



Developing a Database for ESG Experts for Chinese Developers and Financers

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Executive summary

Evaluating, understanding and managing environmental, social and governance (ESG) risks is an important success factor for overseas projects. With their dominant role in overseas project development, the Chinese infrastructure construction companies are increasingly conscious of these risks. Addressing ESG risks and impacts in project development and finance is critical to the success of projects.

ESG experts are needed with a variety skills and experiences, and getting the right ESG experts is critical for project success. For the time being, many Chinese developers who are at an early stage of mainstreaming ESG risk analysis in their operations face challenges in finding suitable ESG experts.

Building a database with information on experienced ESG experts can support Chinese project developers and investors in mainstreaming environmental risk/impact analysis in investment decisions and meet international standards and expectations and enhance transparency. This study proposes the development of such a database by the China International Contractors Association (CHINCA).

An ESG specialist database that provides easy access to a pool of experienced ESG experts will support Chinese project developers and investors in mainstreaming environmental risk/impact analysis in investment decisions and meet international standards and expectations and enhance transparency. Chinese and international ESG experts could register and upload their details to the database. Chinese developers and financiers could register in order to screen the database and find suitable ESG experts based on a set of criteria.



1. Introduction

Evaluating, understanding and managing environmental, social and governance (ESG) risks is an important success factor for overseas projects. With their dominant role in overseas project development, the Chinese infrastructure construction companies are increasingly conscious of these risks. The Chinese government through the Ministry of Commerce (MOFCOM) and the Ministry of Ecology and Environment (MEE) have provided two guidelines in July 2021 and January 2022 to encourage Chinese developers engaged overseas to improve their environmental management throughout the whole project lifecycle. In addition, the China International Contractors Association (CHINCA) together with partners has provided or supported the upgrading and development of ESG guidelines for overseas contractors with the goal to reduce risks, improve co-financing with international partners and to accelerate the policy goals of sustainable development of overseas markets.

Chinese financial institutions and companies need to consider ESG risks and impacts in their overseas investments to better mitigate these risks and also avoid litigation and reputational risks. It is important to develop the right tools and approaches for analysing ESG risks. Chinese financial institutions and companies operating overseas should build on best ESG practices in international project finance, particularly environmental impact assessment evaluation, ESG risk management and ESG reporting. A harmonisation of Chinese green finance standards with international standards is desirable.

Integrating ESG standards into overseas investments is a basic pillar for accelerated development under both environmental and social aspects. By providing tools for local community and stakeholder involvement throughout all project phases, voices of local and vulnerable groups will be better integrated into project design and delivery to ensure more equitable outcomes. A greater ability to integrate ESG factors in project evaluation, project management and project reporting will help Chinese project developers and investors to accelerate international cooperation in overseas projects.

Against this backdrop, this study discusses the need for addressing ESG risks and impacts in project development and finance puts forward a proposal for an ESG specialist database



that can be used by Chinese overseas developers and financiers. Such a database can create a pool of experienced ESG experts that can support Chinese project developers and investors in mainstreaming environmental risk/impact analysis in investment decisions and meet international standards and expectations and enhance transparency. An ESG specialist database can lower the barriers to hire ESG specialists for overseas projects, which in turn improves the application of relevant ESG standards and principles in overseas projects.

2. Addressing ESG risks and impacts in project development and finance

ESG risks need to be addressed for several reasons: To start with, Chinese contractors and financiers need to comply with Chinese laws and regulations. They also need to comply with host country laws and regulations, which requires local knowledge and expertise. Since collaboration and co-financing with international partners become more important for Chinese overseas developers, it is also becoming ever more important to align with international standards and best practice. Moreover, compliance with national and/or international ESG standards and practices is also important in order to reduce financial, litigation and reputational risks. And last but not least, there is a strong rationale for taking ESG issues seriously, as this can help to contribute to a better mitigation and management of ESG risks, with direct impacts for the bottom line.

