol style="list-style-type: none"><li data-bbox="539 293 1343 454">5. Maintain a documented record of stakeholder engagement, including a description of the stakeholders consulted, a summary of the feedback received and a brief explanation of how the feedback was taken into account, or the reasons why it was not.<li data-bbox="539 459 1343 548">6. Propose and implement a grievance mechanism to receive and facilitate resolution of concerns and grievances from project-affected parties
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Annex 2 Huaxia Bank Sector and E&S Performance Evaluation Classification

“ABC” Sectoral Category of HXB

Category	International code	Sector
A	D4413	Nuclear power
	D4412	Hydro power
	E482	Inland waterway and port construction
	G53	Railway transport
	G5412	Urban rail
	G57	Pipeline transport
	B06	Coal exploitation and washing
	B07	Petroleum and natural gas exploitation
	B08	Ferrous metal mining and dressing industry
	B09	Non-ferrous metal mining and dressing
	B10	Non-metallic mining and dressing industry
	B12	Other mining industries
B	C1713	Cotton printing and dyeing
	C1723	Fur dyeing finishing
	C1733	Hemp dyeing finishing
	C1743	Silk dyeing and finishing
	C1752	Chemical fiber dyeing and finishing
	C1762	Knitting dyeing finishing
	C1910	Leather processing
	C1931	Fur processing
	C221	Pulp
	C222	Paper making
	C25	Petroleum processing, coking and nuclear fuel
	C26	Chemical raw materials and chemical manufacturing
	C27	Pharmaceutical manufacturing
	C29	Rubber and plastic products
	C30	Non-metallic minerals
	C31	Ferrous metal smelting and rolling
C32	Non-ferrous metal smelting and rolling	

	D4411	Thermal power
	D4430	Heat production and supply
	D4500	Fuel gas production and supply
	E47	House construction
	E48	Civil engineering construction
	C133	Vegetable oil processing
	C134	Sugar industry
	C146	Condiment, fermented product manufacturing
	C151	Liquor
	C384	Battery manufacturing
C	Other sectors	

Environmental and Social Performance Evaluation and Differentiated Management Approaches

No	Item	Satisfactory Criteria	Unsatisfactory if any one tick applies	“Attention needed” if any one tick applies
1	Business qualification	Complete certificates and licenses of pollutants emission permit, hazardous material operation permit, safety production certificate, hygiene certificate, production permit etc. <input type="checkbox"/>	Important licenses/certificates are suspended or cancelled <input type="checkbox"/>	Important licenses/certificates expired but not yet renewed <input type="checkbox"/>
2	Main production equipment or product technology level	1 . Not belong to sectors to be restricted or terminated according to Guidelines of Industrial Restructuring; <input type="checkbox"/> 2 . Not listed in production capacity to be cut by national government; <input type="checkbox"/>	1 . Main process, equipment and products are listed by local government to be cut; <input type="checkbox"/> 2 . Main process, equipment and products are listed to be phased out by national policy <input type="checkbox"/>	Main process, equipment and products are listed as to be restricted by national policy <input type="checkbox"/>
3	Pollution emission and treatment	1 . Stable operation of environmental facilities <input type="checkbox"/> 2 . Pollution emission complies with standards <input type="checkbox"/> 3 . Hazardous wastes properly handled <input type="checkbox"/>	1 . Company owner is determined as an environmental criminal or major suspect <input type="checkbox"/> 2 . Enterprise has resulted in significant environmental degradation and disturbance of local communities (no matter whether it received administrative punishment) <input type="checkbox"/>	Evidence on non-compliance of emission <input type="checkbox"/>
4	Major construction projects	1 . Project EIA has been approved by environmental authority. <input type="checkbox"/> 2 . Project siting is rational and won't cause significant ecological impacts and damage. <input type="checkbox"/> 3 . Project complies with “three simultaneousness” for pollution control facility, safety facility and occupational health prevention. <input type="checkbox"/> 4 . Land acquisition complies with relevant laws/regulations. <input type="checkbox"/>	1 . Project has serious violation on environmental protection, safety production, occupational health and land use aspects, and is suspended by relevant authorities, which cause difficulties for sustainable operation of the enterprise. <input type="checkbox"/> 2 . Major accidents or multiple small accidents happened during project construction, and no improvement measures are put in place. <input type="checkbox"/>	1 . Incomplete approval procedures from project approval, land use, EIA, energy assessment etc. <input type="checkbox"/> 2 . Incomplete implementation of “three simultaneousness” measures <input type="checkbox"/> 3、No agreement on land acquisition compensation for major project. <input type="checkbox"/>

No	Item	Satisfactory Criteria	Unsatisfactory if any one tick applies	"Attention needed" if any one tick applies
		5 . Project has agreement with indigenous peoples.		
5	Project completion acceptance	Completion acceptance received from relevant authorities on pollution control facilities, safety facilities and occupation health facilities. <input type="checkbox"/>	Violation of regulations on pollution control facilities, safety facilities and occupation health facilities, and suspended by relevant authorities. <input type="checkbox"/>	Pollution control facilities, safety facilities and occupation health facilities are yet to be accepted by relevant authorities. <input type="checkbox"/>
6	Energy consumption level of main product	1 . Energy consumption of major product complies with national/local standards. <input type="checkbox"/> 2 . Energy consumption of major product is lower than average level of the sector. <input type="checkbox"/>	1 . Energy consumption of major product is significantly higher than national/local standards. <input type="checkbox"/> 2 . Energy consumption of major product is significantly higher than average level in the same sector. <input type="checkbox"/>	Energy consumption of major product could not meet mandatory national standards. <input type="checkbox"/>
7	Administrative penalty	No administrative penalty by environmental protection, safety, land resources authorities etc. <input type="checkbox"/>	1 . Suspended or shut down by government authorities due to violation of environmental, safety, labor protection regulations. <input type="checkbox"/> 2 . Corrections requested by government authorities on environmental, safety, labor protection, land resources etc., and not yet completed. <input type="checkbox"/>	1 . Used to be warned, fined and listed in blacklist by authorities on environmental, safety, labor protection, land resources etc within six months. <input type="checkbox"/> 2 . Correction requested or suspended by government authorities due to environmental and social issues within the past one year. <input type="checkbox"/>
8	Media feedbacks	No negative reporting from major media and communities. <input type="checkbox"/>	Serious objection by social media on the existing or ongoing projects. <input type="checkbox"/>	Fairly much negative comments from media <input type="checkbox"/>
9	Env and social risk management system	Strong commitment on env and social management, with complete institutional arrangement and human resource deployment in place. <input type="checkbox"/>	There is no commitment on env and social management, and no institutional arrangement and human resource deployment in place.	No strong commitment on env and social management, with incomplete institutional arrangement and human resource deployment in place. <input type="checkbox"/>

No	Item	Satisfactory Criteria	Unsatisfactory if any one tick applies	"Attention needed" if any one tick applies
10	Historical performance	1 . No major accidents in the past year on pollution, safety, quality, occupational disease, community conflict etc. <input type="checkbox"/> 2 . Corrections or remediation has been completed for accidents if any. <input type="checkbox"/>	1 . Major accidents in the past year on pollution, safety, quality, occupational disease, community conflict etc. <input type="checkbox"/> 2 . Corrections or remediation not yet completed for accidents mentioned above. <input type="checkbox"/>	Major accidents in the past two years on pollution, safety, quality, occupational disease, community conflict etc. <input type="checkbox"/>
11	Others	No other issues affecting sustainable operation of the enterprise. <input type="checkbox"/>	There is other major legal violation behaviors on environmental and social aspects. <input type="checkbox"/>	There is other non-compliance issues on environmental and social issues. <input type="checkbox"/>

Notes:

- 1 . Item 1-8 are mandatory for evaluation of A and B category clients, others are complementary references.
- 2 . Each branch may have proper adjustment subject to actual situations.

Annex 3 Environmental and Social Risk Screening Sheet

Name of Enterprise: _____

Sector: _____ Sectoral Category: _____ E&S Performance category: _____

Subproject: _____

Huaxia Bank Branch: _____ Filled by: _____

Criteria	Yes	No	Risk				Remarks/Actions
			L	M	S	H	
Client's legal compliance							
1. Does the existing enterprise have a valid operating permit, licenses, approvals etc.?							
2. Does the existing enterprise meet all Chinese environmental regulations regarding air, water and solid waste management?							
3. Does the existing enterprise have any significant outstanding environmental penalties or any other environmental liabilities (e.g. pending legal proceedings involving environmental issues?)							
4. Have there been any complaints raised by local affected groups or NGOs regarding environmental and social impacts?							
5. Does the proposed sub-project obtain the EIA approval from relevant environmental							

Criteria	Yes	No	Risk				Remarks/Actions
			L	M	S	H	
authority?							
6. Does the proposed sub-project obtain land use right or land use approval from relevant land resource authority?							
7. Does the sub-project require separate approval for safety, water conservation/soil erosion control, flood control, geo-hazard assessment? If yes, please indicate the approval status.							
Sub-project's environmental and social risks							
8. Is the sub-project located in nature reserves (existing or planned), scenic areas, forest parks, protected water sources, or areas with high ecological value?							
9. Is the sub-project area a natural habitat?							
10. Is the sub-project area a critical natural habitat? i.e. is there important, fragile or endangered wildlife species in the sub-project area?							
11. Does the sub-project require new land acquisition? If yes, please indicate how much. (Land acquisition less than XXmu is considered to be minor impact)							

Criteria	Yes	No	Risk				Remarks/Actions
			L	M	S	H	
12. Does the sub-project involve resettlement? If yes, please indicate resettlement area, households and affected people. (Resettlement less than XXXX is considered as minor impact)							
13. Is there known archeological, historical, or cultural heritage site in the area of influence of the sub-project?							
14. Has the local population or any NGOs expressed concern about or opposition to the sub-project?							
15. Will the sub-project bring significant community health and safety risk?							
16. Will the sub-project cause significant labor safety and health risks?							
17. Will the sub-project cause adverse impacts on Indigenous Peoples (ethnic minority communities)?							
Overall environmental and social risk							

Annex 4 Indicative Outline of Environmental and Social Impact Assessment

Environmental and social impact assessment typically includes the following contents:

(a) Executive Summary

- Concisely discusses significant findings and recommended actions.

