



Corporate Strategy
Financing Infrastructure for Tomorrow
September 2020

**Asian Infrastructure Investment Bank
Financing Infrastructure for Tomorrow
Corporate Strategy**

Contents

Introduction.....	1
Asian Infrastructure Landscape.....	3
Building on the Foundations of AIIB	6
Mandate.....	6
Core Values.....	7
Principles	8
Accomplishments.....	9
AIIB’s Vision, Mission and Strategic Choices	11
Financing Infrastructure for Tomorrow	11
AIIB’s Strategic Choices	16
Realizing AIIB’s Mission 2030	17
Pillar One: Focus.....	18
Pillar Two: Scale.....	21
Pillar Three: Scope	22
Pillar Four: Clients.....	23
Pillar Five: Culture.....	24
Monitoring Progress in Achieving the Strategy.....	26

Abbreviations

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
BPB	Business Plan and Budget
COP24	The 24th Conference of the Parties to the United Nations Framework Convention on Climate Change
COVID-19	Coronavirus disease 2019
CRF	Crisis Recovery Facility
EIB	European Investment Bank
ESF	Environmental and Social Framework
G20	Group of Twenty
GHG	Greenhouse gas
IMF	International Monetary Fund
IPAT	Infrastructure Project Analytics Tool
ISSA	Infrastructure Stock and Spend Analysis
KBI	Key Business Indicator
MDB	Multilateral Development Bank
NDC	Nationally Determined Contributions
OECD	Organisation for Economic Co-operation and Development
PPQ	Project Prioritization and Quality Framework
RAROC	Risk-adjusted return on capital
SDG	Sustainable Development Goal
UN	United Nations
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific

AIIB's VISION is a prosperous Asia based on sustainable economic development and regional cooperation.

AIIB's MISSION is Financing Infrastructure for Tomorrow. By investing in sustainable infrastructure, AIIB unlocks new capital, new technologies and new ways in which to address climate change and to connect Asia, and the world.

AIIB will achieve this working in partnership. By being agile and adaptable, the Bank will meet client needs and operate to the highest standards.

Introduction

The Asian Infrastructure Investment Bank (AIIB) was established to help foster sustainable economic development, create wealth and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors.

As a new addition to the multilateral development bank (MDB) family, AIIB's mandate also includes promoting regional cooperation and partnerships to address development challenges by working closely with other multilateral and bilateral development institutions.

The beginning of 2021 marks the fifth anniversary of AIIB and the completion of its start-up phase. Building on accomplishments and lessons learned from its first five years of operations, AIIB has developed its first Corporate Strategy (hereafter, "Strategy") to set out the Bank's vision, mission and strategic directions for its growth phase through 2030 (Strategy period). The Strategy comprises four main sections.

First, **it outlines the key dynamics in the Asian infrastructure market** and explains how AIIB will support its members.

Second, **it strongly reaffirms that AIIB will continue embracing the foundations** that have contributed to the Bank's success during its start-up phase.

Third, **it defines the mission for AIIB and its strategic choices**. Specifically, it;

- (i) *describes AIIB's mission as Financing Infrastructure for Tomorrow*, which combines AIIB's commitment to sustainability with clearly defined thematic priorities that the Bank will concentrate on to establish its market position.
- (ii) *sets targets on climate finance, cross-border connectivity and private sector financing*.¹
- (iii) *clarifies the Bank's strategic choices for its growth phase as a project finance bank with a business model based on partnerships and mobilization and with a clear focus on Financing Infrastructure for Tomorrow in Asia*.
- (iv) *sets a clear approach for delivering and understanding AIIB's impact*.

¹ The term "private sector financing" refers to financing operations defined as nonsovereign backed financing in other Bank documents and includes financing operations with public entities which are not backed by a sovereign guarantee.

Fourth, **it explains how AIB will realize its mission** through five strategic pillars that will guide the Bank's actions during the Strategy period: (i) establishing market position; (ii) achieving impact at scale; (iii) adding value along the project cycle; (iv) serving a broad range of members; and (v) building the corporate culture.

AIB's Corporate Scorecard that monitors and reports on the Bank's progress in realizing its mission is also presented.

The Strategy benefits from stakeholder consultations conducted with shareholders, partners, clients, technical experts and AIB staff between 2017 and 2020. The Strategy reflects AIB's commitment to finding client-driven solutions. Particular attention has been given to client views and allowing for necessary flexibility for possible changes in client needs. The Strategy is designed to be adaptable to different economic scenarios including extraordinary situations that can occur during the Strategy period. In this regard, the Strategy is built on the dynamic concept of Financing Infrastructure for Tomorrow which AIB can continue to tailor to evolving client needs.

The Strategy will be operationalized through each year's Business Plan and Budget (BPB) which will turn the high-level objectives of the Corporate Strategy into annual business indicators. The annual BPBs will provide implementation updates and regular checkpoints for the Bank to progressively improve and adapt its strategic directions based on lessons learned and changes in client needs. The Strategy will be reviewed in 2025 with a view to continue supporting Infrastructure for Tomorrow in the years to come.

Asian Infrastructure Landscape

Asia is the world's largest and fastest-growing region representing 60 percent of the world's population and 45 percent of the global economy.² Asia's role in connecting people, goods, services and markets worldwide is growing. However, the development of its economies and infrastructure has so far been uneven. Some economies have successfully transitioned into upper-middle and high-income levels while others remain low-income. While some boast of well-developed infrastructure networks, many Asian economies lag with limited or poor-quality infrastructure. Asia's infrastructure investment needs are high and the most sizeable needs in volume terms are in the energy, transport, urban and water sectors.³

For many years, several Asian economies have been underspending on infrastructure relative to their needs, even though investing in infrastructure could help boost economic and social development. This was particularly true for developing economies that tend to benefit from higher returns on infrastructure investments compared with their developed peers.⁴ There were many contributing factors to the infrastructure paradox where high demand and potentially high return did not automatically translate into increased infrastructure investments. Poor project design, undervalued or underpriced infrastructure services, high public debt, low financial returns, lack of an institutional investor base, high perceived risks and complex regulations were among the key contributing factors.

Asia's underinvestment in infrastructure is expected to continue in the coming period as these challenges have been exacerbated due to the multiple and far-reaching impacts of the COVID-19 pandemic. Additional risks facing the Asian infrastructure market include:

- An unexpectedly long global economic slowdown can further reduce valuations and financing availability for some infrastructure projects (as observed in the transport sector).
- As a legacy of the COVID-19 pandemic, high debt/distressed economies/clients could be unable or unwilling to incur additional debt or even default on existing debt.
- Travel, work and supply limitations can cause intolerable delays in projects.
- Geopolitical tensions and fragmentation might threaten the feasibility and sustainability of infrastructure projects and/or change their design and location (e.g., cross-border projects).
- The overreliance on the banking sector in infrastructure finance, in the absence of developed local capital markets, might make the banking sector increasingly less able or willing to finance infrastructure given counterparty, foreign currency and maturity mismatch risks (e.g., funding long-term infrastructure assets with short-term liabilities).
- The recent acceleration in the use of technology can render some infrastructure obsolete and ineffective. Failing to keep up with rapid innovations can increasingly narrow the financial feasibility of some infrastructure projects.