Table 1 provides an overview of different ESG risks and impacts in project development. Environmental factors include standards related to the ecological environment; climate change risks and impacts (e.g. GHG emissions); water management; energy efficiency and renewable energy; waste management (usage, treatment and disposal); pollution of soil, water and air; deforestation and land use; biodiversity; natural resources conservation; and the treatment of animals. Social factors include standards related to people and relationships; human rights; children's rights; rights of minorities and indigenous people; labour rights and conditions; employee relations and diversity; health and safety; gender impacts; data security and privacy; supply chain management; product safety and quality;

equality and diversity; local community support; and customer satisfaction. Governance factors include standards for running an organisation; compliance with the host country’s legal standards and norms; transparency and accountability; audit structure; bribery and corruption measures; data security; taxation; whistle-blower schemes; and conflicts of interest.

Table 1: ESG risks and impacts in project development

Environmental (standards related to the ecological environment)	Social (standards related to people and relationships)	Governance (standards for running an organisation)
<ul style="list-style-type: none"> • Climate change risks and impacts (e.g. GHG emissions) • Water management • Energy efficiency, renewable energy • Waste management (usage, treatment and disposal) • Pollution of soil, water and air • Deforestation and land use • Biodiversity • Natural resources conservation • Treatment of animals 	<ul style="list-style-type: none"> • Human rights • Children’s rights • Rights of minorities and indigenous people • Labour rights and conditions • Employee relations and diversity • Health and safety • Gender impacts • Data security and privacy • Supply chains • Product safety and quality • Equality and diversity • Local community support • Customer satisfaction 	<ul style="list-style-type: none"> • Compliance with the host country’s legal standards and norms • Transparency and accountability • Audit structure • Bribery and corruption measures • Data security • Taxation • Whistle-blower schemes • Conflicts of interest

The analysis of infrastructure and project finance risk (Table 2) needs to consider several factors. Vulnerability risk analysis ought to consider technological and ecological transitions as well as societal and demographic shifts. Importantly, the analysis of the project’s sustainability needs to be forward-looking. For instance, backward-looking analysis based on historical data is of limited use with respect to climate-related risks, given that climate change is non-linear. Quality and incentives of management related to good governance need to be considered as well.

Table 2: ESG pillars and project finance risk factors

ESG pillar	Related risk factors
Environmental	Construction complexity, permits, design and technology; construction contracts, budgets and schedule; counterparty risk – engineering, procurement and construction (EPC), or operations and maintenance (O&M) providers; operational complexity, technology and standing; O&M contracts, budgets and planning; lifecycle risk; supply or reserve risk; financing and legal framework, and compliance; force majeure and other event risks
Social	Sponsors risk; construction complexity, permits, design and technology; construction contracts, budgets and schedule; counterparty risk (both EPC and O&M providers); operational complexity, technology and standing; O&M contracts, budgets and planning; supply or reserve risk; and financing and legal framework, and compliance
Governance	Sponsors risk; construction complexity, permits, design and technology; construction contracts, budgets and schedule; counterparty risk (EPC, O&M, finance counterparties); and financing and legal framework, and compliance

Source: Scope (2021).¹

3. How to find the right ESG experts? A proposal for an ESG expert database hosted by CHINCA

3.1 How to find the right ESG experts?

ESG experts are needed with a variety skills and experiences. The potential tasks of the ESG specialist are shown in Table 3. But major challenge, not least for Chinese developers who are at an early stage of mainstreaming ESG risk analysis in their operations, is how to find

¹ Scope Ratings, ESG Factors in Project Finance Credit Risk Scope’s Project ESG Grid, 1 December 2020.

the right ESG experts? There are many “ESG experts” out there but finding the right ones with the necessary expertise – including country knowledge and experience in working with Chinese partners – is difficult. Getting the right ESG experts is critical for project success.

Table 3: Tasks of the ESG specialist

Research	<ul style="list-style-type: none"> • Conduct research using a variety of collected information, both from the private and public sector • Review ESG regulatory and legislative standards, guidelines and policies
Project management	<ul style="list-style-type: none"> • Manage project teams and activities to achieve efficient, cost-effective, timely and high quality delivery of consultancy assignments (role of project manager, team leader and technical expert)
Reporting	<ul style="list-style-type: none"> • Prepare environmental impact assessments (EIA), initial environment examinations (IEE) and/or other detailed analyses related to ESG components • Write technical reports and proposals on the findings, including evaluations and recommendations
Monitoring	<ul style="list-style-type: none"> • Develop an ESG monitoring programme • Monitor ESG issues through reports of performance and recommendations
Implementation	<ul style="list-style-type: none"> • Assist the company in implementing best practice procedures and management methodologies in own operations and across the value chain
Methodology	<ul style="list-style-type: none"> • Desk study • Workshops • Focal group discussions • Interviews • Field visit

Building a database with information on experienced ESG experts can support Chinese project developers and investors in mainstreaming environmental risk/impact analysis in investment decisions and meet international standards and expectations and enhance transparency. In the following, we propose the development of such a database by the China International Contractors Association (CHINCA).