(b) Legal and Institutional Framework

- Analyzes the legal and institutional framework for the project, within which the environmental and social assessment is carried out;
- Relevant requirements of World Bank's ESSs.

(c) Project Description

- and its geographic, environmental, social, and temporal context, including any offsite investments that may be required (e.g., dedicated pipelines, access roads, power supply, water supply, housing, and raw material and product storage facilities), as well as the project's primary suppliers;
- Includes a map of sufficient detail, showing the project site and the area that may be affected by the project's direct, indirect, and cumulative impacts.

(d) Baseline Data

- Sets out in detail the baseline data that is relevant to decisions about project location, design, operation, or mitigation measures. This should include a discussion of the accuracy, reliability, and sources of the data as well as information about dates surrounding project identification, planning and implementation;
- Identifies and estimates the extent and quality of available data, key data gaps, and uncertainties associated with predictions;
- Based on current information, assesses the scope of the area to be studied and describes relevant physical, biological, and socioeconomic conditions, including any changes anticipated before the project commences
- Takes into account current and proposed development activities within the project area but not directly connected to the project.

(e) Environmental and Social Risks and Impacts

- Takes into account all relevant environmental and social risks and impacts of the project. This will include the environmental and social risks and impacts specifically identified in ESS2–8, and any other environmental and social risks and impacts arising as a consequence of the specific nature and context of the project.

(f) Mitigation Measures

- Identifies mitigation measures and significant residual negative impacts that cannot be mitigated and, to the extent possible, assesses the acceptability of those residual negative impacts;
- Identifies differentiated measures so that adverse impacts do not fall disproportionately on the disadvantaged or vulnerable;
- Assesses the feasibility of mitigating the environmental and social impacts; the capital and recurrent costs of proposed
- mitigation measures, and their suitability under local conditions; and the institutional, training, and monitoring requirements for the proposed mitigation measures.

(g) Analysis of Alternatives

- Systematically compares feasible alternatives to the proposed project site, technology, design, and operation—including the “without project” situation—in terms of their potential environmental and social impacts;
- Assesses the alternatives’ feasibility of mitigating the environmental and social impacts; the capital and recurrent costs of alternative mitigation measures, and their suitability
- under local conditions; and the institutional, training, and monitoring requirements for the alternative mitigation measures;
- For each of the alternatives, quantifies the environmental and social impacts to the extent possible, and attaches economic values where feasible.

(h) Environmental and Social Management Plan

- Environmental and social management organization setup and staffing;
- Environmental and social management and supervision procedures;
- Environmental and social mitigation measures, indicators;
- Monitoring plan;
- Capacity building and training plan;

- EMSP budget estimation

(i) Annexes

- List of the individuals or organizations that prepared or contributed to the environmental and social assessment;
- References—setting out the written materials both published and unpublished, that have been used;
- Record of meetings, consultations and surveys with stakeholders, including those with affected people and other interested parties. The record specifies the means of such stakeholder engagement that were used to obtain the views of affected people and other interested parties;
- Tables presenting the relevant data referred to or summarized in the main text;
- List of associated reports or plans.

Annex 5 Resettlement Framework

This document constitutes the Resettlement Policy Framework (RPF) for China: Improving Renewable Energy Performance to Accelerate Energy Transition Project. The Huaxia Bank (FI) has agreed to apply World Bank environmental and social framework in the design and implementation of this project, including ESS5 on Involuntary Resettlement. For this project, design and scheduling considerations make it impossible to determine the extent of resettlement planning requirements at appraisal. The RF establishes principles and procedures to be followed if subsequent stages of project design or implementation are to cause land acquisition or other involuntary restrictions on access to land or other resources. In such instances, the RF requires that a Resettlement Plan (RP) is prepared for World Bank review and approval. The RP ensures that any such potential impacts are minimized, and that any persons affected by such impacts are provided ample opportunity and compensation, through provision of compensation and other forms of assistance, to improve or at least restore their incomes and living standards.

2. Project Description

Project activities will promote and undertake target investments of both measures of reducing curtailment and new emerging use of RE in order to improve the efficiency of RE development. This is an integral part of a holistic program of World Bank engagement with China. The proposed implementation period is 2019 to 2024.

Target investments may cover a range of technologies and use cases in generation, grid and demand sides, subject to certain eligibility criteria, in line with the objective to improve efficiency of RE development. As such, project types could include: Installation of battery storage systems in existing wind farm and solar power plants. It would improve the performance of both wind and solar power from “intermittent power” to “dispatchable power”, and store the electricity when it needs to be curtailed. Installation of advanced wind/solar power forecast system. It would improve the accuracy of wind and solar power projection, so the dispatch centers can optimize its dispatch of these REs. Installation of heat/battery storage in existing non-coal power plants to increase its flexibility of dispatch. It would provide additional capability to the power systems to dispatch more RE. On the grid side: Installation of battery storage systems in existing substations. It would provide additional capability to the power systems to balance wind and solar power, then reduce RE curtailment. Grid side battery systems in substations, as part of the transmission and distribution networks, can also provide peaking load control and system backup to help mitigate the impact of the integration of PV and wind energy. Installation of advanced energy management systems to improve dispatch of RE. Examples of this type of investment could be joint dispatch of both hydropower and intermittent REs for better use of the intermittent REs. Improving existing distribution network or grid connection to allow more REs to be dispatched. On the demand side: Development of distributed RE with storage. Installation of battery storage systems in micro-grid and ‘behind the meter’ at consumer sites (e.g. distribution network in development zones and commercial buildings) to complement distributed renewable energy generation and other services. The storage systems could enable the distributed RE more dispatchable and grid-friendly. Pilot and scaling up RE for heating. This is an emerging use of RE in China. It uses electricity to replace the coal consumption for heating, while additional commercial arrangement will be made to increase the RE generation to meet this additional electricity consumption. The commercial arrangement include direct contracting, purchasing of green certificates, or administration measures to increase the utilization hours of RE.

3. Project Impacts

Most of these potential borrowers from Huaxia Bank are state owned or privately owned enterprises involved in renewable energy development, electricity generation, transmission, and distribution, as well as micro grid development for renewable energy utilization. Most investment activities by these enterprises to be financed by Huaxia Bank will be concentrated on installation of storage battery facilities in order to improve efficiency use of renewable energy and reduce curtailment which appear to have limited potential environment and social impacts. Based on visit to a range of such facilities and consultant with similar enterprises, it seems that most of battery storage construction would involve minimum environment and social impacts. That is because most invested battery storage facilities could be accommodated within existing power plant site or substation site with little land acquisition. Only in the case of installation of battery storage in new renewable energy plants, where entire new renewable energy plant becomes linked activity, the moderate social and environment impacts due to construction of new renewable energy plant could be expected. Most such impacts associated with some renewable energy plants such as windfarm and concentrated solar power would be moderate, including permanent and temporary land acquisition in rural areas, normal construction impacts, as well as potential environment impacts during operation of these plants. If they are located in western provinces with high concentration of ethnic minority population, potential impacts on ethnic minority communities could not be ruled out. In such cases, environment and social issues like land acquisition, indigenous people, labor laws, and community health and safety need to be addressed. In order to ensure that proper mitigation could be developed to address such impacts, and affected people in those subproject could be consulted regarding various mitigation measures, Huaxia Bank established a screening system and a set of procedures under ESMS to ensure for those subprojects that will involve with potential environment and social impacts, affected people will be consulted and stakeholders will be engaged during the preparation and implementation of individual subprojects.

4. Preparation and Approval Procedures for Resettlement Plan

For those subprojects identified as significant social impacts where land acquisition and resettlement are necessitated, individual resettlement plans must be prepared and implemented according to the policies confirmed in this RF. Hua Xia Bank staff and relevant subproject sponsor need to organize, prior to implementation, a detailed resettlement impact survey. For the sub-projects that seriously affect less than 200 people, a short Resettlement Plan should be prepared according to this RF, which will be submitted to Hua Xia Bank as part of subproject loan application package for review and approval prior to implementation. For sub-projects that seriously affect more than 200 people, a full Resettlement Plan should be prepared in accordance with this RF, which will be reviewed by Hua Xia Bank Green Financing Centre before being submitted to the World Bank for review prior to implementation. Hua Xia Bank Green Financing Centre, branch office of Hua Xia Bank, and external monitoring agency and the World Bank will supervise and monitor the resettlement implementation for individual subprojects.

The land acquisition screening determines whether a full RP or an “abbreviated” RP. When the number of persons affected exceeds 200, a full RP is necessary. Where impacts on all displaced persons are relatively minor, or fewer than 200 people are affected, an abbreviated RP may be prepared. Impacts are considered “minor” if the affected people are not physically displaced and less than 10% of their productive assets are lost.

- a) description of the activity causing land acquisition;
- b) range and scope of potential adverse impacts;
- c) socioeconomic survey and baseline census survey information;
- d) review of relevant laws and regulations relating to land acquisition and resettlement;
- e) specific compensation rates (or alternative measures) for all categories of affected assets;
- f) other measures, if any, necessary to provide opportunities for economic rehabilitation of displaced persons;
- g) eligibility criteria for compensation and all other forms of assistance;
- h) relocation arrangements, if necessary, including transitional support;
- i) site selection and site preparation, if necessary;
- j) restoration or replacement of community infrastructure and services;
- k) organizational arrangements for implementation;
- l) consultation and disclosure arrangements;
- m) resettlement implementation schedule;
- n) costs and budget;
- o) monitoring arrangements;
- p) grievance procedures;
- q) summary entitlements matrix

If an abbreviated RP is to be prepared, it also must be based on principles and planning and implementation arrangements established in this RPF. An abbreviated RP normally includes the following contents:

- a) a census survey of displaced persons and valuation of assets;
- b) description of compensation and other resettlement assistance to be provided;
- c) eligibility criteria;
- d) consultation and disclosure arrangements;
- e) organizational arrangements for implementation
- f) timetable and budget;
- g) monitoring arrangements;
- h) grievance procedures

RPS PREPARING AND APPROVING

Once it is determined that land acquisition or any associated impacts is essential to complete any project activities, resettlement planning should begin. The overall responsibility for preparation and implementation of any necessary RPs rests with sponsors of individual subprojects. The subproject owner will carry out, or cause to be carried out, a census survey to identify and enumerate all displaced persons, and a socioeconomic survey to determine the range and scope of adverse impacts in the affected area. The census survey must cover 100% of the persons to be displaced; the socioeconomic survey may be undertaken on a sample basis. Based on accurate baseline census survey and social economic survey, the RP will be prepared in accordance with the policy principles and planning and implementation arrangements set forth in this RPF, and established appropriate mitigation measures as appropriate for all categories of adverse impacts.

