

**AIIB Directive on  
Environmental and Social Policy  
(Issued December 4, 2017; Revised March 2019)**

**1. Overriding Objective**

- 1.1. This Directive aims to facilitate the implementation of the Asian Infrastructure Investment Bank's (AIIB or the Bank) Environmental and Social Policy, including the Environmental and Social Standards and Environmental and Social Exclusion List (Policy). The Policy derives directly from the requirement in the Bank's Articles of Agreement that "[t]he Bank shall ensure that each of its operations complies with the Bank's operational and financial policies, including without limitation, policies addressing environmental and social impacts." The Policy constitutes one of AIIB's major policies, and is central to the design and implementation of projects supported by the Bank's financing.
- 1.2. The interpretation and implementation of this Directive shall seek to give effect to this overriding objective.

**2. Definitions**

- 2.1. The capitalized terms used in this Directive have the meanings set forth or referred to in paragraph 5 of the Policy, or as set forth below:
- a **Environmental and Social Advisor** means a staff member assigned by the Vice President, Policy and Strategy (VP PS), to perform the functions described in Section 3.2(b) below.
  - b **Environmental and Social Specialists** means staff members assigned to Projects by the Director General, Policy and Strategy, to perform the tasks described in Section 3.3 below.
  - c **Financing** means the financing extended by AIIB for a Project, which may be sovereign-backed financing or nonsovereign-backed financing.
  - d **Project Change** means a change to the Project or Financing, as described in Section 3.5.3 of the Operational Policy on Financing.
  - e **Project Team Leader (PTL)** means a staff member assigned to lead the preparation of the Financing and/or monitoring of Project implementation in accordance with the Operational Policy on Financing and its associated Directives (as applicable).

**3. Responsibilities**

- 3.1. **Shared Responsibilities.** The VP PS and the Vice President, Chief Investment Officer (VP IO), share responsibility for application of the Policy. The VP PS is responsible for environmental and social policy development, policy compliance, advisory and resource management functions under the Policy (see Section 3.2 below). The VP IO has primary responsibility for preparing and delivering Financings and monitoring Project implementation in accordance with the Policy (see Section 3.3 below). The relevant Director General, Investment Operations, assigns a PTL to

each Project. The Director General, Policy and Strategy assigns Environmental and Social Specialists to each Project to support the PTL on all environmental and social matters under the Project. The VP PS and VP IO coordinate and cooperate in carrying out their respective responsibilities.

### 3.2. VP PS Responsibilities

- a **Policy Development.** This function covers all aspects of policy development including:
  - i. Interpreting the Policy and Directive.
  - ii. Monitoring and evaluating the application of the Policy and Directive across AIIB's Financing portfolio.
  - iii. Formulating and recommending revisions to the Policy and Directive.
  - iv. Preparing, issuing and revising, as needed, Administrative Guidance designed to support the efficient and proper implementation of the Policy and Directive.
  
- b **Policy Compliance.** The VP PS confirms that each Financing complies with the Policy. To that end, the Environmental and Social Advisor performs the following tasks in relation to each Project for which a Financing is extended:
  - i. Approves the environmental and social categorization (including recategorization).
  - ii. Approves the scope of the environmental and social assessment for the Project, including any additional assessments that may be required as a result of Project Changes.
  - iii. Approves the proposed use of country or corporate systems under the Project, and environmental and social documentation required for the use of such systems.
  - iv. Approves the proposed application of a cofinancier's environmental and social policies to the Project.
  - v. Approves environmental and social aspects of project documents and project change documents.
  - vi. Addresses any compliance issues that may be brought to the attention of the Environmental and Social Advisor by the PTL during Project implementation.
  
- c **Advisory.** This function includes:
  - i. Providing advice on environmental and social issues to staff members, especially in the context of complex and high-risk Projects.
  - ii. Providing inputs to the Communications Department on media outreach for environmental and social issues.
  - iii. Undertaking internal and external environmental and social training.
  - iv. Representing AIIB both internally and externally on environmental and social matters (including approaches to environmental and social policies and standards).

- d **Resource Management.** This function includes management, allocation and supervision of resources and staff training in order to perform the functions listed in Section 3.2 and Section 3.3.

3.3. **VP IO Responsibilities: Project Preparation and Monitoring.** The VP IO is responsible for preparing and delivering Financings and monitoring Project implementation in accordance with the Policy. More specifically, this responsibility includes:

- a Screening and proposing the environmental and social category for the Project.
- b Conducting the Bank's due diligence assessment on the environmental and social aspects of the Project.
- c Monitoring implementation of the environmental and social aspects of the Project and addressing any issues arising during Project implementation.

The tasks listed above are carried out by the PTL with the support of the Environmental and Social Specialists assigned to the Project. At all stages of the Project, from preparation through implementation monitoring, the PTL and Environmental and Social Specialists shall work together cooperatively in order to identify and address the environmental and social issues arising in the Project. They shall keep each other informed of their respective work in this regard.

3.4. **Separation of Functions.** The compliance functions of the Environmental and Social Advisor described in Section 3.2(b) above and the Project preparation and implementation functions of the Environmental and Social Specialists described in Section 3.3 above may not be performed by the same staff member in the context of a particular Project. This separation ensures functional independence and a system of checks and balances between these functions.

#### 4. Bank Disclosure of Environmental and Social Information

4.1. **Sovereign-Backed Financings.** In case of sovereign-backed Financings, the VP IO shall ensure that AIIB discloses:

- a A summary of the environmental and social information related to a Project promptly after the Financing has passed Concept Review.
- b Draft environmental and social assessment reports prepared by the Client and other documents referred to under item (a) of paragraph 58 of the Policy as early as possible during AIIB's assessment of the Project, and in any event prior to the consideration of the Financing at appraisal/final review.
- c Other information referred to under item (b) of paragraph 58 of the Policy as soon as such information becomes available.
- d Any material change or addition to the disclosed environmental and social information for the Project as soon as such information becomes available, and in any event prior to approval of such change.

**4.2. Nonsovereign-backed Financings.** In case of nonsovereign-backed Financings, the VP IO shall ensure that AIIB discloses:

- a Draft environmental and social assessment reports prepared by the Client and other documents referred to under item (a) of paragraph 58 of the Policy as early as possible during AIIB's assessment of the Project, and in any event no later than on the working day immediately following the date on which the Financing has passed Final Review.
- b Other information referred to under item (b) of paragraph 58 of the Policy as soon as such information becomes available.
- c Any material change or addition to the disclosed environmental and social information for the Project as soon as such information becomes available, and in any event prior to the approval of such change.

**4.3. Deferral of Disclosure.** The Investment Committee may grant a deferral of the disclosure of the information referred to in Sections 4.1 and 4.2 above in special circumstances because of either:

- a Legal or other regulatory requirements such as timing requirements relating to securities offerings, equity investments in publicly listed companies or purchases of shares in a private placement; or
- b A commercially sensitive nature of the transaction involving, for example, an acquisition or a financial restructuring, where premature disclosure would compromise the financial worth or competitiveness of a corporate entity or its assets.

## **5. Authority**

5.1. The President, in consultation with the Executive Committee, shall make all final decisions regarding the application of this Directive.