3.2 An ESG expert database hosted by CHINCA

CHINCA is ideally positioned to host an online ESG expert database. Together with partners, CHINCA has over recent years provided or supported the upgrading and development of ESG guidelines for overseas contractors with the goal to reduce risks, improve co-financing with international partners and to accelerate the policy goals of sustainable development of overseas markets.

A new ESG database would provide a platform where Chinese and international ESG experts could register and upload their details. Chinese developers and financiers could register in order to screen the database and find suitable ESG experts based on a set of criteria. Such a database would have several advantages (Figure 1). It would help to build a pool of ESG experts from which Chinese developers could choose the right candidates. Developers could post vacancies on the portal to which consultants can apply. Developers can screen profiles of consultants in the database and contact them directly. Such an ESG database could be based on a fee model, with contributions by both ESG experts and developers/financiers.

Figure 1: Advantages of a central ESG database

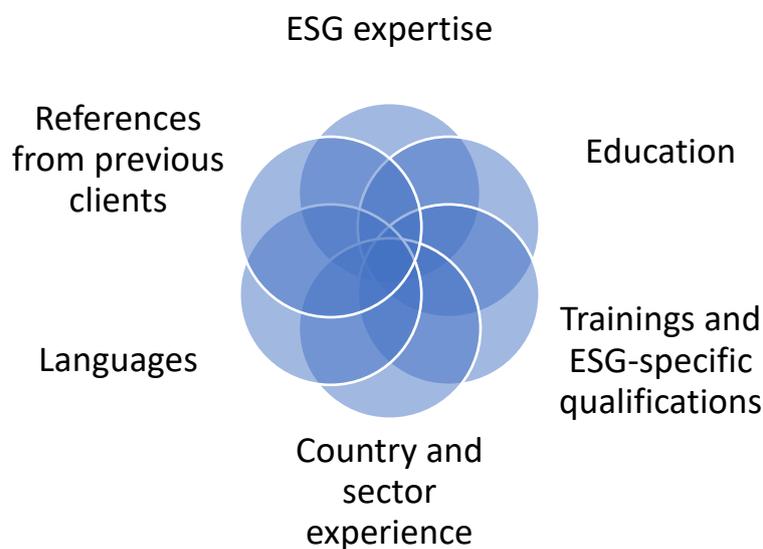
The database would help to build a pool of ESG experts from which Chinese developers could choose.

Developers could post vacancies on the portal to which consultants can apply.

Developers can screen profiles of consultants in the database and contact them directly.

The ESG database would need to comprise a broad set of data, including information on ESG expertise, educational background and achievements, trainings and ESG-specific qualifications; country and sector experience, languages, and references from previous clients. This data will allow for a targeted profile search to identify the best matches between contractor and ESG expert or consultancy.

Figure 2: What information should be stored in the ESG expert database?



Annex 1 provides a detailed overview of ESG profile criteria, i.e., information that should be gathered to compile a comprehensive ESG specialist profile for individual experts.² An independent ESG specialist supports companies in identifying ESG factors, risks and opportunities. Their main tasks include research and analysis, assessment and evaluation,

² The ESG profile criteria, both for individuals and company, have been identified based on a review of different sources, including the following: consulting platforms, such as the Asian Development Bank Consultant Management System; environmental monitoring and technical assistance reports released by international project implementation units of both the private and public sectors; publications by media and research centres, such as Asia Briefing; and information by ESG certification providers, such as CFA Institute Certificate in ESG Investing, City Climate Planner (CCP), Climate Change Survey Certification (CDP), Envision Sustainability Professional (ENV SP), Global Reporting Initiative (GRI), Integrate Reporting (IR), International Association for Sustainable Economy (IASE), Sustainability Accounting Standards Boards (SASB), Sustainability and Climate Risk (SCR).

reporting, monitoring, and assistance in implementation. The ESG specialist must have a relevant work experience in the sector, a degree in a relevant field related to sustainable development, and a strong background knowledge of international, Chinese, and local standards related to ESG. Other relevant criteria include a strong network involved in ESG, direct knowledge of the specific industry sector, ESG certifications and previous experience in the project's region. Annex 2 provides an overview of ESG specialist profile for organisations.