15. Hua Xia Bank's Green Financing Center and branch office will actively involve in RP preparation in order to ensure satisfactory RPs are prepared for subprojects involved with any potential land acquisition and resettlement, and submit them to the World Bank for review. Any RPs prepared in accordance with this RPF must be reviewed and approved by the Bank prior to awarding of contracts for the civil works causing the displacement.

5. Objectives and Legal Framework

5.1 Objective and Principles

According to the principles of the *Environment and Social Framework* and *ESS5 on Involuntary Resettlement*, resettlement and land acquisition should be avoided or minimized wherever possible, but where such impacts cannot be avoided, then each subproject that involves land acquisition and involuntary resettlement will have to comply with the general principles of this Resettlement Framework (RF). Once specific land acquisition and resettlement impacts are confirmed, a short or full RP must be developed based on the policies and procedures set forth in this RF.

The objective of this RF is to ensure that all the affected people (permanent and temporary) whose business or employment place or farmland are acquired, or whose houses are demolished, or whose production operations are affected, or whose crops, trees and property are affected, whether in part or in full, will be given reasonable compensation for their losses and/or all necessary assistance so that they may improve or at least keep or re-attain their original production facilities or capacity and their living standards..

For the preparation of this RF, the key principles of ESS5 of the World Bank has been adopted. Therefore, the following general principles are applicable to achieve these objectives.

1. For all projects having the potential to require physical or economic displacement of communities or persons conduct a social, legal and institutional assessment to identify potential risks and impacts.
2. Seek all feasible alternative project designs and measures should to minimize and mitigate adverse economic and social impacts of physical or economic displacement, unless public health or safety would be adversely affected as a result.
3. Assess environmental, social, and financial costs and benefits, and pay particular

attention to gender impacts and impacts on the poor and vulnerable.

4. Where land acquisition or restrictions on land use are unavoidable, conduct a census to identify the persons and communities to be affected. Establish an inventory of land and assets to be affected, to determine who should be eligible for compensation and assistance.
5. In the case of physical displacement, design a resettlement plan, proportionate to the risks and impacts associated with the project, to mitigate the negative impacts of displacement and, as warranted, to identify development opportunities.
6. Where the exact nature or magnitude of the land acquisition or restrictions on land use related to a project with potential to cause physical and/or economic displacement is unknown during project preparation, a framework should be prepared to establish general principles and procedures compatible with the Bank's policies. Once the individual project components are defined and the necessary information becomes available, such a framework should be expanded into a specific plan proportionate to potential risks and impacts.
7. When land acquisition or restrictions on land use, whether permanent or temporary, cannot be avoided, the affected persons should be compensated at replacement cost, and other assistance as may be necessary to help them improve or at least restore their standards of living or livelihoods.
8. In case that relocation is necessary, (a) the displaced persons should be offered choices among feasible resettlement options, including adequate replacement housing or cash compensation; and (b) relocation assistance should be provided suited to the needs of each group of displaced persons. New resettlement sites should offer living conditions at least equivalent to those previously enjoyed, or consistent with prevailing minimum codes or standards, whichever set of standards is higher. If new resettlement sites are to be prepared, host communities should be consulted regarding planning options, and resettlement plans should ensure continued access, at least at existing levels or standards, for host communities to facilities and services. The displaced persons' preferences with respect to relocating in preexisting communities and groups should be respected wherever possible. Existing social and cultural institutions of the displaced persons and any host communities should be respected.
9. In the case of physically displaced persons have formal legal rights to land or assets, or do not have formal legal rights to land or assets, but have a claim to land or assets that is recognized or recognizable under national law, they should be offered the choice of replacement property of equal or higher value, with security of tenure, equivalent or better characteristics, and advantages of location, or cash compensation at replacement cost. Where livelihoods of displaced persons are derived primarily from land, compensation in kind should, where possible, be offered in lieu of cash.
10. Where livelihoods of displaced persons are land-based, or where land is collectively owned, the displaced persons should be offered an option for replacement in kind, unless equivalent replacement land is unavailable. Payment of cash compensation for lost land and other assets may be appropriate where: (a) livelihoods are not land-based; (b) livelihoods are land-based but the land taken for the project is a small fraction of the affected asset and the residual land is economically viable; or (c) active markets for land, housing, and labor exist, displaced persons use such markets, there is sufficient

supply of land and housing, and the borrower has demonstrated to the satisfaction of the Bank that insufficient replacement land is available.

11. In the case that the displaced persons have no recognizable legal right or claim to the land or assets they occupy or use, they should be provided arrangements to allow them to obtain adequate housing with security of tenure. Where these displaced persons own structures, they should be compensated for the loss of assets other than land, such as dwellings and other improvements to the land, at replacement cost. Based on consultation with such displaced persons, relocation assistance in lieu of compensation for land sufficient for them should be provided to restore their standards of living at an adequate alternative site.
12. The displaced communities and persons should also be provided opportunities to derive appropriate development benefits from the project. In the case that the affected persons have no recognizable legal right or claim to the land or assets they occupy or use, resettlement assistance should be provided in lieu of compensation for land.
13. The displaced persons can be taken possession of acquired land and related assets only after compensation has been made available and, where applicable, resettlement sites and moving allowances have been provided in addition to compensation.
14. Negotiating in situ land development arrangements can be considered as an alternative to displacement, by which the affected persons may accept a partial loss of land or localized relocation in return for improvements that should increase the value of their property after development. Any person not wishing to participate should be allowed to opt instead for full compensation and other assistance.
15. Economically displaced persons who face loss of assets or access to assets should be compensated for such loss at replacement cost. Economically displaced persons should be provided opportunities to improve, or at least restore, their means of income-earning capacity, production levels, and standards of living.
16. When identifying potential economic and social risks and impacts of the project, particular attention should be paid to gender aspects and the needs of the poor and the vulnerable. The consultation process should ensure that women's perspectives are obtained and their interests factored into all aspects of resettlement planning and implementation.
17. The affected communities, including host communities, should be engaged in through the process of stakeholder engagement. Decision-making processes related to resettlement and livelihood restoration should include options and alternatives from which affected persons may choose, where applicable.
18. Disclosure of relevant information and participation of affected communities and persons should take place during the consideration of alternative project designs, and thereafter throughout the planning, implementation, monitoring, and evaluation of the compensation process, livelihood restoration activities, and relocation process.
19. A grievance mechanism for the project should be in place as early as possible in project development to address specific concerns about compensation, relocation or livelihood restoration measures raised by displaced persons (or others) in a timely fashion.
20. A monitoring procedure should be established to monitor and evaluate the

implementation of the resettlement plan and will take corrective action as necessary during implementation. The extent of monitoring activities will be proportionate to the project's risks and impacts.

For projects with significant involuntary resettlement impacts, competent resettlement professionals should be retained to monitor the implementation of resettlement plans, design corrective actions as necessary, provide advice and produce periodic monitoring reports. Affected persons should be consulted during the monitoring process. Periodic monitoring reports should be prepared and affected persons should be informed about monitoring results.

5.2 National Laws and Regulations

For any land acquisition and resettlement activities in China, they will follow a set of national laws and regulations, which include: (1) Land Administration Law of the People's Republic of China (issued in 1986 and amended in 1998); (2) Circular of the Ministry of Land and Resources Concerning the Issuance of the Guiding Opinions on Improving the System of Compensation for Requisition of Land (Circular No. 238, issued by MLR in 2004), and (3) provincial and local implementation regulations. These laws and regulations form the legal basis for providing compensation and rehabilitation to those affected by land acquisition and resettlement activities. The followings are key provisions of Land Administration Law and Circular No. 238.

5.2.1 Key Provisions of the Land Administration Law

Article 2: The state may, out of necessity of public interest, requisition land collectively owned in accordance with law.

Article 46: Where land is to be requisitioned by the State, the requisition shall, after approval is obtained through legal procedure, be announced by people's governments at or above the county level, which shall help execute the requisition.

Units and individuals that own or have the right to the use of the land under requisition shall, within the time limit fixed in the announcement, register for compensation with the land administration department of the local people's government by presenting their certificates of land ownership or land-use right.

Article 47: Land requisitioned shall be compensated for on the basis of its original purpose of use. Compensation for requisitioned cultivated land shall include compensation for land, resettlement subsidies and attachments and young crops on the requisitioned land. Compensation for requisition of cultivated land shall be six to ten times the average annual output value of the requisitioned land for three years preceding such requisition.

Resettlement subsidies for requisition of cultivated land shall be calculated according to the agricultural population needing to be resettled. The agricultural population needing to be resettled shall be calculated by dividing the amount of requisitioned cultivated land by the average amount of the original cultivated land per person of the unit the land of which is requisitioned.

The highest resettlement subsidies to be divided among members of the agricultural population needing resettlement shall not exceed fifteen times its average annual output value for the three years preceding such requisition.

Standards of land compensation and resettlement subsidies for requisition of other types of land shall be prescribed by provinces, autonomous regions and municipalities directly under the Central Government with reference to the standards of compensation and resettlement subsidies for requisition of cultivated land.