² Source: IMF, World Economic Outlook Database and UN, World Population Prospects Database.

³ Study conducted by McKinsey. 2019. Based on the Infrastructure Project Analytics Tool (IPAT) and Infrastructure Stock and Spend Analysis (ISSA) estimates, plus various information sources. According to the study, Asia's infrastructure investment need is projected to reach around USD1.2 trillion annually in 2025. Study includes 23 AIIB regional members for which data is available and excludes China, given its size.

⁴ For further analysis see Asian Infrastructure Investment Bank. 2020. Asian Infrastructure Finance Report.

- Climate change and other disasters are increasingly impacting Asia. Failure to adapt technologies, policies and regulations to anticipate and address these risks could create stranded assets or possible delays or damage to infrastructure projects.

Despite the challenging environment the infrastructure needs will remain high. The increased recognition of the essential role modern health and education as well as digital infrastructure play in economic and social resilience and the growing need for stimulating the economy will induce many countries to refocus on infrastructure. In addition, the following ongoing megatrends will continue to necessitate significant forward-looking infrastructure investments:⁵

Urbanization. Asia experiences high growth in the middle-class urban population (67 percent of Asia's population will live in urban areas in 2050, up from 50 percent today). The urban population is expected to increase to 1.5 billion, with the majority residing in medium-sized cities. A significant growth in the middle-class population will expand the need for urban infrastructure.

Demographics. Many economies in Asia face rapid population growth, with some particularly challenged by an aging population in the coming decades. Some will face aging at relatively low income levels, increasing the need for specialized services. These shifts will have significant implications for public service and social infrastructure provisions as well as for more inclusive and accessible infrastructure services.

Sustainability. Climate change dramatically shifts infrastructure needs toward infrastructure that is climate-resilient and that supports emission reduction targets under the Paris Agreement. Meeting the Sustainable Development Goals (SDGs) by 2030 will also require realizing significant increases in economically, environmentally and socially sustainable investments across multiple sectors.

Technological innovation. Technology applications across sectors have fundamentally changed how modern economies function and how citizens live. Infrastructure has traditionally been lagging behind other sectors in terms of innovation.⁶ However, this is expected to change. Digital infrastructure is becoming more central to the economy as remote work, health and education arrangements are turning into a norm. How the application and commercialization of technologies can enhance the productivity and resilience of infrastructure will be more widely recognized. New technologies (e.g., artificial intelligence and cloud technology) will give rise to further changes in user expectations and behavior which will impact infrastructure demand.

Regionalization. Globalization is changing in different ways.⁷ One driver of this change is the increasing relevance of regional trade and value chains. As a result, economies are weaving regional and intraregional activities and partnerships to strengthen cooperation and development. Asia will develop its own networks, institutions and infrastructure that facilitate connectivity and regional cooperation.

⁵ An independent analysis produced by McKinsey. 2019. Unpublished.

⁶ World Economic Forum. 2019. Transforming Infrastructure.

⁷ McKinsey Global Institute. 2019. Globalization in Transition: The Future of Trade and Value Chains.

Going forward, Asian economies will have to find ways to meet their growing and changing infrastructure needs under challenging conditions. One worthwhile avenue is to transform infrastructure needs into bankable projects while creating financing platforms that allow private capital to enter at scale. Doing so will require many actors—from governments to regulators to investors—to collaborate and take action to match infrastructure demand with supply. MDBs often have the right instruments to assist countries by channeling resources from markets, supporting project and policy developments and helping reduce, mitigate or manage risks. Still, MDBs are only a small part of the overall infrastructure financing ecosystem. Five notable MDBs operating in Asia financed USD50 billion (or just three percent) of Asia’s infrastructure in 2019.⁸ The bulk of infrastructure in Asia (over 90 percent) continues to be financed by public sources.

The increased public debt levels resulting from the COVID-19 pandemic⁹ will make it more difficult or impossible for the public sector to meet all infrastructure needs on its own. Asian countries will seek ways to partner more with the private sector to meet some of these needs. Private investment has the potential to play a much larger role in infrastructure finance in the region. The Organisation for Economic Co-operation and Development (OECD) estimates that major asset owners in the OECD area held USD63.7 trillion assets in 2017, some of which could potentially be mobilized to meet unmet infrastructure needs.¹⁰ Creating capital markets and mobilizing institutional investors to finance infrastructure will substantially reduce the funding gap and complement other efforts to promote financing on an individual project level. However, private funds will only flow if projects are prepared with high standards, policy obstacles are removed, and risks are adequately mitigated.

The existing dynamics in the Asian infrastructure market call for increased attention to project quality. Implementing a comprehensive set of measures that improve project quality (e.g., bankability, forward looking project design that draws on lessons learned with sound economic cost-benefit analyses, high transparency and strong environmental and social safeguards) is essential to bring the realized economic rate of return of infrastructure projects in Asia closer to their potential.¹¹ Quality is key to attracting investment in a greater number of projects and enhance their growth impact.¹²

AIIB will continue to follow closely evolving market conditions, learn from experience and respond to changing client needs with an agile, innovative and efficient approach that emphasizes quality and prioritizes mobilizing other financiers.

⁸ A 2020 independent study conducted by Oliver Wyman on infrastructure financing in Asia (unpublished).

The five MDBs referenced are: ADB, World Bank, EIB, AIIB and Islamic Development Bank.

⁹ IMF World Economic Outlook. June 2020 Update.

¹⁰ OECD. 2019. Annual Survey of Large Pension Funds and Public Pension Reserve Funds.

¹¹ AIIB. 2020. Asian Infrastructure Finance 2020.

¹² G20. 2019. Principles for Quality Infrastructure Investment.

Building on the Foundations of AIIB

The strong foundations established during AIIB's start-up phase have been instrumental in the initial success of the institution and have helped the Bank establish its place within the family of multilateral institutions. This Strategy strongly reaffirms that AIIB will continue embracing these foundations in its growth phase.

Mandate

AIIB will achieve its mandate.

Per the Articles of Agreement, AIIB's purpose is to:

“(i) Foster sustainable economic development, create wealth, and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors; and

“(ii) Promote regional cooperation and partnership in addressing development challenges by working in close cooperation with other multilateral and bilateral development institutions.”

Core Values

AIIB will preserve its core values.

Lean. AIIB's "Lean" core value strives to eliminate waste in production and processes while satisfying customer needs. Continuous improvement will remain central to AIIB's value proposition and ambition to deliver more value to clients through agile, fast and responsive services without compromising high standards. This requires purposeful procedures, effective systems, leveraging partnerships, the ability to quickly redeploy resources and a corporate culture which prioritizes efficiency, assesses performance and institutionalizes and applies learning and delivers the best possible client experience.