The contractor can identify potential ESG experts on three steps (Figure 3). In a first step, the contractor gathers the project's documents related to ESG factors and create a project table (Table 4) including basic project data, financing conditions, and ESG information. Second, the contractor indicates/selects essential and desirable criteria for the ESG specialist based on the project information and financial conditions. And third, the contractor adds the project table to the platform and/or chooses an ESG specialist (individual/organisation) from a list provided by the platform based on the selection criteria.

Figure 3: Identification of the expert by the contractor

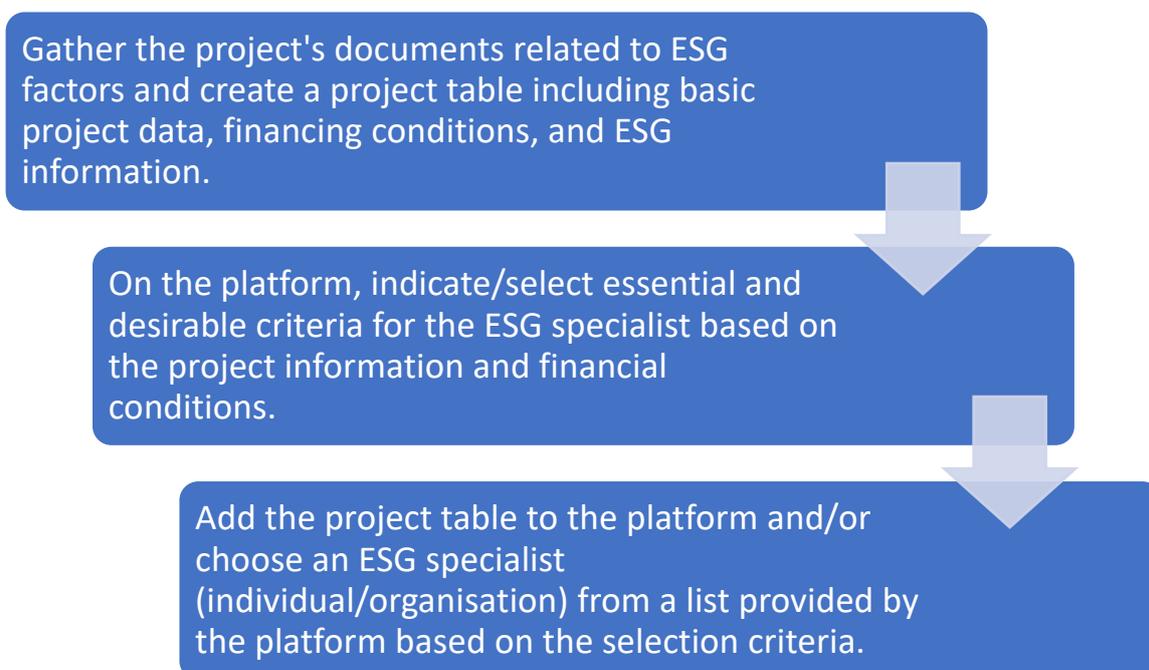


Table 4: Project table sample

Basic information	ESG information (if available)	Financing
<ul style="list-style-type: none"> • Project name • Industry sector and subsector • Modality • Duration • Location • Sector(s) and subsector(s) 	<ul style="list-style-type: none"> • Strategic agenda • Drivers of change • Climate change information • SDG targeting • Risk categorisation 	<ul style="list-style-type: none"> • Modality and sources • Co-financing • Counterpart • Currency of financing • ESG budget

4. Conclusion

Addressing ESG risks and impacts in project development and finance is critical to the success of the project. An ESG specialist database that provides easy access to a pool of experienced ESG experts will support Chinese project developers and investors in mainstreaming environmental risk/impact analysis in investment decisions and meet international standards and expectations and enhance transparency. Chinese and international ESG experts could register and upload their details to the database. Chinese developers and financiers could register in order to screen the database and find suitable ESG experts based on a set of criteria.