Standards for compensation for attachments and young crops on the requisitioned land shall be prescribed by provinces, autonomous regions and municipalities directly under the Central Government.

If land compensation and resettlement subsidies paid in accordance with the provisions of the second paragraph of this Article are still insufficient to help the peasants needing resettlement to maintain their original living standards, the resettlement subsidies may be increased upon approval by people's governments of provinces, autonomous regions and municipalities directly under the Central Government. However, the total land compensation and resettlement subsidies shall not exceed 30 times the average annual output value of the requisitioned land for the three years preceding such requisition.

Article 48: Once a plan for compensation and resettlement subsidies for requisitioned land is decided on, the local people's government concerned shall make it known to the general public and solicit comments and suggestions from the collective economic organizations, the land of which is requisitioned, and the peasants.

Article 49: The rural collective economic organization, the land of which is requisitioned, shall accept supervision by making known to its members the income and expenses of the compensation received for land requisition.

The compensation and other charges paid to the unit for its land requisitioned is forbidden to be embezzled or misappropriated.

Article 57: Where land owned by the State or by peasant collectives needs to be used temporarily for construction of projects or for geologic prospecting, the matter shall be subject to approval by the land administration departments of people's governments at or above the county level. However, if the land to be temporarily used is located in the area covered by urban planning, the matter shall be subject to agreement by the urban planning administration department concerned before it is submitted for approval. The land user shall, depending on who owns the land and who has the land-use right, enter into a contract for the temporary use of the land with the land administration department concerned, or the rural collective economic organization, or the villagers committee and pay compensation for it in accordance with the provisions of the contract.

The temporary land user shall use the land for purposes stipulated in the contract for temporary use of the land and may not build permanent structures on it. Generally, the period for temporary use of land shall not exceed two years.

5.2 Key Provisions in the Circular No.238

The Formulation of the Unified Standards of Annual Output Value. The departments of land and resources at the provincial level shall, in conjunction with other departments concerned, work out the unified minimum standards for annual output value, which shall be announced and executed after the examination and approval by the people's governments at the provincial level. Factors such as types and quality of arable land requisitioned, peasants' input, prices of primary products and the categories of farmland shall take into account when deciding the value of average annual output.

The Determination of the Unified Multiple of Annual Output Value. The unified multiple of the value of average annual output for calculating land compensation and resettlement subsidies shall comply with the principle of non-decrease of the standards of living of the peasants whose arable land has been requisitioned and shall be decided within the limits prescribed by laws and regulations; compensation for requisitioned land calculated with reference to the prescribed multiple of the value of average annual output shall increase the multiple upon approval of the people's governments at the provincial level if it is unable to maintain the original living

standards of the peasants whose land has been requisitioned and still insufficient to pay social security expenses for peasants who have lost land due to requisition; the total land compensation and resettlement subsidies shall be 30 times the value of the average annual output of arable land, or shall be subsidized by a proportion of proceeds from the sale of State-owned land use rights under the overall planning of a local people's government if they are still insufficient to maintain the original living standards of the peasants whose land has been requisitioned. Compensation for arable land that is authorized to be requisitioned shall be implemented in compliance with the maximum compensation standards announced by the local people's government.

The Formulation of the Comprehensive Prices of Farmland in Resettlement Areas. In the areas where conditions permit, provincial-level departments of land and resources may make comprehensive land prices in counties (or cities) within provincial boundaries together with the administrative departments concerned, which shall go into effect upon approval and promulgation by the people's governments at the provincial level and shall be applied to compensation for land requisitioned. In calculating the comprehensive prices of farmland, the categories and rates of arable land, its production value, location, per capita quantity as well as demand and supply or the local economic development levels and the minimum standards of living should be given full consideration.

The Allocation of Compensation for Land. In accordance with the principle of distributing land compensation funds mainly among peasants whose land has been requisitioned, land compensation funds shall be appropriately allocated within rural collective economic organizations. The people's governments at the provincial level shall guide detailed ways of allocation. In the areas where land is expropriated and rural collective economic organizations are dissolved, all compensation for land shall be applied for the restoration of agricultural production and livelihood of the peasants whose land has been requisitioned.

Rehabilitation by Agricultural Production. During requisitioning of peasants' collective land beyond urban planning areas, first priority shall be given to providing peasants with necessary cultivated land for continuity of agricultural production by utilizing the rural collective land reserves, the contracted land returned voluntarily by the contracting rural households or the newly added arable land after land circulation and land consolidation.

Rehabilitation by Reemployment. Favorable conditions shall be created to provide free technical training and assign corresponding posts to peasants whose land has been requisitioned. Under equal conditions, the land users shall give priority to creating employment opportunities for peasants whose land has been requisitioned. During requisitioning of peasants' collective land within urban planning areas, the peasants losing their arable land due to land acquisition shall be incorporated into urban employment system and a social security system shall also be established.

Rehabilitation by Dividends. Regarding land with long-term stable earnings to be used in any projects, under the premise of rural households' willingness, the rural collective economic organizations, the land of which is requisitioned, shall regard land compensation as stocks or converge the land-use right of the land approved for construction purposes into stocks through consultation with the land users. The rural collective economic organizations and rural households shall receive dividends by means of preference stocks based on the contracted conditions.

Rehabilitation by Resettlement. In the area where peasants losing land due to land acquisition are not provided with basic production and living conditions, the local government shall organize their resettlement into other areas on the basis of fully soliciting opinions from the rural collective economic organizations and rural households whose land has been requisitioned.

6. ENTITLEMENT POLICY & REHABILITATION MEASURES

6.1 Entitlement Policy

All displaced persons are eligible for compensation and/or other forms of assistance, as relevant to the nature of impacts affecting them. In general, people eligible for compensation would include those affected in the following ways:

Land to be permanently acquired for the project: This refers to (a) members of affected villages who have formal land use rights, and (b) those outsiders who are currently farming the land areas under lease arrangement. Displaced persons in category a) are entitled to compensation at replacement cost. For those in category b) they are entitled to compensation for lost crops and lost structures.

Loss of houses, other structures and fixed assets, including trees and standing crops: Owners of houses and other assets (regardless of whether they hold land title or building permits for structures erected prior to the cut-off date).

Losses associated with temporary impacts: This includes temporary loss of land, and transitional costs associated with moving, or disturbance to businesses during construction.

Specifically, displaced persons will be entitled to the following types of compensation measures:

1. *Displaced persons losing agricultural land:*
 - a) The preferred mechanism for compensation of lost agricultural land will be through provision of replacement land of equal productive capacity and satisfactory to the displaced person. If satisfactory replacement land cannot be identified, compensation at full replacement cost may be provided.
 - b) Displaced persons will be compensated for the loss of standing crops at market price, for economic trees at net present value, and for other fixed assets (ancillary structures, wells, fences, irrigation improvements) at replacement cost.
 - c) Compensation will be paid for temporary use of land, at a rate tied to duration of use, and the land or other assets will be restored to prior use conditions at no cost to the owner or user.
2. *Displaced persons losing residential land and structures*
 - a) Loss of residential land and structures will be compensated either in-kind (through replacement of house site and garden area of equivalent size, satisfactory to the

displaced person, or in cash compensation at replacement cost, plus assistance for relocation.

- b) If after partial land acquisition the remaining residential land is not sufficient to rebuild or restore a house of other structures of equivalent size or value, then at the request of the displaced person the entire residential land and structure will be acquired at full replacement cost.
- c) Compensation will be paid at replacement cost for fixed assets.
- d) Tenants, who have leased a house for residential purposes will be provided with a cash grant of three months rental fee at the prevailing market rate in the area and will be assisted in identifying alternative accommodation.

3. *Displaced persons losing business*

- a) Compensation for loss of business will involve, as relevant: (i) provision of alternative business site of equal size and accessibility to customers, satisfactory to the displaced business operator; (ii) cash compensation for lost business structures; and (iii) transitional support for loss of income (including employee wages) during the transition period.

4. *Vulnerable groups*

- a) The project vulnerable groups - the elderly, disabled, woman headed households should be identified in the census survey. Besides compensations and rehabilitations measures to be adopted for all affected people, additional assistance will be provided to them in order to ensure that their income and livelihood will be restored and improved through project implementation.

5. *Infrastructure and access to services*

Infrastructure (such as water sources, roads, sewage systems or electrical supply) and community services (such as schools, clinics or community centers) will be restored or replaced at no cost to the communities affected. If new resettlement sites are established, infrastructure and services consistent with local standards will be provided at no cost to the relocated persons.

6.2 Rehabilitation Measures

Compensation may be sufficient to allow displaced persons to restore incomes if paid at full replacement cost when replacement assets are available. Often, however, land acquisition and resettlement may require rehabilitation measures for displaced persons or persons who lose income from land acquisition in order to obtain new skills required for resuming production in a new environment, or to pursue new sources of income. The RP must assess the impacts resulting from land acquisition and resettlement of displaced persons, and provide adequate rehabilitation measures to assist those affected to restore their livelihoods.. Terms for provision of such measures, including training, extension services, or employment, along with responsibility for providing them, should be specified and detailed in the RP.

7. Institutional Arrangements

For the propose Project, Hua Xia Bank Green Financing Center will be responsible for environment and social management of the Project. The staff of Green Financing Center will work closely with other relevant departments and staff of branch offices to first screen environment and social risks of all potential subprojects, and for those subprojects identified with potential social impacts of land acquisition and resettlement, staff of Green Financing Center, branch office staff and potential sponsors of subprojects will work together to prepare relevant documents in order to address impacts caused by land acquisition and resettlement. Specifically, following the provision of the framework, a resettlement plan will be prepared for those subprojects involve with land acquisition and resettlement. The resettlement plan will be prepared based on consultation with affected communities and individuals, which will include details on compensation and rehabilitation following national laws and local regulations, and arrangement for implementation and monitoring. Huaxia Green Financing Center and staff of relevant branch offices will conduct regular monitoring, supervision and reporting of the resettlement implementation as per the requirements of this RF and subproject RPs. The institutions to be responsible for the planning, management, implementation and monitoring of the resettlement activities include:

1. Hua Xia Bank Green Financing Center
2. Relevant Hua Xia Bank branch office
3. Borrower of subproject involved with land acquisition and resettlement
4. Resettlement Offices of relevant city or county natural resources bureaus
5. relevant township government
6. relevant villages or village group
7. Selected Independent Resettlement Monitoring and Evaluation Institution

In the RP for each subproject, details should be presented on the responsibility, staff, relationship of these institutions, and detailed training programs that are required. Although the staff of Hua Xia Bank Green Financing Center has extensive experience with the implementation of the World Bank funded projects, staff of many branch office of Hua Xia Bank have had less exposure to implementing foreign loan funded projects, and with the World Bank resettlement policy requirements. A resettlement workshop on resettlement policy and practice will be conducted for the staff of Hua Xia Bank headquarter and branches. Additional training for resettlement staff from each subproject will be included in the individual resettlement plans.

