



Project Summary Information

Date of Document Preparation: August 9, 2019

Project Name	Asia Climate Bond Portfolio
Document Code	PD000312-PSI-Multicountry
Country	Multi-country
Sector/Subsector	Finance/Capital Markets
Status of Financing	Financing proposed for approval in August 2019
Project Description	The project seeks to address the underdevelopment of the climate bond market in AIIB members through a managed fixed income portfolio of USD500 million. It expects to mobilize another USD500 million from climate change-focused institutional investors. The project also seeks to allocate a portion of the investment proceeds for market education, engagement and issuer support.
Objective	<p>The project objective is to develop the climate bond markets through the establishment of a managed fixed income portfolio.</p> <p>The project seeks outperformance by identifying, analyzing and selecting climate champions—issuers who are well placed to thrive in the coming climate change environment. Selection of climate champions will be based on the Climate Change Assessment Framework.</p> <p>The Asia Climate Bond Portfolio has four main objectives:</p> <ol style="list-style-type: none"> 1. Increase climate finance flows for sustainable infrastructure in emerging market (EM) Asia through the debt capital markets by identifying and investing in climate champions. 2. Create a Climate Change Assessment Framework to assess climate change investment risk and opportunity and fulfill the Paris Agreement's objectives. 3. Catalyze and mobilize investment from one or more climate change-focused institutional investors, which will further validate the Climate Change Assessment Framework. 4. Provide market education and engage with B-list issuers to support their transformation to become A-list climate champions.

Expected Results	<p>Based on estimates from initial analysis, the Project team has estimated the cumulative avoided emissions to be between 200 and 350 total carbon dioxide equivalent avoided emissions per USD1 million per year. In order to monitor the development results of AIIB's investment in the Asia Climate Bond Portfolio, the following monitoring indicators are being contemplated:</p> <ul style="list-style-type: none"> • Tons of carbon dioxide equivalent avoided emissions for labeled green bonds. • Primary issuance as percentage of total portfolio assets under management (AUM). • Number of private sector investors mobilized. • Amount of private capital mobilized. • Number of B-list climate champions engaged for that year.
Environmental and Social Category	<p>Not applicable (N/A). The project will make use of an Environmental, Social and Governance (ESG) Framework for capital markets.</p>
Environmental and Social Information	<p>The project involves the setting up of a managed portfolio of Climate Bonds and will make use of an environmental, social and governance (ESG) framework, similar to the one approved for the Asian ESG Enhanced Credit Managed Portfolio, and consistent with the spirit and vision of AIIB's Environmental and Social Framework. The ESG will be enhanced with climate change criteria to ensure the project meets its investment objectives.</p> <p>Based on the previous ESG Framework, AIIB will work with the investment advisor to ensure that the project can achieve its development objectives. The investment policy will incorporate the following:</p> <ul style="list-style-type: none"> • Corporate-level exclusion criteria • Watchlist and escalation process • Eligibility criteria for defining Climate-aligned Bonds based on share of revenue derived from climate-aligned projects or solutions • Assessment of an issuers' Green Bond framework (focusing on transparency and disclosure level) in the case of Green Bonds • Best-in-class impact reporting at a portfolio level. <p>In view of the application of this ESG framework, the project will make use of a derogation from the application of AIIB's Environmental and Social Policy (ESP), which is designed to apply to more conventional investment projects where creation of physical assets is being financed and has not envisaged projects such as this one, where</p>

	environmental and social compliance is more suitably assessed at the corporate rather than asset level. Given this derogation, the Policy on the Project-Affected People's Mechanism (PPM) would also not apply to this project.	
Cost and Financing Plan	A Separately Managed Account of USD500 million	
Investment Advisor	Amundi Asset Management	
Estimated date of last disbursement (NSBF)	January 2027	
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Date of Concept Decision	21 May 2019	
Date of Final Review Decision	5 July 2019	
Estimated Date of Financing Approval	Q3 2019	
Independent Accountability Mechanism	In view of the derogation from the application of AIIB's ESP, the Policy on PPM would also not apply to this project.	