Clean. AIIB holds itself to the highest standards in everything it does. High project standards and good governance principles constitute an integral part of the Bank's "Clean" core value. The Bank's governance structure underpins an unwavering commitment to integrity, accountability and ethical standards in its projects and the way it works with clients and partners. AIIB has zero tolerance for corruption. It has institutionalized measures to protect whistleblowers who report prohibited practices in projects and has a mechanism to handle complaints in its operations. The Bank promotes transparency and integrity through its relevant policies and codes of conduct.

Green. AIIB embraces the concept of being a Green institution and is committed to enhancing its sustainable operations both in terms of project investments as well as corporate practices. AIIB's policies, strategies and operations are aligned around promoting Green objectives. AIIB aspires to play a major role in mainstreaming Green objectives in the Asian financial and capital markets. AIIB holds itself to high international standards through its Environmental and Social Framework (ESF) which integrates environmental and social management methods into all its operations and aims to improve related practices by facilitating development and dissemination of lessons learned from projects. AIIB's Green objectives involve a special focus on climate mitigation and adaptation at the member and regional level through its projects. AIIB embraces Green in its corporate practices and takes concrete action to manage its own carbon footprint.

Principles

AIIB will continue adhering to its main principles.

Financial sustainability and sound banking. Without a strong, sustainable balance sheet, AIIB cannot deliver its mandate. AIIB will maintain its financial sustainability by effectively managing its available resources, generating reasonable returns and accumulating retained earnings. As a member cooperative, recycling of income will enable AIIB to grow its balance sheet and deliver its mandate without being dependent on new capital from members. It will also enable AIIB to maintain its ability to provide countercyclical financing for its clients and withstand macroeconomic downturns and market stress while safeguarding its credit rating. AIIB is committed to maintaining its strong financial position and sound capital ratios and continue strengthening its risk management systems as its portfolio grows in volume and complexity. Rating considerations permeate throughout the organization as a crucial element of the business model. AIIB's budget management practices reflect the Bank's "Lean" core value.

Strong multilateral governance and oversight. Since its inception, by building on its "Clean" core value, AIIB has made important strides in institutionalizing good governance. AIIB's sound governance framework provides voice and representation for all members and ensures that they are well-informed while overseeing the operations of the Bank. The Accountability Framework has created an effective environment for its nonresident Board of Directors to take a strategic approach to direct and oversee the work of an accountable Management. AIIB's Oversight Mechanism also helps ensure accountability by providing Board oversight in audit, evaluation, fraud and corruption, project complaints and staff grievances.

High project standards. AIIB recognizes the need for increased attention to quality to ensure that infrastructure projects deliver their desired economic and social benefits and mitigate potential risks. AIIB upholds the use of high international standards and principles which serve to maximize the financial, economic, environmental and social sustainability of all projects. Prior to extending financing, AIIB conducts thorough analyses of the financial and economic viability of projects as well as the debt sustainability of its borrowers. AIIB promotes its "Green" core value through its projects and all projects financed by AIIB comply with the Bank's ESF. AIIB's Project Prioritization and Quality Framework (PPQ) supports project quality at entry and throughout the project life cycle by ensuring that projects are selected, prepared and implemented to deliver results in line with the Bank's strategic priorities as well as client objectives. AIIB works with its members and partners to increase the economic efficiency of infrastructure projects throughout the project life cycle and reduce the likelihood of stranded assets by supporting better project planning, design and implementation. The Grievance Redress and Project-affected People's Mechanisms serve to further enhance the project sponsors' and AIIB's accountability for the projects financed by the Bank, thereby creating the incentives to deliver the best outcomes for project beneficiaries. AIIB supports transparency, efficiency and ethical standards for all projects through its Procurement Policy.

Accomplishments

AIIB will build on its accomplishments during its start-up phase.

During its start-up phase, AIIB built the foundations of a multilateral institution that is well-positioned to further contribute to sustainable development in Asia and beyond. Key accomplishments during the start-up phase include:

Worldwide membership.

AIIB began operations on Jan. 16, 2016 with 57 founding members (37 regional and 20 nonregional). As of end-August 2020, the Bank had 103 approved members (82 had ratified their membership and 21 prospective members) representing approximately 79 percent of the global population and 65 percent of global GDP.

Governance model enhancing efficiency and accountability.

The Bank's Accountability Framework is an innovative governance model that positions AIIB to embed a culture of accountability throughout the organization. It strengthens: (i) the Board's role in holding the President accountable and establishing AIIB's policies and strategies; and (ii) the President's role in conducting AIIB's business. The unique structure AIIB has established for its Complaints-resolution, Evaluation and Integrity Unit ensures both independence and close engagement with Management.

All key policies and strategies developed or finalized.

AIIB's ESF supports the Bank and its clients to achieve environmentally and socially sustainable development outcomes. The Risk Management Framework is the guiding reference for all risk-relevant policies and guidelines. The Policy on Public Information promotes transparency in AIIB's operations. Strategies for all major infrastructure sectors and for investing in equity, mobilizing private capital and financing operations in nonregional members are all approved and being implemented. These strategies constitute the building blocks of the Corporate Strategy. The Bank is developing a Learning and Evaluation Framework in parallel with the Corporate Strategy.

Quality portfolio developed according to high project standards.

AIIB uses its Project Prioritization and Quality (PPQ) Framework to screen projects and ensure their strategic fit with the Bank's priorities. The PPQ allows the Bank to focus on results and improve project quality at entry and throughout the project life cycle. Five criteria built upon each other are carried along the project cycle: (i) strategic alignment; (ii) value addition; (iii) project design/expected results; (iv) implementation readiness; and (v) compliance, effectiveness and efficiency. In addition, AIIB has developed quarterly monitoring reports as a unique and innovative tool that allows the Management to take timely actions and keep the Board well-informed on the Bank's portfolio quality.

Highest credit rating assigned by three major rating institutions.

Prudent risk management and financial policies have enabled AIIB to maintain the highest credit ratings with a stable outlook from the top credit rating agencies—Standard & Poor’s, Moody’s and Fitch.

Established presence in capital markets.

AIIB established its presence in international capital markets by successfully issuing global bonds and expanded its funding sources through local currency-denominated bond issuances and private placements.

Permanent observer status in the United Nations.

AIIB’s Permanent Observer status was granted in recognition of its relevance and contribution to the UN’s development mandate. AIIB holds a standing invitation to participate in an observer capacity in the deliberations of both the General Assembly and the Economic and Social Council, the two development-focused principal organs of the UN.

AIIB's Vision, Mission and Strategic Choices

AIIB's VISION is a prosperous Asia based on sustainable economic development and regional cooperation.

AIIB's MISSION is Financing Infrastructure for Tomorrow. By investing in sustainable infrastructure, AIIB unlocks new capital, new technologies and new ways in which to address climate change and to connect Asia, and the world.

AIIB will achieve this working in partnership. By being agile and adaptable, the Bank will meet client needs and operate to the highest standards.

Financing Infrastructure for Tomorrow

Infrastructure for Tomorrow is a dynamic concept that will be shaped by rapid changes in the way markets function and people live, move and work. What is built, how it is built and where it is built will evolve as the needs of the people, economy and the world change and as infrastructure techniques advance.