8. Public Consultation, Information Disclosure and Participation

Prior to implementing the Project, public consultation and information disclosure should be undertaken within the project area. Knowledge and acceptance of the proposed compensation policies and rehabilitation measures for the affected people is a precondition for approval of the resettlement plan. The ESMS of Hua Xia Bank for the Project should be disclosed to the public during project preparation. During project implementation, ESMS of Hua Xia Bank should also

be provided to each subproject sponsor and made available along with prepared RP in the project affected area, including resettlement information booklets to be distributed to affected persons to provide details on impacts and compensation rates prior to the World Bank approval. During implementation, disclosure of impacts measurements, compensation entitlements and payments will be publicly disclosed in affected villages or communities.

Public participation includes involving the affected communities and project stakeholders in the whole resettlement process. It is important that an activity management mechanism is established that will encourage the affected people to actively participate in the resettlement activities. The project affected people should be encouraged to participate in the overall process of compiling and implementing the resettlement plan. To achieve this, the communities and APs should be invited to consultation meetings during the preparation of resettlement plan, so that they can become fully informed of the RF and the planned developments. The subproject sponsor or local governments should solicit the opinion of the APs on the resettlement and compensation policies, as well as from the local government and resettlement representatives. Everyone who may be affected by the subproject and the resettlement plan should be encouraged to participate in discussions and help formulate the decisions for the resettlement and reconstruction work.

9. Grievance Redressal Mechanism

The Resettlement Plan is prepared in accordance with the needs of the whole subproject. During implementation of the RP, APs complaints may arise because there have been some problems or change to the actual subproject implementation activities which had not been foreseen when the RP was prepared. In order to ensure that the affected people can voice their complaints when any problem arises for the land acquisition and/or resettlement of the APs, an appeal procedure is defined within this RF and in the Resettlement Plans. The purpose of this appeals procedure is to provide a mutually satisfactory means for rapid response to any APs complaint, to avoid any likelihood of a complicated legal procedure. The detailed procedure is as follows:

- If any AP does not agree with the compensation or resettlement plan, he/she can voice their complaint to the village committee (residential committee). The village or residential committee should keep records, consult with the local resettlement office and provide a reply to the affected people within 10 days.
- If the affected person is not satisfied with the reply, they can appeal to the township or sub-district resettlement working group, which will take records, consult with the local resettlement office and provide a solution to the affected person within 10 days.
- If the affected person still does not accept the proposed resolution, then they can appeal directly to the local city or county Project Resettlement Office (PRO), which is the main organization responsible for the whole subproject. The city subproject resettlement office should make a record of any appeal and provide a resolution within 15 days.
- If the dispute still cannot be resolved, then the affected person can appeal to the Hua Xia Bank branch office or headquarter, go through an administrative appeal according to the “*Administrative Procedure Law of People’s Republic of China*”, or go directly to the People’s Court. The Resettlement Office is responsible for keeping records of all

appeals, and the resultant resolutions.

APs will be aware of their right to appeal through the participatory meetings and from the resettlement information booklet by following the new provisions in the land administration law and regulations. The project will also publicize information through the mass media and collect the APs opinions and suggestions, which will then be investigated and resolved through all necessary administrative levels in a timely manner.

10. Monitoring and Evaluation

10.1 Internal Monitoring and Examination

Both the Green Financing Center and branch office of Hua Xia Bank and subproject sponsor for each subproject, as well as subproject implementation agencies, will be responsible for the internal resettlement monitoring activities. The monitoring work will include reviewing the main implementation milestones, evaluating the resettlement impacts, and if necessary revising the sub-project Resettlement Plans. The Hua Xia Bank Green Financing Center and branch office and borrower will be responsible to ensure the effective performance of the resettlement institutions during resettlement implementation, including strengthening the coordination between different institutions. They will prepare quarterly progress reports on the land acquisition and buildings demolition activities; and these reports will be consolidated by the Hua Xia Bank into their quarterly reports for submission to the World Bank as the routine review and monitoring of resettlement implementation issues. The reports would include any suggestions for consideration and future action.

The internal monitoring will include:

1. Updates of implementation schedules and progress of the last quarter and works/actions planned in the next quarter.
2. The allocation of housing sites, house reconstruction, and relocation activities;
3. Assessment of implementation progress and the quality of the replacement facilities for the resettled people and their productive activities;
4. Investigation, coordination and the provision of suggestions to deal with any issues that arise (previously or new) for the resettlement institutions and the APs during the resettlement implementation process;
5. Oversight on the restoration of family income once relocation and resettlement has been completed;
6. Measures taken for vulnerable groups or individuals;
7. The allocation, disbursement, and use of resettlement compensation;
8. Assessment a support for participation and consultation during the implementation period;
9. Progress on training affected people and promoting future options for their future livelihood; and
10. Implementation issues and proposed follow-up actions.

The Huaxia Bank will be responsible for preparing and submitting to the World Bank an annual resettlement summary report and a final comprehensive Resettlement Completion Report once

all resettlement activities have been finished.

10.2 External Monitoring

A qualified external resettlement monitoring agency should be retained to undertake independent external resettlement monitoring and evaluation for the whole Project. The monitoring and evaluation agency must be acquainted with the resettlement activities, and able to provide both the evaluation and suggestions for improving the overall resettlement and rehabilitation process that secures the livelihood of the APs. The monitoring team is intended to be an independent communication channel for the APs, so as to ensure the resettlement planning and implementation fulfills the needs of the APs, and that the procedures adopted are also compliant with the national laws and provincial regulations, the RPs and the World Bank ESF Policy. The independent resettlement monitoring and evaluation agency shall conduct field investigations periodically and prepare resettlement monitoring and evaluation reports every six months, to be submitted simultaneously to Hua Xia Bank and the World Bank for review.

The specific content of the external monitoring will include:

1. Monitoring and evaluation of the resettlement implementation schedule;
2. Monitoring and evaluation on the use of the resettlement funds;
3. Monitoring and evaluation of the rehabilitation of production facilities in or as related to the APs;
4. Monitoring and evaluation of the compensation payments to relocatees' and the re-establishment of productive economic activities.
5. Assessment of the affected people's income levels and living standards, as a basis to ensure they have been adequately compensated and their standard of living and income improved or at least fully restored to pre-project levels.

11. Resettlement Cost and Budget

11.1 Preparation Principles

Costs for a subproject resettlement program, including economic rehabilitation, demolition and resettlement, and demolition and relocation of special facilities, should be prepared according to the relevant national policies, and included with the cost estimation for the construction works.

1. Compensation standards for land compensation, resettlement subsidy and young crops compensation will be confirmed according to *Land Administration Law of the People's Republic of China* and relevant provincial decree and local regulations.
2. Compensation standards for structures will be based on an analysis of replacement prices for a typical house in the project affected area. The compensation standard for auxiliary facilities, scattered trees and demolition subsidy will be determined according to the design or compensation standard for a similar project.
3. Compensation for special facilities, based on the maintenance of their functionality according to the principles of "original scale, original standard and original function", will be determined in accordance with the detailed work that will have to be undertaken.
4. The estimated land acquisition and resettlement cost will be included as part of total project cost.

11.2 Compensation Funds

Each subproject sponsor, assisted by the relevant local government agencies, should carefully compile a resettlement cost estimate that will be included in the resettlement plan prepared before each subproject can be evaluated, as per the requirements outline in this RF.

11.3 Funds Arrangement

Compensation for land acquisition, demolition of buildings and other costs for each subproject should be paid to the affected people and units by the city or county through their resettlement offices. According to the compensation policies and standards defined in the resettlement plan, the payment and usage of compensation funds will be carried out under the supervision of the internal monitoring agencies, with regularly review by the external monitoring agency.

12. Resettlement Implementation

The resettlement plan for each subproject should include a detailed implementation schedule for the resettlement activity in the subproject area. The schedule should be closely linked to the construction schedule, and the specific activities to be undertaken. The payment of compensation for land acquisition and demolition; the provision of other livelihood rehabilitation measures (in cash or in kind); and the allocation of subsidies or allowances should be paid in installments according to the planned resettlement implementation activities.

Annex 6 Ethnic Minority Development Framework

1. Introduction

This Ethnic Minorities Development Framework (EMDF) is prepared to ensure equitable sharing of the project benefits and mitigation measures by the concerned minority communities and individuals¹ in the project area of the proposed Project - Improving Renewable Energy Performance to Accelerate Energy Transition Project. The EMDF is prepared based on the requirements of ESF, relevant national laws and regulations, and consultation with key stakeholders, including staff of Hua Xia Bank and some function agencies in different provinces in China. The EMDF includes four main components. The first part is a brief description of project scope. The second part discuss basic rationale for preparing EMDF for the Project, and possible situation where EMDF might be applied so that affected ethnic minority communities could be ensured to have equable share of project benefits and avoid or minimize negative impacts. The third part introduces basic legal framework for EMDF, which includes both national laws and regulation concerning ethnic minority population in China and provisions of the World Bank Environment and Social Framework on Indigenous People. The fourth part summarizes the key provisions to enhance the economic conditions of minority groups based on review of EMDP for selected subproject. These provisions for special mitigation measures have been included in the resettlement plan, which will help ensure that ethnic minorities adversely affected by resettlement will also benefit from the project. Current government policies and programs for ethnic minorities further help to protect and enhance project benefits to ethnic minority groups.