Annex 1: ESG specialist profile (individual)

1. Personal details				
<ul style="list-style-type: none"> - Name, middle name, surname - Chinese name - Former name or other names - Gender - Date of birth - Country of birth - Citizenship(s) 				
2. Experience				
2.1. Overall experience				
Years (≥10)	Industry sector - Research/ Analysis - Other (specify)	Consulting category - Self-employed - Employee of firm/organization - Employee of firm/ organisation having the right of private practice - Partner/principal of a firm - Other (specify)	Methodology - Desk work - Workshop - Focal group discussion - Interview - Field visit - Other (specify)	Managerial experience - Yes - No
2.2 Project(s) related to ESG				
Project 1 - Name - Duration - Location - Sector - Size - Budget			Other project(s) and details	
3. Education				
Degree(s) obtained - Title - Level	Major - Environmental science - Social science - Political science	Specialisation - Agriculture - Biodiversity - Climate		

- Period - Educational institutions	- Engineering - Management - Other (specify)	- Data protection - Gender - Governance - Environment - Energy - Labour standards - Minorities or indigenous groups - Other (specify)	
4. Geographical experience			
Experience 1 - Location - Duration - Organization - Position		Other experience(s) and details	
5. Technical expertise related to Environmental and Social Impact Assessment (ESIA)			
Knowledge of ESG standards - Chinese - International - Local (specify region/country)	Industry sector(s) - Large infrastructure and facilities project <ul style="list-style-type: none"> • Building • Dam • Irrigation • Land development • Mining • Power plant and/or transmission lines • Transportation • Waste management • Water supply • Other (specify) - Environmental studies/management/planning <ul style="list-style-type: none"> • Agriculture • Biodiversity • Climate • Disaster risk management 	ESG certification(s) - CFA Institute Certificate in ESG Investing - City Climate Planner (CCP) - Climate Change Survey Certification (CDP) - Envision Sustainability Professional (ENV SP) - Global Reporting Initiative (GRI) - Integrate Reporting (IR) - International Association for Sustainable Economy (IASE)	Registration as an ESG expert - Yes (specify) - No



	<ul style="list-style-type: none"> • Eco-efficiency • Energy • Environmental policy and legislation • Global and regional transboundary environmental concerns • Natural resources conservation • Urban environmental improvement • Waste • Water • Other (specify) <p>- Social studies</p> <ul style="list-style-type: none"> • Gender • Indigenous groups • Minorities • Other (specify) <p>- Governance</p> <ul style="list-style-type: none"> • Anticorruption • Bilateral institutions • Civil society organizations • Client relations • Institutional environment • Organizational development • Financial governance • Other (specify) 	<p>- Sustainability Accounting Standards Boards (SASB)</p> <p>- Sustainability and Climate Risk (SCR)</p> <p>- Other (specify)</p>	
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6. Training experience

<p>Training 1</p> <ul style="list-style-type: none"> - Description - Period - Status - Educational institution - Location 	<p>Other training(s) and details</p>
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7. Skills				
Interpersonal - International exposure - Problem-solving - Negotiation - Teamwork - Leadership - Other (specify)	Analytical - Data analysis - Qualitative analysis - Quantitative analysis - Statistics - Other (specify)	Communication - Writing - Presentation - Public speaking - Multicultural communication - Translation - Other (specify)	Organizational - Planning - Project management - Attention to details - Time management - Task management - Prioritisation - Other (specify)	IT proficiency - Office - Statistical software (specify) - Social Media (specify) - Collaboration tools (specify) - Other (specify)
8. Languages				
English - Level <ul style="list-style-type: none"> • None • Basic • Intermediate • Advanced - Certificate (specify)	Chinese - Level <ul style="list-style-type: none"> • None • Basic • Intermediate • Advanced - Certificate (specify)	Other language(s) and details		
9. Network				
Part of a network involved in ESG - Yes - No		Membership in a related professional association - Yes (specify) - No		
10. Publications				
Publication 1 - Title - Publisher - Total of pages range - Published date		Other publication(s) and details		
11. Contact information				
- Address - Phone number				