Commitment to Sustainability. Infrastructure for Tomorrow reflects AIIB's firm commitment to sustainability by requiring that all investments be:

Financially and economically sustainable in terms of financial returns and economic impact which generates positive economic returns and does not exacerbate a country's debt sustainability. This is assured through economic and financial analyses made for all investments of the Bank.

Socially sustainable and inclusive in terms of addressing direct and indirect impacts, especially on displaced persons, vulnerable groups and community health and safety. Social sustainability promotes inclusive access to project benefits for all citizens—irrespective of age, gender, location, ethnicity and other socio-economic characteristics—and particularly to groups which are often marginalized, vulnerable or excluded from access to services.

Environmentally sustainable in terms of addressing direct and indirect impacts on the physical and biological environment such as water and air quality, biodiversity, local pollution, climate change and land and water use. Environmental and social sustainability is assured through the Bank's ESF which reflects good international practices.

Alignment with Thematic Priorities. Infrastructure for Tomorrow also sets a clear focus for the Bank by requiring that all AIIB investments across infrastructure and other productive sectors should *ordinarily* add value through one or more of the four cross-cutting themes of Infrastructure for Tomorrow (referred as thematic priorities):

Green Infrastructure. Climate change is one of the most pressing global challenges of this century. To achieve the desired steep reduction in global emissions and to adapt to climate change, infrastructure needs to be green. As a major contributor to global greenhouse gas (GHG) emissions, Asia's sustainable development pathway will be crucial for achieving the Paris Agreement objectives. Environmental improvement is also key for Asia's own future as it is expected to be hit hard by climate change and environmental degradation if existing trends continue.¹³ This calls for substantial investments in green infrastructure. Increasing attention and commitment of its members to adapt to and mitigate the impact of climate change and address local environmental problems have reinforced the need for AIIB to focus on this area. AIIB will prioritize green infrastructure and support its members meet their environmental and related development goals by financing *projects that deliver local environmental improvements and investments dedicated to climate action.*

Connectivity and Regional Cooperation. Improving infrastructure connectivity in Asia and promoting regional cooperation is AIIB's core mandate and can significantly enhance competition, productivity and growth by increasing the flow of people, goods, services, capital and information. Large gaps in infrastructure connectivity persist in some parts of Asia, hampering development. Asian economies need to invest in major domestic and cross-border transport, digital, energy and water networks to enhance and spread benefits of growth across Asia and beyond. Promoting regional cooperation complements infrastructure connectivity by expanding opportunities, strengthening links between economies and providing supplementary non-economic benefits. Progress on this front has been made in recent decades, but significant variations across the region remain. Current challenges to regional cooperation in Asia include: (i) the COVID-19 pandemic and international tensions, which threaten the positive long-run trend in Asia's trade, and investment linkages; (ii) disruptions in regional supply chains; (iii) difficulties of Asian financial markets in connecting Asian issuers with Asian and global investors and (iv) uneven distribution of the benefits of regional cooperation within Asia. AIIB can help Asia address these challenges by strategically investing in infrastructure and other productive sectors in line with its Articles of Agreement, mandate, Policies and Strategies. AIIB will prioritize *projects that facilitate better domestic and cross-border infrastructure connectivity within Asia and between Asia and the rest of the world. It will also support projects that complement cross-border infrastructure connectivity by generating direct measurable benefits in enhancing regional trade, investment, digital and financial integration across Asian economies and beyond.*

¹³ UNESCAP. 2018. Key Environment Issues, Trends and Challenges in the Asia-Pacific Region.

Technology-enabled infrastructure. Technology¹⁴ is expected to dramatically change the way infrastructure is designed, constructed and operated. Used appropriately and effectively, technology can improve traditional infrastructure by streamlining processes, enhancing economic and social benefits and promoting sustainability, quality and safety as well as reducing financial costs and risks. Technology is not an end unto itself but an important means to provide a solution to the infrastructure challenge. The central role played by technology during the COVID-19 pandemic in facilitating the continuous functioning of the economy and provision of critical services, including in health and education, has provided greater recognition for the need to accelerate the ongoing digital and technological transformation of economies. This will require investments in both digital infrastructure and related technological applications. As an institution established in the digital era, AIIB can play a major role in supporting its clients transform their infrastructure sectors, including health and education infrastructure, by digital means and through technological applications. AIIB can develop technology as a core comparative advantage offered to clients. AIIB will support *projects where the application of technology delivers better value, quality, productivity, efficiency, resilience, sustainability, inclusion, transparency or better governance along the full project life cycle.*

Private Capital Mobilization. Private capital mobilization is different from the other thematic priorities. It refers to the financing method, rather than the nature of the project. It is essential to realize AIIB's mandate, in particular to address the vast infrastructure financing needs that far exceed the fiscal capacity of governments and balance sheets of MDBs. Notwithstanding the extensive private financing that can potentially be attracted, current participation of private capital in Asian infrastructure is quite low. Private financing is still predominantly provided by the banking sectors with the large Asian institutional investor pool untapped. There is a significant need for AIIB's catalytic role to increase private and other investors' appetite for investing in emerging market infrastructure as well as other productive sectors that are associated with and complementary to core infrastructure. AIIB's catalytic role becomes even more important at times of increased financial distress and economic downturns when private capital withdraws from developing countries. AIIB will support *projects that directly or indirectly mobilize private financing into sectors within its mandate.*

AIIB's thematic priorities have been identified by undertaking wide stakeholder consultations and examining client demand to understand what is underserved in the infrastructure market. Despite their differing nature, the thematic priorities complement each other and reflect the areas in which AIIB is well-positioned to develop strong competency and a clear offering to clients within the Strategy period. In case extraordinary situations occur during the Strategy period, AIIB will adapt and respond with measured and time-bound actions, and as and when such situations resolve, return to its commitment to add value through its four thematic priorities.

¹⁴ For the purpose of the Corporate Strategy, "technology" is defined as the applications of scientific and engineering knowledge and techniques for practical purposes.

Box 1: Impact of AIIB

Improving economic and social outcomes in Asia is part of the mandate of the Asian Infrastructure Investment Bank (AIIB). AIIB's financing contributes to higher-level development outcomes, including the SDGs and other development goals pursued by its members (see Box 2). However, as the Bank's financing constitutes only a very small share of overall investments and since higher-level development outcomes are affected by a myriad of factors, it is not feasible to directly measure the impact of AIIB financing on those outcomes.

AIIB's expected impacts are better captured by the results framework defined for each project it finances. The project objectives are, in turn, aligned with the development outcomes sought by members and reflect how each investment contributes to expected outcomes for members.

The aggregate impact of AIIB financing can be conceptually expressed as a combination of three essential elements for achieving impact:

Total resources mobilized by AIIB. Being aware of the critical role, but the limited amount of its financing, AIIB provides the necessary financing with the right tenor and quantity in line with the needs of each project and proactively aspires to catalyze other financing sources into infrastructure investments. AIIB values mobilized financing as much as its own financing. The Bank's Corporate Scorecard contains dedicated indicators that track the total capital mobilized by AIIB through its own financing approvals and from private and public sources. AIIB also reports on the share of its private sector financing through a dedicated target indicator.