2. Project Description

Project activities will promote and undertake target investments of both measures of reducing curtailment and new emerging use of RE in order to improve the efficiency of RE development. This is an integral part of a holistic program of World Bank engagement with China. The proposed implementation period is 2019 to 2024.

Target investments may cover a range of technologies and use cases in generation, grid and demand sides, subject to certain eligibility criteria, in line with the objective to improve efficiency of RE development. As such, project types could include: Installation of battery storage systems in existing wind farm and solar power plants. It would improve the performance of both wind and solar power from “intermittent power” to “dispatchable power”, and store the electricity when it needs to be curtailed. Installation of advanced wind/solar power forecast system. It would improve the accuracy of wind and solar power projection, so the dispatch centers can optimize its dispatch of these REs. Installation of heat/battery storage in existing non-coal power plants to increase its flexibility of dispatch. It would provide additional capability to the power systems to dispatch more RE. On the grid side: Installation of battery storage systems in existing substations. It would provide additional capability to the power systems to balance wind and solar power, then reduce RE curtailment. Grid side battery systems in substations, as part of the transmission and distribution networks, can also provide peaking load control and system backup to help mitigate the impact of the integration of PV and wind energy. Installation of advanced energy management systems to improve dispatch of RE. Examples of this type of investment could be joint dispatch of both hydropower and

¹ Ethnic minority groups refer to those groups that are different from the majority ethnic group—the Han.

intermittent REs for better use of the intermittent REs. Improving existing distribution network or grid connection to allow more REs to be dispatched. On the demand side: Development of distributed RE with storage. Installation of battery storage systems in micro-grid and ‘behind the meter’ at consumer sites (e.g. distribution network in development zones and commercial buildings) to complement distributed renewable energy generation and other services. The storage systems could enable the distributed RE more dispatchable and grid-friendly. Pilot and scaling up RE for heating. This is an emerging use of RE in China. It uses electricity to replace the coal consumption for heating, while additional commercial arrangement will be made to increase the RE generation to meet this additional electricity consumption. The commercial arrangement include direct contracting, purchasing of green certificates, or administration measures to increase the utilization hours of RE.

3. Potential Environment and Social Impacts and Issues Concerning Ethnic Minorities

Most of these potential borrowers from Huaxia Bank are state owned or privately owned enterprises involved in renewable energy development, electricity generation, transmission, and distribution, as well as micro grid development for renewable energy utilization. Most investment activities by these enterprises to be financed by Huaxia Bank will be concentrated on installation of storage battery facilities in order to improve efficiency use of renewable energy and reduce curtailment which appear to have limited potential environment and social impacts. Based on visit to a range of such facilities and consultant with similar enterprises, it seems that most of battery storage construction would involve minimum environment and social impacts. That is because most invested battery storage facilities could be accommodated within existing power plant site or substation site with little land acquisition. Only in the case of installation of battery storage in new renewable energy plants, where entire new renewable energy plant becomes linked activity, the moderate social and environment impacts due to construction of new renewable energy plant could be expected. Most such impacts associated with some renewable energy plants such as windfarm and concentrated solar power would be moderate, including permanent and temporary land acquisition in rural areas, normal construction impacts, as well as potential environment impacts during operation of these plants. If they are located in western provinces with high concentration of ethnic minority population, potential impacts on ethnic minority communities could not be ruled out. In such cases, environment and social issues like land acquisition, indigenous people, labor laws, and community health and safety need to be addressed. In order to ensure that proper mitigation could be developed to address such impacts, and affected people in those subproject could be consulted regarding various mitigation measures, Huaxia Bank established a screening system and a set of procedures under ESMS to ensure for those subprojects that will involve with potential environment and social impacts, affected people will be consulted and stakeholders will be engaged during the preparation and implementation of individual subprojects.

In such situation, provisions of ESS7 will be applied to such subproject through established environment and social risk screening procedures and the ethnic minority development framework (EMDF) as part of ESMS for Hua Xia Bank. Once it is determined that proposed subproject will have negative impacts on ethnic minority communities, an ethnic minority development plan will be prepared based on consultation with affected ethnic minority communities as part of environment and social requirements established under ESMS for Hua

Xia Bank. Through EMDP, Hua Xia Bank will ensure the affected minority communities will share the equal benefits of the project, avoid any negative impacts, and meet the requirements of ESS7 of the World Bank.

4. Legal Framework

4.1 Government Policy, Plans and Program

After 1949 the PRC Government adopted a policy of ethnic equality, in which all groups are legally and constitutionally equal. Given the inferior social and economic conditions of most minorities, the government adopted a policy of positive discrimination in favor of the minority nationalities to help them "catch up" with the mainstream population. To implement this policy, the Government first clarified, enumerated and mapped the identity of ethnic groups. PRC post-1949 policy defines nationalities in very precise terms, based on, inter alia, shared language, territory, economic base, and traditions/culture. Under this definition, the Han constitute the dominant nationality in the PRC. Some minority nationalities (e.g. Hui and Man) have become assimilated into the Han language and cultural traditions - but are still recognized as minority nationalities. Since 1949 there has been a tendency for smaller ethnic groups to fuse and merge in the definition of officially recognized minority nationalities.

The 1954 Constitution specified mechanisms for exercising autonomy in minority areas. The 1974 Constitution reduced the financial autonomy, and other powers, of these areas. Some of these powers were restored in the 1978 Constitution and further extended by the State Council (1980) and the National Law of 1984. Since the early 1980s governments of autonomous areas have been able to decide on economic policy, including what to produce, some latitude in allocating government subsidies, and within set guidelines, education and budgeting. In 1982 the formulation of the one child per family directive by the State Council advocated more flexible approaches to planned parenthood amongst the minority nationalities.

Minority areas have special access to relief funds, loans, subsidies and tax relief, including a lower tax on grain, to assist in economic development. Minority people also benefit from points score system which places them in a higher rank than the main stream Han for university admissions. For the 8 provinces where minorities are concentrated (Guizhou, Yunnan and Qinghai provinces and the five minority autonomous regions of Inner Mongolia, Xinjiang, Guangxi, Ningxia and Tibet) government subsidies in the past have been substantial.

4.2 World Bank Policy on Indigenous People

The World Bank recognizes that indigenous people have identities and aspirations that are distinct from mainstream groups in national societies and often are disadvantaged by traditional models of development. In many instances they are among the most economically marginalized and vulnerable segments of the population. Their economic, social and legal status frequently limits their capacity to participate in and benefit from development projects. In many cases, they do not receive equitable access to project benefits, and they may not adequately consulted about the design or implementation of projects that would profoundly affect their lives or communities. ESS7 sets out the criteria for determining a distinct social and cultural group possessing the following characteristics in varying degree:

- a) Indigenous peoples should be regarded as those with self-identification as members of a distinct indigenous social or cultural group and recognition of this identity by others; and
- b) Collective attachment to geographically distinct habitats, ancestral territories, or areas of seasonal use or occupation, as well as to the natural resources in these areas; and
- c) Customary cultural, economic, social, other political institutions that are distinct or separated from those of the mainstream society or culture; and
- d) A distinct language or dialect, often different from the official language or languages of the country or region in which they reside.

A key purpose of ESS7 is to ensure that indigenous people are fully consulted about and have opportunities to actively participate in project design and the determination of project implementation arrangements. The proposed measures and actions to enhance potential benefits and mitigate potential impacts will be developed in consultation with affected indigenous people and included in a time bound plan, which is called ethnic minority development plan. The EMDP should be prepared if a project ‘affects indigenous peoples adversely and significantly’. While fully recognizing the sovereignty of the borrowing country, the World Bank accepts that it has a responsibility for ensuring (i) equality of opportunity for national minorities and (ii) that its operations and assistance to developing member countries do not negatively affect the cultural identity, welfare and interests of national minorities. Where the World Bank assisted projects potentially will adversely affect national minorities, the World Bank requires the borrower (or the private sector project sponsor) to prepare an Ethnic Minority Development Plan (EMDP) that is acceptable to the World Bank.

An EMDP should describe the socio-economic characteristics of minorities affected by the project, identify potential project impacts, both positive and adverse which affect them, including proposals to amend or redesign the project to minimize adverse effects and/or include an acceptable compensation plan. The EMDP should also provide a basis for project implementation and for monitoring and evaluating how the project deals with national minority people’s issues.

The following is some key principles and requirements of ESS7, which need to be considered and included as part of EMDP preparation.

- 1) Screen to determine that Indigenous Peoples present in, or with collective attachment to, the project area is fully consulted about, and have opportunities to actively participate in, project design and the determination of project implementation arrangements.
- 2) For projects designed specifically to provide benefits directly to Indigenous Peoples, proactively engage with the relevant Indigenous Peoples to ensure their ownership and participation in project design, implementation, monitoring and evaluation.
- 3) Design and implement the project in a manner that provides affected Indigenous Peoples with equitable access to project benefits.