- Email address		
- Alternative email address		
12. Payment information		
13. Salary expectation		
14. Integrity statement		
- No conflicts of interest		
- No conviction of a violation of law that is not a minor traffic violation		
15. Statement of availability		
16. References		
Reference 1	Reference 2	Reference 3
- Title, name, surname	- Title, name, surname	- Title, name, surname
- Contact details	- Contact details	- Contact details
- Organisation	- Organisation	- Organisation
- Position	- Position	- Position

Annex 2: ESG specialist profile (organisation)

1. Organisation information				
<p>Registration details</p> <p>-</p> <p>Incorporation/registration number</p> <p>-</p> <p>Incorporation/registration country</p> <p>-Registration date</p> <p>-Legal capacity to enter into binding and enforceable contracts</p> <ul style="list-style-type: none"> • Yes • No 	<p>Type of organization</p> <p>- Auditor</p> <p>- Construction firm</p> <p>- Consulting firm</p> <p>- Engineering firm</p> <p>- Government agency</p> <p>- Inspection agent</p> <p>- International organization</p> <p>- Management firm</p> <p>- Non-governmental organization</p> <p>- Procurement agent</p> <p>- Research institute</p> <p>-University</p> <p>- Other (specify)</p>	<p>Size</p> <p>- Employees</p> <ul style="list-style-type: none"> • n u m b e r f u n c t i o n <p>- Share capital</p> <p>- Number of projects completed</p>	<p>Industry sector</p> <p>-</p> <p>Research/Analysis</p> <p>- Other (specify)</p>	<p>Working language(s)</p> <p>- English</p> <p>- Chinese</p> <p>- Other (specify)</p>
2. Project(s) related to ESG				
<p>Project 1</p> <p>- Name</p> <p>- Duration</p> <p>- Location</p> <p>- Sector</p> <p>- Size</p> <p>- Budget</p>		<p>Other project(s) and details</p>		

3. Technical expertise related to Environmental and Social Impact Assessment (ESIA)			
<p>Knowledge of ESG standards</p> <ul style="list-style-type: none"> - Chinese - International - Local (specify region/country) 	<p>Industry sector(s)</p> <ul style="list-style-type: none"> - Large infrastructure and facilities project • Building • Dam • Irrigation • Land development • Mining • Power plant and/or transmission lines • Transportation • Waste management • Water supply • Other (specify) - Environmental studies/management/planning • Agriculture • Biodiversity • Climate • Disaster risk management • Eco-efficiency • Energy • Environmental policy and legislation • Global and regional transboundary environmental concerns • Natural resources conservation • Urban environmental improvement 	<p>ESG certification(s)</p> <ul style="list-style-type: none"> - CFA Institute Certificate in ESG Investing - City Climate Planner (CCP) - Climate Change Survey Certification (CDP) - Envision Sustainability Professional (ENV SP) - Global Reporting Initiative (GRI) - Integrate Reporting (IR) - International Association for Sustainable Economy (IASE) - Sustainability Accounting Standards Boards (SASB) - Sustainability and Climate Risk (SCR) - Other (specify) 	<p>Methodology</p> <ul style="list-style-type: none"> - Desk work - Workshop - Focal group discussion - Interview - Field visit - Other (specify)



	<ul style="list-style-type: none"> • Waste • Water • Other (specify) <p>- Social studies</p> <ul style="list-style-type: none"> • Gender • Indigenous groups • Minorities • Other (specify) <p>- Governance</p> <ul style="list-style-type: none"> • Anticorruption • Bilateral institutions • Civil society organizations • Client relations • Institutional environment • Organisational development • Financial governance • Other (specify) 		
4. Network			
Part of a network involved in ESG - Yes - No		Partnership with other organizations - Yes (specify) - No	
5. Publications			
Publication 1 - Title - Publisher - Total of pages range - Published date		Other publication(s) and details	
6. Contact person(s)			



<p>Contact person 1</p> <ul style="list-style-type: none">- Name, middle name, surname- Chinese name- Former name or other names- Position in the organization- Address- Phone number- Email address- Alternative email address	<p>Other contact person(s) and details</p>
<p>7. Integrity statement</p>	
<ul style="list-style-type: none">- No conflicts of interest- No conviction of an integrity-related offense or crime related to theft, corruption, fraud, collusion or coercion	
<p>8. Payment information</p>	