Alignment of the objectives of investments with the Corporate Strategy. AIIB contributes to direct impact in the priority areas where it seeks to add value and establish its market position. AIIB ensures that every project it finances is ordinarily aligned with at least one of its four thematic priorities and does not dilute itself in other areas that may fit better with the mandates of other institutions. AIIB reports on its climate financing and cross-border connectivity financing through dedicated target indicators in its Corporate Scorecard and will regularly report in detail the alignment of its operations with the Bank's four thematic priorities.

Portfolio performance. AIIB's impact will be fully realized through the successful implementation of the projects it finances and the fulfillment of project objectives in line with AIIB's policies and strategies. AIIB is tracking performance from various angles for each project that is under implementation, including project results, technical, environmental and social, disbursement, fiduciary control, integrity and credit risks. Based on individual project performance monitoring, the Bank is also tracking portfolio performance through two dedicated indicators (implementation readiness and portfolio implementation performance) in its Corporate Scorecard. A project completion indicator will be added at a later stage after project completions reach a meaningful scale.

Please see the Monitoring Progress in Achieving the Strategy section below for more information.

Box 2: AIIB and the Sustainable Development Goals

National governments have endorsed and committed to meeting the Sustainable Development Goals (SDGs) which were launched by the United Nations in 2015. The SDG's 17 goals and 169 underpinning targets serve to guide global development efforts until 2030. National governments are responsible for measuring the SDG outcomes at the economy level. The Asian Infrastructure Investment Bank's (AIIB) investments in infrastructure and other productive sectors are critical in fostering sustainable economic development, creating wealth, and contributing to its members' efforts to achieve the SDGs. AIIB's investments support the SDGs in the following ways:

1. AIIB's existing investments in energy, transport, sustainable cities, digital infrastructure and water sectors directly support four SDGs:

SDG 6: Clean water and sanitation.

SDG 7: Affordable and clean energy.

SDG 9: Industry, innovation and infrastructure.

SDG 11: Sustainable cities and communities.

2. The COVID-19 pandemic and ensuing economic crises created new challenges in realizing the SDGs. The increase over the Strategy period in the Bank's social infrastructure operations to respond to client needs is expected to be reflected in SDGs 3 and 4.

SDG 3: Good health and well-being.

SDG 4: Quality education.

3. AIIB is also incorporating cross-cutting themes in its investments. AIIB's initial success and future commitment to climate finance can be mapped against SDG 13. In addition, AIIB's commitment to increase its connectivity and regional cooperation operations is expected to be reflected in SDG 8 and SDG 17. Finally, AIIB intends to enhance its contribution to gender equality in Asia by increasingly incorporating gender considerations into projects, which can be mapped against SDG 5.

SDG 5: Gender equality

SDG 8: Decent work and economic growth.

SDG 13: Climate action.

SDG 17: Partnerships for the goals

4. AIIB was established after the adoption of the SDGs. Therefore, it was able to "subscribe to the principles of sustainable development in the identification, preparation and implementation of Projects"¹⁵ and developed its ESF by incorporating SDGs.

Going forward, AIIB will continue contributing to its members' efforts to achieve the SDGs, updating its SDG mapping exercise and working in close cooperation with the UN and other partners to promote sustainable development.

¹⁵ AIIB Environmental and Social Framework.

AIIB's Strategic Choices

AIIB's overall direction will continue to be guided by its mandate, core values and the principles which constitute the foundations of the institution. Its future business development will be built on the following strategic choices that set a clear path for the Bank's operations in its growth phase.

Focusing on Financing Infrastructure for Tomorrow

AIIB will focus on Financing Infrastructure for Tomorrow. AIIB will unlock new capital, new technologies and new ways in which to address climate change and to connect Asia, and the world. While focusing on core infrastructure, AIIB, as it matures, will gradually expand its capacity, role and value-add in social infrastructure and other productive sectors. Like in other sectors, the Bank will require its activities in social infrastructure and other productive sectors to add value through one or more of the four thematic priorities defined under Financing Infrastructure for Tomorrow and will elucidate its approach through dedicated sector strategies.

Focusing on Asia

As required by its Articles of Agreement, AIIB will maintain a strong focus on Asia and will continue to build its core competency in the region. In doing so, AIIB will develop tools to better serve its presently underserved regional members. AIIB also recognizes the key role that its nonregional members play in the advancement of Asian development and in addressing climate change. As such, AIIB is expected to gradually build capacity to deliver projects in nonregional members within its defined principles and limits under the Bank's Strategy on Financing Operations in Non-regional Members to be periodically reviewed and, as appropriate, revised by the Board of Directors.

Building Partnerships and Mobilizing Investment

Addressing Asia's daunting infrastructure challenge involves several requisites (e.g., finance, technical support, enabling environment) that are beyond the capabilities of any single organization. Effective partnerships are needed where all stakeholders (governments, the private sector, MDBs, civil society organizations and others) cooperate with and complement each other. In line with its Articles of Agreement, AIIB will continue to work closely with other multilateral and bilateral development partners to help its members address their development challenges. AIIB will collaborate with other financiers and will actively pursue mobilization to supplement its own financial capacity. AIIB will also seek to share its commitment to high international standards with new development partners, helping them build capacity with the aim of developing new operational partnerships in the future.

Focusing on the Project Cycle

Building on its earlier success in serving client needs, AIIB will increasingly focus on further enhancing its ability to provide services to its clients that add value along the project cycle such as project preparation, implementation and private capital mobilization. Expanding AIIB's scope and value add will support its growing impact and the broadening of its client base. Such efforts will be influenced by AIIB's "Lean" core value, and commitment to help clients develop the capabilities they need by allowing them to take the ownership of their projects.

Realizing AIIB's Mission 2030

Reflecting its strong commitment to realize its mission, AIIB will further develop its operations and capacities in a strategic and targeted manner. Five key pillars will guide the Bank's actions during the Strategy period:

Establishing market position. Developing competency and credibility and providing value-add in the four thematic priority areas of Financing Infrastructure for Tomorrow.

Achieving impact at scale. Gradually increasing its own financing and becoming an effective catalyst.

Adding value along the project cycle. Enhancing activities in project preparation, implementation and asset recycling to respond to different client needs.

Serving a broad range of members. Increasing the breadth of client relations and scaling up efforts to reach underserved members across the income spectrum.

Building the corporate culture. Achieving the objectives of being: (i) highly responsive to clients while maintaining high international standards; and (ii) a workplace fit for the best talent drawn from around the world.

Pillar One: Focus

ESTABLISHING MARKET POSITION

By 2030, AIIB will be recognized as an infrastructure financier responding to client demand with agility and deep expertise in Financing Infrastructure for Tomorrow. AIIB will strengthen its technical capacity and partnerships to deliver quality projects supporting four thematic priorities: green infrastructure, connectivity and regional cooperation, technology-enabled infrastructure and private capital mobilization. AIIB will achieve successful outcomes under all four thematic priorities by giving each one adequate and balanced attention.