- 4) Undertake Free, Prior, and Informed Consent (FPIC) of the affected Indigenous Peoples when the project will: (a) have impacts on land and natural resources subject to traditional ownership or under customary use or occupation; (b) cause relocation of Indigenous Peoples from land and natural resources subject to traditional ownership or under customary occupation or use; or (c) have significant impacts on Indigenous Peoples' cultural heritage. In these circumstances, the Borrower will engage independent specialists to assist in the identification of the project risks and impacts.
- 5) Adverse impacts on Indigenous Peoples will be avoided where possible. Where alternatives have been explored and adverse impacts are unavoidable, minimize and/or compensate for these impacts in a culturally appropriate manner commensurate with the nature and scale of such impacts and the form and degree of vulnerability of the affected Indigenous Peoples.
- 6) Where projects are likely to have significant impacts on land that is traditionally owned or under customary use or occupation by Indigenous Peoples, prepare a plan for legal recognition of their perpetual or long-term renewable custodial or use rights.
- 7) Given priority to the avoidance of significant adverse on cultural heritage that is relevant to the identity and/or cultural, ceremonial, or spiritual aspects of Indigenous Peoples' lives.. Where such impacts are unavoidable, obtain the FPIC of affected Indigenous Peoples.
- 8) With the participation of affected Indigenous Peoples, identify mitigation measures designed to avoid, or if avoidance is not a possible minimize, mitigate or offset such impacts as designs opportunities for culturally appropriate and sustainable development benefits. Ensure the timely delivery of agreed measures to affected Indigenous Peoples.
- 9) Establish a grievance mechanism is e for the project, which is culturally appropriate and accessible to affected Indigenous Peoples, and takes into account the availability of judicial recourse and customary dispute settlement mechanisms among Indigenous Peoples

5. Screening Criteria and Preparation Procedures for EMDP

The project is, therefore, committed and has the organizational instruments to ensure that ethnic minorities are (i) consulted in matter relating to each subproject, (ii) provided opportunities for participation in decision making related to the subproject, and (iii) provided opportunities for participation in project activities should they so desire. The basic criteria for determining whether an EMDP will be required for any subproject is to see whether there are significant proportion of ethnic minorities among project beneficiaries and project affected people. And whether they will be negatively affected by the proposed project activities such as land acquisition and resettlement.

6. Preliminary Screening

For those subprojects that are located in counties and provinces with certain proportion of ethnic minorities, Hua Xia Bank staff and subproject sponsor will follow a number of basic procedures specified in this framework. The first step is for subproject sponsor to conduct a preliminary social assessment during project feasibility preparation in order to determine whether there are any concentrated minority communities among beneficiary populations or project affected people, and whether they will be negatively affected by the project activities such as land acquisition and resettlement in order to confirm the need to prepare an EMDP for the subproject.

In the process of preliminary social assessment, subproject sponsor should carry out consultation among affected minority groups in the project areas. They will gather both qualitative and quantitative data in the project areas through a range of PRA techniques, which include (1) names of ethnic groups in the affected areas; (2) total number of ethnic minority groups in the affected villages; (3) percentage of ethnic minority population among total project beneficiaries; and (4) number and percentage of ethnic minorities among total persons affected by land acquisition and resettlement.

If the outcome of the social assessment indicates that there are no concentrated ethnic minorities in the project protected areas, there is no need to prepare an independent EMDP for such subproject. Instead, some clarification and explanation should be provided in the project environment and social assessment. However, if the social assessment confirms the fact that there are considerable minorities and minority communities in the project areas, and they will be negatively affected by the proposed project activities such as land acquisition, then an EMDP will be prepared following the provision of this framework.

6.1 Consultation and Stakeholder Analysis

The EMDP is the final outcome of a social assessment and consultation process which aims to ensure that ethnic minorities are well informed, consulted and mobilized to participate in the sub-projects to be supported by the World Bank. Their participation can either provide them the benefits with more certainty, or protect them from any potential adverse impacts like land acquisition and resettlement. In the social assessment, the subproject areas will be visited by staff of Hua Xia Bank branch office and subproject sponsor, relevant county agencies, particularly agencies in charge of minority and poverty affairs, and experience consultants. Prior to the visit, respective subproject sponsor will send letters to the communities informing their leaders that they will be visited by the project sponsors and local authorities and consultation will be conducted on the subproject. The letter will request that the communities invite to the meeting representatives of farmers, women associations and village leaders for discussion on the subproject. During the visit, the community leaders and other participants will present their views with regards to the subproject. In addition, social consultant will conduct separate group discussions among male and female participants followed by key informants' interviews and sample household survey. The main purpose of such survey is to develop a social economic profile among minority beneficiaries, conduct stakeholder analysis and collect their views on both benefits and potential impacts of the project, as well as mitigation measures.

6.2 Ethnic Minority Development Plan

Based on extensive consultation among different stakeholders an EMDP will be developed for the concerned subproject. The content of EMDP, following ESMS and ESS7, will consist of introduction of concerned minority groups, their social economic conditions, potential negative impacts and proposed mitigation measures, as well as general enhancement programs and actions to be carried out during project implementation. Specifically, they EMDP should include a range of measures in order to (1) mitigate potential negative impacts; (2) enhance positive benefits for the beneficiaries based on existing policies and programs aiming at minority population; and (3) ensure protect benefits accrue to affected minority population in a preferential or in an equitable manner. Based on proposed measures, detailed budget and

implementation arrangement should be developed, which include institutional structure and monitoring and evaluation arrangement. All these will be included in the EMDP. In general, an EMDP will include the following elements:

1. legal Framework
2. baseline data and profile of minority communities;
3. consultation, participation, and disclosure;
4. identification of impacts and mitigation measures;
5. institutional arrangement;
6. grievance procedures;
7. implementation schedule;
8. monitoring and evaluation; and
9. cost and financing plan.

1.1. Reporting Requirements

The completed EMDP, after being reviewed and endorsed by subproject sponsor, will be submitted to the World Bank through Hua Xia Bank as part of subproject preparation documents along with resettlement plans, environment assessments and project feasibility studies.

1.2. Budget and Financing Sources

All measures are going to be financed by the subproject sponsor or local government. Based on types of measures, some of them will be financed by existing government program or funds; and some of them will be financed by the project budget as part of project resettlement program or environment mitigation measures.

1. Implementation Arrangement

For the proposed Project, the Hua Xia Bank through subproject sponsors will be responsible for management of the overall project implementation, including coordination of implementation of environment and social management measures including RAP and EMDP. The local government agencies and subproject sponsor are the implementing agencies who have the specific responsibility to implement the EMDP in accordance to this EMDF and ESMS. The Hua Xia Bank will coordinate with staff of Hua Xia Bank branch office, external monitoring consultant and subproject sponsor to conduct regular monitoring, supervision and reporting of the implementation of EMDPs as per the requirements of this EMDF.

The subproject sponsor, through local government agencies and the contractors, will play a leading role in implementing proposed subproject and related environment and social measures. Specifically, subproject sponsor will be directly involved in construction of new energy storage facilities, and installation of related energy storage facilities through finance provision and construction supervision.

County governments will take the leading role in implementing the supportive measures concerning land acquisition, resettlement and rehabilitation. The supportive measures concerning land acquisition mitigation measures include cash compensation, land readjustment, technical training, cash crop promotion and micro-credit. These actions and routine work of local governments will undoubtedly be implemented regardless the project. Several government agencies will be involved including minority affairs bureau, natural resources bureau, poverty reduction office, agricultural bureau, women's federation (government organized NGO), township governments, etc.

1.1. Monitoring and Evaluation

Monitoring and evaluation (M&E) of the EMDP is required to ensure the plan is implemented properly and meets the objectives specified. The final M&E plan will be formulated shortly before project implementation. The World Bank through Hua Xia Bank will provide assistance to staff of branch office, and subproject sponsor in formulating the M&E plan. Objectives of the M&E plan include:

- Data and information to identify effects and project impact including qualitative information to describe social changes on minority people and their communities;
- Analyze and document the results for future planning of roads construction and poverty reduction interventions;
- Initiate participatory approaches (PA) needed to plan and implement complementary activities; and
- Focus on key-actions and processes learned from the project for replication in other areas.

The collection of data should be kept to a minimum and concentrate on data that is required for key indicators. The following list provides some broad evaluation indicators that are of greatest importance. Specific indicators related to the implementation of the EMDP will be included in the plan. Data collected shall be disaggregated by sex and by ethnic group whenever possible:

- Production output value in target villages
- income per capita
- poverty incidence
- ownership of assets in selected villages.
- new commercial activity along the new river front
- changes in quality of water and health with reasons for selected villages
- new houses built/under construction in selected townships

- frequency of technical and socio-economic advice and training to selected villages on local roads
- school attendance classified by grade, gender and ethnicity and drop out rate for selected townships

Not all the above questions will apply in every case. Some relate only to villages affected by the project. Others are only appropriate once the flood control project has been constructed. Questions in the ‘before construction survey’ should instead probe into the anticipated benefits from the schemes and other development priorities. Surveys would be carried out in villages located in close proximity to the project.

Hua Xia Bank understands that the World Bank will play a leading role in formulating the M&E plan. Therefore, the World Bank will provide guidance to prepare a feasible M&E plan before project implementation. Concerned subproject sponsor will coordinate local governments to assist the consultant team to carry out the M&E plan. The budget for monitoring and evaluation activities will be worked out once detail M&E plan is completed, which will be used for hiring international consultant and domestic EMDP monitoring agency.

ANNEX 7: STAKEHOLDER ENGAGEMENT PLAN

1. Identification and Analysis of Stakeholders

For the project, stakeholders refer to groups and individuals who will be affected by those subprojects financed by Huaxia Bank and those groups and individuals who might have interest in the project. The stakeholders cover wide range of parities. They include staff of Huaxia Bank from both headquarter and branch offices, potential borrowers from Huaxia Bank, and various government agencies, contractors, and related enterprises involved in implementation of subprojects as well as those individuals and groups who might be affected during construction and operation of individual subprojects to be financed by Huaxia Bank.

Primary stakeholders identified for the Project would include the responsible FI (HXB), sub-borrowers under this project, entities to be installed with energy storage systems (e.g. grid company, RE developers, etc.), communities located close to the subprojects, suppliers of batteries and equipment, contractors for construction and equipment transportation, vendors for disposal of waste batteries, project beneficiaries, sector specialists (including Energy Storage Association) and relevant government authorities for approval of subprojects. Namely, the responsible government bureaus would include, but not limited to Power Bureau (for approval of grid access), Ecological and Environmental Protection Bureau, Fire-fighting Brigade, Administration of Work Safety, Natural Resources Bureau and Ethnic Minority and Religious Bureau (for confirming status of ethnic minorities in subproject areas). Initial due diligence identified grid companies, big data centers, industrial parks, enterprises and the public will benefit substantially from the Project.