Green infrastructure financing¹⁶ will be a key area of focus for AIIB's investment portfolio.

Green infrastructure includes projects that support climate change efforts and help members meet their other environmental and related development goals, including their Nationally Determined Contributions (NDCs) in line with their Paris Agreement commitments. AIIB will support *projects that deliver local environmental improvements and investments dedicated to climate action*. This will cover a range of investments and sectors including renewable energy and low-carbon public transportation as well as better water management and sanitation, pollution control and enhancing ecosystem services. From 2016 to 2018, AIIB provided USD2.5 billion climate finance in cumulative terms (an average of approximately 35 percent of AIIB's total financing during that period) according to international standards.¹⁷ In 2019, AIIB's climate finance reached USD1.7 billion (39 percent of total financings approved in the same year). Reflecting its commitment to support the Paris Agreement, AIIB will aim at reaching or surpassing by 2025 a 50 percent share of climate finance in its actual financing approvals. Following the important steps it has taken in international fora,¹⁸ AIIB will also continue to be an active participant in the development of the Joint MDB Framework on Paris Alignment and align its relevant policies, strategies and operations with the Framework once it is fully developed and agreed upon.

In line with the ambition of the international community on the climate agenda and in line with its Energy Sector Strategy, the Bank supports its members' respective transitions toward a low-carbon energy mix and finances investments that are demonstrably compatible with a country's transition toward sustainable, low-carbon energy and internationally agreed targets. Significant changes have taken place in the energy sector in recent years, including the sharp fall in the cost of renewable energy along with improvements in processes and technologies that increases energy efficiency and reduce emissions. Following its Energy Sector Strategy, AIIB will increasingly focus on investments in these areas.

¹⁶ Green finance includes projects with climate mitigation and adaptation and other environmental objectives. AIIB adheres to the International Development Finance Club's definition of green finance.

¹⁷ Climate finance has a narrower definition and is limited to financing toward climate mitigation and climate adaptation.

¹⁸ The signing of the joint MDBs' high-level statement in 2019 and the alignment approach to the objectives of the Paris Agreement at COP24.

During the Strategy period, AIIB will continue supporting financial and capital market operations with green objectives and scale up its climate financing by establishing partnerships with other private and public sector institutions and exploring opportunities to access dedicated climate grants. Over the medium to long term, AIIB will: (i) accumulate experience and expertise in green investments that support local environmental improvements as well as in climate change adaptation and mitigation; (ii) solidify its role in promoting green capital and financial market operations; and (iii) establish deep capacity to better support its members in developing low-carbon and climate-resilient infrastructure investments. In supporting green infrastructure, AIIB will mainstream climate change priorities into decision-making across its operations and apply the necessary tools and instruments (e.g., shadow carbon pricing and GHG emission accounting) in the economic analysis of its projects. AIIB will also continue tracking GHG emissions reductions via its Energy Sector Strategy and over time, build capacity to measure GHG emissions of transport infrastructure.

AIIB will increase its support for connectivity and regional cooperation. Given its core mandate to improve infrastructure connectivity and promote regional cooperation, AIIB will prioritize *projects that facilitate better domestic and cross-border infrastructure connectivity within Asia and between Asia and the rest of the world. It will also support projects that complement cross-border infrastructure connectivity by generating direct measurable benefits in enhancing regional trade, investment, digital and financial integration across Asian economies and beyond (projects that facilitate better cross-border infrastructure connectivity and projects that complement cross-border infrastructure connectivity, hereafter referred as “cross-border connectivity projects”).* AIIB will seek to enhance its capacity and deepen its engagements with its members to proactively identify and help develop cross-border connectivity projects. Recognizing the complexity and resource intensity of such projects, AIIB will engage with its development partners and multilateral institutions that are working to strengthen connectivity and regional cooperation. AIIB will focus mostly on the projects while generally allowing its development partners to take the lead on policy, regulatory and other issues that affect the outcome of projects but are outside the project cycle. AIIB will learn from the experiences and methods of other institutions to develop and enhance its capacity to support cross-border connectivity projects, while paying close attention to the identification of risks so that measures are put in place to manage them. AIIB will also enhance its cooperation with private and other partners to identify and finance cross-border connectivity projects. AIIB’s activities related to cross-border connectivity projects will be fully aligned with its Articles of Agreement, mandate, Policies and Strategies. AIIB will aim at reaching by 2030 a 25 to 30 percent share for cross-border connectivity projects in its actual financing approvals.

Technology will become an increasing focus of AIIB’s investments in the coming years. Capitalizing on its advantage of being established in the digital era, AIIB will support *projects where the application of technology delivers better value, quality, productivity, efficiency, resilience, sustainability, inclusion, transparency or better governance along the full project life cycle.* AIIB will enhance its capacity to more proactively identify and support technology-enabled projects across all infrastructure sectors and to help clients mitigate the risk of falling behind the technological revolution (e.g., disruptions in critical social and economic services, obsolescence, stranded assets, unsustainability, low efficiency). In addition to investing in core infrastructure, AIIB will support the ongoing digital and technological transformation of its members to provide

uninterrupted, high-quality health, education and other services to broader segments of the population. In doing so, AIIB will be cognizant of technology governance issues, including privacy, data protection and cybersecurity, taking required precautionary actions, working with clients and partners collaboratively to manage regulatory risks and ensuring that the projects it supports are complying fully with applicable overarching regulations.

AIIB will enhance its private capital mobilization efforts by leveraging its own finance and by promoting infrastructure as an asset class. AIIB will support *projects that directly or indirectly mobilize private financing into sectors within its mandate*. AIIB will establish its market credibility and leadership in selecting, help designing and financing high-quality projects that could leverage its own finance with additional private capital. The Bank will also support the development of infrastructure finance markets with a view to promoting infrastructure as an asset class. AIIB will deepen its partnerships with MDBs, governments, commercial and investment banks, capital market participants including institutional and retail investors, reputable project sponsors and clients to help deliver high-quality projects. These activities, complemented by AIIB's aim for substantially increasing its private sector financing, should overtime enable and facilitate an ecosystem where private capital can play a more pronounced role in financing infrastructure.

A significant expansion of capacity and technical know-how will be critical to achieving Mission 2030. AIIB has plans to increase its staffing to an estimated 800-900 staff by 2030. In line with the Strategic Staffing Plan, emphasis will be placed on addressing staffing needs in investment operations by deepening expertise in delivering high-quality projects in thematic priority areas. In line with the Bank's plans to increase its private sector operations, AIIB will build strong and steady teams that can engage with project sponsors and actively initiate and develop relationships and cofinancing opportunities with private financiers. Special priority will be given to building the Bank's expertise in green infrastructure and connectivity and regional cooperation by recruiting financing specialists that can originate and lead operations in these areas. Gaps in technical expertise in key infrastructure areas such as energy, transport, water, digital and urban will also be filled. AIIB will also recruit financing specialists capable of originating technology-enabled operations and expanding AIIB's network of technology partners. External expertise will be utilized as needed to complement and enhance internal capacity. Additional emphasis will be given to staff mentoring and training as well as staff learning and experience sharing to support the deepening of in-house technical know-how in priority areas on an ongoing basis.

AIIB will also take steps that will support its market position as a leading institution in Financing Infrastructure for Tomorrow. The Bank will selectively produce reports on specific emerging subsector trends in its member economies as well as analyses that would support the implementation of the Bank's strategies. In addition, in partnership with other MDBs and market-leading research and analytics partners, AIIB will produce focused and evidence-based analysis intended to deepen the shared knowledge among its members and inform the broader investment and development community. AIIB will also increase its presence in international fora and platforms to share the lessons and experience gained from its investments and to contribute to the global infrastructure agenda.

Pillar Two: Scale

ACHIEVING IMPACT AT SCALE

By 2030, AIIB will achieve impact at scale by mobilizing substantial investments from private and other sources and by gradually increasing its own financing. AIIB will effectively utilize its own resources, convening capability and partnerships to help address the vast infrastructure financing gap. AIIB projects an annual approval volume of USD14 billion. AIIB aims at reaching a 50 percent share of private sector financing in its actual approved financing.

AIIB is projected to increase its financing to an investment volume of USD14 billion by 2030. Private sector financing operations will expand significantly with the aim of reaching by 2030 a 50 percent share in the Bank's actual approved financing. AIIB will prioritize transactions that can be replicated and scaled up and have a strong likelihood of generating repeat investments to multiply impact. The Bank will also seek to increase its financing options for subsovereign borrowers¹⁹ and will gradually expand its capacity to identify and deliver operations in other productive sectors.

The Bank will leverage its own balance sheet to mobilize a significant volume of capital—particularly from the private sector. AIIB will build staff capacity to carry out business development, project origination and relationship management aimed at mobilizing private investments. The Bank will also leverage a strong network of commercial banks, institutional investors, public and private development partners and other sponsors with whom it will partner to identify, help develop and jointly finance bankable projects. At the same time, AIIB will continue to learn from its project experience to continuously improve its success in catalyzing others and will report on its private sector operations and capital mobilization performance through dedicated indicators in its Corporate Scorecard.

AIIB will further deepen its expertise, network and activities in the provision of risk capital (e.g., equity, mezzanine) and risk mitigation products (e.g., guarantees, unfunded banking products) to increase the risk appetite of private investors. The Bank will also increase its local currency offerings to provide suitable financing for infrastructure projects with local currency revenue streams and to eventually develop local currency capital markets. AIIB will continue to innovate, improve, listen to clients' needs and help them access the most suitable financing solutions. This will include providing advisory services in selected strategic transactions.

¹⁹ Subsovereign borrowers refer to any entity below the national government, including local governments and local government-owned utilities and enterprises. As with all other public entities, operations with subsovereign borrowers that are not backed by a sovereign guarantee will be considered as private sector financing.

Pillar Three: Scope

ADDING VALUE ALONG THE PROJECT CYCLE

By 2030, AIIB will gradually expand the scope of its services to address different client needs along the project cycle across the four thematic priority areas. AIIB will systemically increase its activities that help its clients develop and execute high-quality and bankable projects and recycle their infrastructure assets. To achieve these objectives, AIIB will build its internal capacity and work more closely with its clients and partners.

AIIB will increase its focus on providing project preparation and implementation services.

AIIB will seek collaboration or formalize its partnership with reputable project partners, technical assistance providers and specialized service providers to provide a full range of services in project preparation and implementation. The Bank will also increase its own capacity and devote more staff and expertise to engage earlier in the project cycle and provide effective monitoring and service during implementation. In resourcing these activities, AIIB will mobilize dedicated internal resources (including its Project Preparation Special Fund) and partner with international facilities.

To address client needs for recycling public and private infrastructure assets, AIIB will:

- (i) Support the development of infrastructure-related capital markets and associated products,
- (ii) Build capacity and partner with reputable public and private partners innovating in local currency capital markets and
- (iii) Increase its capacity, network and activities in syndication, structured finance and other means for monetization of infrastructure assets and funds.

Critical to broadening its range of services along the project cycle will be developing mechanisms to be closer to clients. AIIB will develop innovative, efficient and cost-effective approaches to establish its reputation and presence in key markets and financial centers. These efforts will be guided by AIIB's business needs and informed by the experiences and practices of other high-performing public, multilateral and bilateral and private financial institutions, and driven by new digital technologies along with "Lean" and "cost-effectiveness" considerations. The initial arrangements will be small in scale and business-specific and will allow AIIB to remain adaptive to changes in needs.

Pillar Four: Clients

SERVING A BROAD RANGE OF MEMBERS

By 2030, AIIB will significantly expand the breadth of its client reach and client relations. While maintaining a strong focus on Asia, it will work with a larger set of clients and members across the income spectrum, particularly those that were underserved during AIIB's start-up phase. AIIB will strive to broaden its impact by gradually increasing its operations in nonregional members.

AIIB will sharpen its overall client focus by enhancing its client relations capacity and expanding its client reach. As an MDB where developing and emerging economies enjoy strong voice and representation, AIIB helps its members invest in infrastructure according to the priorities they determine for their economic and social development. As a bank that provides client-driven solutions, establishing a client relations system that is highly responsive and cost-effective will be a defining feature of AIIB's business model.

Serving the needs of its broad membership base across the income spectrum will be a priority for AIIB over the Strategy period. Following the Bank's rapid growth and success in reaching a sizable set of clients during its start-up phase, including through its COVID-19 Crisis Recovery Facility, the Bank will scale up its efforts to further expand its reach to underserved members.

Reflecting the importance of increasing connectivity and cooperation with other regions for sustaining Asia's economic success, AIIB's activities in nonregional members will gradually increase to broaden its impact, while remaining focused on projects that provide significant benefits to Asia, such as projects that promote infrastructure connectivity with Asia and investments in global public goods. Such projects will typically be undertaken jointly with, and under the lead of, a partner development finance institution. These projects will remain within the principles and limits under AIIB's Strategy on Financing Operations in Non-regional Members which will be periodically reviewed and, as appropriate, revised by the Board of Directors.

AIIB will increase the use of its Project Preparation Special Fund through targeted outreach and improved disbursement efficiency. In the coming years, the Bank will work with bilateral partners and public and private foundations to provide project-specific cofinancing agreements for projects that meet common eligibility criteria. Over time, AIIB may also consider other new approaches to reach a broader range of members and to continue to pay special regard to the needs of less developed members in the region as per its Articles of Agreement. While serving a broad range of members, AIIB will maintain its average portfolio quality in line with target ratings and ensure its Key Risk Indicators are above the thresholds determined in the Risk Appetite Statement.

Pillar Five: Culture

BUILDING THE CORPORATE CULTURE

AIIB will develop its corporate culture in line with the following objectives: AIIB will be highly responsive to its clients while maintaining high international standards. AIIB will be a workplace fit for the best talent drawn from around the world and staff will be trusted and empowered. To achieve these objectives, AIIB will adopt a growth mind-set and strive for continuous improvement, particularly through learning and its application.