Among these stakeholders and interested parties, the staff of Huaxia Bank, potential borrowers of Huaxia Bank and those groups and individuals who might be directly affected during the construction and operation of those subprojects are key stakeholders as they are most relevant with the implementation of environment and social management framework. The potential environment and social impacts of the Project will be directly brought by those potential borrowers of Huaxia Bank through construction and operation of individual subprojects.

Based on the project design, the potential borrowers of Huaxia Bank for the Project will mainly include those enterprises involved in development renewable energy storage system in order to improve efficiency of renewable energy usage and reduce renewable energy curtailment. On the generation side, they would involve a range of enterprises in renewable energy power generation by investing on installation of battery storage systems in existing wind farm and solar power plants and deployment of advanced wind/solar power forecast systems, which provide additional capability and flexibility to power systems to dispatch RE and avoid curtailments. On the grid side, regional and local grid companies could also be potential borrower by investing on installation of battery storage systems in existing substations in order to provide additional capability to power

systems to better integrate wind and solar power and reduce RE curtailment. On the demand, various enterprises of RE energy users including big data centers and industrial park could be potential borrowers by investing on installation of battery storage systems in existing industrial zones or commercial consumers to meet the peak demand. In addition, potential borrowers also include those enterprises involved in development of distributed RE with storage and installation of battery storage systems in microgrids and 'behind the meter' at consumer sites to complement distributed renewable energy generation and other services. The storage systems could enable the distributed VRE more dispatchable and grid-friendly. The potential borrowers also include some enterprises piloting and scaling up of RE for heating. This is an emerging use of RE in China and the world. In China, it would consist of using VRE electricity to displace coal consumption for heating. Additional commercial arrangements or investments will be made to increase the VRE generation to meet this additional electricity consumption. Commercial arrangements include direct contracting, purchasing of green certificates, or administrative measures to increase the utilization hours of RE. Other innovative use of VRE that can be proved to reduce RE curtailment or increase RE use efficiently, such as integrated PV (iPV), hydrogen, heating pump.

Most of these potential borrowers from Huaxia Bank are state owned or privately owned enterprises involved in renewable energy development, electricity generation, transmission, and distribution, as well as micro grid development for renewable energy utilization. Most investment activities by these enterprises to be financed by Huaxia Bank will be concentrated on installation of storage battery facilities in order to improve efficiency use of renewable energy and reduce curtailment which appear to have limited potential environment and social impacts. Based on visit to a range of such facilities and consultant with similar enterprises, it seems that most of battery storage construction would involve minimum environment and social impacts. That is because most invested battery storage facilities could be accommodated within existing power plant site or substation site with little land acquisition. Only in the case of installation of battery storage in new renewable energy plants, where entire new renewable energy plant becomes linked activity, the moderate social and environment impacts due to construction of new renewable energy plant could be expected. Most such impacts associated with some renewable energy plants such as windfarm and concentrated solar power would be moderate, including permanent and temporary land acquisition in rural areas, normal construction impacts, as well as potential environment impacts during operation of these plants. If they are located in western provinces with high concentration of ethnic minority population, potential impacts on ethnic minority communities could not be ruled out.

In such cases, environment and social issues like land acquisition, indigenous people, labor laws, and community health and safety need to be addressed. In order to ensure that proper mitigation could be developed to address such impacts, and affected people in those subproject could be consulted regarding various mitigation measures, Huaxia Bank established a screening system and a set of procedures under ESMS to ensure for those subprojects that will involve with potential environment and social impacts, affected people will be consulted and stakeholders will be engaged during the preparation and

implementation of individual subprojects.

2. Huaxia's Requirements on Stakeholder Engagement for Subprojects

Following the requirement of Environment and Social Framework of the World Bank, Huaxia Bank has developed an environment and social management framework for the proposed Project in order to address potential environment and social impacts. Under the environment and social management framework, a screening process has been established which will divide all potential subproject into two different groups based on their potential environment and social impacts. For those subprojects with minimum or minor social and environment impacts, which cover most subprojects involve in installation of battery storage facilities from renewable energy power generation, grid transmission and distribution, and power utilization, since most of investment activities are installation of battery facilities within the existing power plants, substations or premises of existing enterprises, little land acquisition and little construction will be involved. For those subprojects with substantial to high environment and social impacts, stakeholder identification and engagement will be carried out throughout subproject preparation and implementation. This is particularly true for those affected people and communities.

To ensure the consultation process is effective and meaningful, a stakeholder engagement plan has been developed and included as Annex 7, which include basic principles, timeline and detailed procedures for stakeholder engagement, and disclosure requirement for both Huaxia Bank and subproject sponsors. For Huaxia Bank, the stakeholder engagement refers mainly to consultation and disclosure among potential borrowers in relevant sectors, key government authorities, and professional associations. For subproject sponsor and Huaxia branch office, the stakeholder engagement will be concentrated on local government agencies and potential affected communities and individuals as well as interested parties such as contractors and potential beneficiaries. Since the potential environmental and social impacts of the Project will be mainly through implementation of various subprojects, stakeholder engagement for subproject sponsor will be more relevant for environmental and social management for the Project.

Such stakeholder engagement plan will be mainly carried out by subproject sponsors under the requirements and guidelines set out by Huaxia Bank. Once potential environment and social impacts are identified and considered as substantial or high, a set of safeguard instruments need to be prepared in accordance with environment and social management framework, and included as part of subproject loan application package. As agreed in the environment and social management framework, for those classified as substantial or high environment and social risk subprojects, in order to develop appropriate measures to minimize such impacts, subproject sponsor should develop a set of safeguard instruments, including environment and social assessment, resettlement plan or ethnic minority development plan, They will be assisted by Huaxia Bank branch office staff and Huaxia Bank Green Financing Center staff, as well as selected external environment and social experts. In the process of developing relevant safeguard instruments, extensive consultations will be carried out with affected communities and individuals to inform them potential impacts, basic project design and proposed compensation and rehabilitation measures to address such impacts.

3. Huaxia Bank Communication Arrangement and Information Disclosure

To facilitate effective stakeholder engagement, disclosure of relevant project information is important element of stakeholder engagement plan. The stakeholder engagement plan will be designed to take into account the main characteristics and interests of the stakeholders, and different levels of engagement and consultations that will be appropriate for different stakeholders. The stakeholder engagement plan will set out how communication with stakeholder will be handled throughout project preparation and implementation. For Huaxia Bank, the relevant project information will include scope of activities to be eligible for financing, basic exclusion as part of project environmental and social risk management, detailed requirements on environmental and social risk screening and basic procedures for review and approval of subprojects from environmental and social management consideration. Most such information is included in the environmental and social management framework for Huaxia Bank, which will be disclosed to the public and potential borrowers through information booklet to be delivered during project marketing and promotion events, and through Huaxia Bank official website.

For individual subprojects, particularly those subprojects identified as substantial or high environmental and social risks, information disclosure will be carried out in the local project areas throughout the process of project preparation and implementation. The project sponsor should provide affected communities and individuals with access to the key information in a timely manner that allows meaningful consultations with stakeholders on project design and development of mitigation measures. They include (1) the purpose, nature and scale of the project; (2) duration of project activities; (3) potential risks and impacts to be brought by the project and proposed mitigation measures; (4) the proposed stakeholder engagement process; (5) the time and venue of proposed public consultation meetings; and (6) process and means by which grievance can be raised and will be addressed. These subproject information will be disclosed in relevant local language and in a manner that is acceptable and culturally appropriate.

4. Grievance Mechanism

In order for Huaxia Bank and subproject sponsor to respond to concerns and grievance of project affected people related to environmental and social performances of the project in a timely manner, a grievance mechanism to receive and facilitate resolution of such concerns and grievances has been proposed. The grievance mechanism is expected to address concerns promptly and effectively in a transparent manner that is culturally appropriate and readily accessible to all project affected parties at no cost and without retribution.

During implementation of the Project, concerns or complaints may arise related with environmental and social performances. In order to ensure that the affected people can voice their complaints, a grievance mechanism is established within this ESMS and also in relevant safeguard instruments. The purpose of this appeals procedure is to provide a mutually satisfactory means for rapid response to any APs complaint, to avoid any likelihood of a complicated legal procedure. The detailed procedure is as follows:

For complaint or concern directly to Huaxia Bank in reference to its lending procedures or requirements under the Project, the affected person or unit should first voice his or her concern to relevant branch office staff, which will take records and consult with relevant departments and provide an explanation or resolution to the affected person. If the affected person still does not accept the proposed resolution, he or she could appeal directly to Huaxia Bank Green Financing Center. Huaxia Bank Green Financing Center will provide a resolution and response within 15 days. If the dispute still cannot be resolved, then the affected person can appeal to Huaxia Bank management; go through an administrative appeal according to the “Administrative Procedure Law of People’s Republic of China”; or go directly to the People’s Court. The Huaxia Bank Green Financing Center is responsible for keeping records of all appeals, and the resultant resolutions.

For the complaints directly towards subprojects in reference to environmental and social impacts and performances of relevant mitigation measures, the detailed procedures are as follow:

- If any affected person does not satisfy with the compensation or mitigation measures related with social and environment impacts caused by the subproject, he/she can voice their complaint to the local township government, which will take records, consult with the responsible agency and provide a solution to the affected person within 10 days.
- If the affected person still does not accept the proposed resolution, then they can appeal directly to the subproject sponsor or local city or county responsible agency, which is the main organization responsible for the whole subproject. The city subproject resettlement office should make a record of any appeal and provide a resolution within 15 days.
- If the dispute still cannot be resolved, then the affected person can appeal to relevant Huaxia Bank branch office or headquarter; go through an administrative appeal according to the “Administrative Procedure Law of People’s Republic of China”; or go directly to the People’s Court. The Huaxia Bank Green Financing Center is responsible for keeping records of all appeals, and the resultant resolutions.

The affected people will be informed of their right to appeal through disclosure of proposed subproject and grievance mechanism through various mass media in the project area. The project will also publicize information about ESMS and grievance mechanism through Huaxia Bank website,