AIIB will regularly survey and engage with clients and staff to assess progress in developing its culture against the following objectives:

Preferred partner for clients. Clients should feel that AIIB is agile and responsive to their financing requirements with an approach that is innovative, efficient, responsible, crowds in other financiers and motivated by an urgent desire to successfully achieve project outcomes. AIIB will revert promptly to clients when transactions do not meet AIIB standards.

Employer of choice for staff. Staff should feel that AIIB is a high performing, open and inclusive international workplace. AIIB will build an environment where staff are supported and empowered to achieve their potential, encouraged to share ideas and appropriately trained. A place where innovation is encouraged, and Management lives up to the Bank's leadership principles.

AIIB will take the following actions to deliver on these objectives:

Agility. AIIB's internal systems will be flexible, efficient, and will enable staff to respond effectively to changing circumstances to meet client and shareholder expectations. AIIB will strive to keep high efficiency in its procedures and decision-making by building effective processes. AIIB will create a culture of continuous learning, built on its own experience and the experience of other financial institutions, to efficiently deliver high value to clients and shareholders. AIIB will track a corporate efficiency indicator in its Corporate Scorecard.

Responsiveness. AIIB will develop a digital first approach which aims to utilize technology as a value proposition for its clients. AIIB's corporate culture will be equally compatible for serving both public and private sector clients and strive to continuously improve the quality of the Bank's service.

Talent. Supporting the career growth of its staff will be at the core of AIIB's talent management. AIIB will strengthen its human capital processes management to attract, develop and retain high-performing staff. These processes will be aligned with the Bank's growth mindset and encompass staff wellbeing, equal opportunities and staff development through on-the-job learning and sharing best practices. AIIB's corporate culture will encourage inclusive working methods, open dialogue, initiative and innovation.

Leadership. High caliber leaders who deliver concrete results are critical to accomplish the Bank's Mission 2030. AIB's human capital processes will be aligned around a set of competencies that will cut across all levels and will be consistently embedded in performance management to drive alignment and accountability across the Bank. AIB's leaders will create and sustain a high-performance culture by setting clear objectives and by empowering staff. AIB will hire and invest in the development of world-class leaders and managers who adhere strongly to AIB's leadership principles by their actions and behaviors. AIB's leaders will work to build the Bank's corporate culture according to the following commitment:

"We will build a global community of digitally connected, world-class professionals with an extended family of clients, partners and stakeholders. Diversity is our strength and we are united by common objectives, mutual trust, a collaborative culture and a passion to build a financially sustainable bank that puts people and planet first. We commit to enable empowerment and innovation by having the appropriate balance between rules and creativity, where staff are motivated to achieve meaningful outcomes that matter most to our shareholders."

Monitoring Progress in Achieving the Strategy

The Strategy is complemented by a Corporate Scorecard that: (i) monitors progress and holds Management accountable for delivering strategic objectives; (ii) provides information on AIIB's overall performance; and (iii) facilitates dialogue between Management and the Board on areas requiring attention. The Corporate Scorecard builds on previous Key Business Indicators (KBIs) of the BPB process and will be reported publicly on an annual basis to complement other forms of monitoring and reporting to the Board. The first set of indicators in the Corporate Scorecard are related to impact as defined by: (i) financing volume; (ii) alignment with thematic priorities; and (iii) portfolio performance.

Financing volume. Recognizing that AIIB's capital is only a portion of Asia's vast infrastructure financing needs, financing indicators track the total amount of financing mobilized by the Bank (directly and indirectly from private capital, according to the joint MDB methodology, and directly from public sources) in addition to AIIB's own financing. AIIB aims at reaching by 2030 a 50 percent share of private sector financing in its actual approved financing.

Alignment with thematic priorities. AIIB's operational alignment is monitored through two dedicated target indicators (climate finance and cross-border connectivity). AIIB will aim at reaching or surpassing by 2025 a 50 percent share of climate finance in its actual financing approvals. This indicator reflects and supports AIIB's focus on addressing climate change. AIIB will also aim at reaching by 2030 a 25 to 30 percent share for cross-border connectivity projects in its actual financing approvals. This indicator reflects AIIB's core mandate to promote regional cooperation. AIIB's portfolio will ordinarily be totally aligned with its four thematic priorities. The detailed breakdown of this alignment will be reported through regular updates. Under the current high degree of uncertainty, the Bank's targets on climate finance, cross-border connectivity as well as private sector financing, must be perceived as indicative reference points, serving as ambitious goalposts without restricting the Bank from making approvals to respond to crucial client demand, maintaining its high project standards and sound banking principles, even if this may mean falling short of the targets.

Portfolio performance. This is monitored through a set of indicators related to portfolio performance. First, implementation readiness of new projects is measured as the time elapsed from approval to first cash disbursement. Projects should be well prepared and ready for implementation upon approval so that AIIB's financing can be utilized in a timely manner and therefore this indicator should serve as a proxy for quality at entry of approved projects. Second, portfolio implementation performance is measured as the annual disbursement ratio (for sovereign projects only) and share of projects without severe or unresolved issues impacting implementation performance and results. The severity of identified implementation issues and the proactivity of AIIB's operational teams to address those issues determine this indicator.

The Corporate Scorecard tracks AIIB's financial sustainability through risk-adjusted return on capital (RAROC - sovereign and private sector) and the budget sustainability indicator. A final set of indicators track and monitor AIIB's corporate efficiency and workforce gender diversity.

Several objectives featured in the Corporate Strategy are not included in the Scorecard as their qualitative nature would be more suitable for reporting via other mechanisms such as the annual BPBs. The coverage and depth of the Corporate Scorecard will evolve over time as the institution grows and increases its capacity and level of preparedness. This will reflect the key principle of keeping the Scorecard lean and fully aligned with the high-level objectives of the Corporate Strategy.

Table A: Corporate Scorecard

IMPACT	Portfolio Volume	Total capital mobilization (USD Billion) (Capital mobilized by AIIB's annual financing approvals plus capital mobilized by AIIB from private and public sources)
		Annual financing approvals (USD Billion / number of projects)
		Capital mobilization (USD Billion) (Capital mobilized by AIIB from other private and public sources)
		Private sector projects — Target by 2030 (50% of actual financing approvals)
	Portfolio Alignment	Climate financing — Target by 2025 (50% of actual financing approvals)
		Cross-border connectivity — Target by 2030 (25 to 30% of actual financing approvals)
Portfolio Performance	Implementation Readiness (Time elapsed from approval to first cash disbursement) Portfolio Implementation Performance (i) Annual disbursement for sovereign projects (% of disbursed amount during a fiscal year to undisbursed balance at the beginning of that fiscal year). (ii) Share of projects without severe or unresolved issues impacting implementation performance and results (% of number of projects).	
FINANCIAL SUSTAINABILITY	Risk-adjusted return on capital — Sovereign / Private Sector (%)	
	Budget sustainability indicator (Ratio of administrative budget to the sum of loan spread and proxy stable equity investment income)	
EFFICIENCY AND DIVERSITY	Workforce diversity — Gender (% of women professional staff)	
	Corporate efficiency indicator (Administrative budget as % of outstanding investments at year end)	