

AIIB ASIA CLIMATE BOND

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ASIAN INFRASTRUCTURE
INVESTMENT BANK

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ABBREVIATIONS AND ACRONYMS

AUM: Assets under Management

BPI: Bank of the Philippine Islands

BSP: Bangko Sentral ng Pilipinas

CBI: Climate Bond Initiative

CCIF: Climate Change Investment Framework

ERA: Environmental Risk Assessment

ERM: Enterprise Risk Management

ESRMS: Environmental and Social Risks Management System

ESG: Environmental, Social, Governance

GB: Green Building

GBP: Green Bond Principles

GHG: Green House Gases

ICMA: International Capital Markets Association

IRENA: International Renewable Energy Agency

OECD: Organisation for Economic Co-operation
and Development

OPS: Other Productive Sector

TCFD: Task force on Climate-Related Financial Disclosures

tCO₂e: Tons of carbon dioxide equivalent

RE: Renewable Energy

SBTI: Science Based Targets Initiative

WTW: Willis Tower Watson

INTRODUCTION

THE AIIB-AMUNDI CLIMATE CHANGE INVESTMENT FRAMEWORK

We believe that asset managers can play a critical role in supporting the green transition by developing appropriate climate-related investment solutions. Climate change and climate policies are set to remain a major global challenge over the next decades, affecting all economic actors. The physical climate risks will directly impact companies and states, climate mitigation policies will affect all economic actors, and green leaders would thrive with the widespread support for low-carbon transition.

Emerging markets are most vulnerable to the impacts of climate change and lack the resources to devise and implement effective adaptation mechanisms. They also face the unprecedented challenge of balancing decarbonization objectives while pursuing sustainable economic development.

Endorsed by the Climate Bonds Initiative (CBI), the AIIB-Amundi Climate Change Investment Framework's approach translates the key objectives of the Paris Agreement into fundamental metrics to assess an issuer's level of alignment with climate change mitigation, adaptation, and low-carbon transition objectives. This new benchmark investor tool provides, for the first time, a holistic issuer-level assessment of both climate change risks and opportunities.

The Asia Climate Bond Portfolio, as an actively managed fixed income portfolio, will seek outperformance by identifying, analysing, and selecting tomorrow's Climate Champions using this Framework.

Launched in January 2021 with USD 300 million in assets under management, the Portfolio aims to achieve four specific objectives:

- Increasing climate finance flows for sustainable infrastructure in Asian emerging markets through the debt capital markets by identifying and investing in Climate Champions.
- Selecting climate bond Issuers that rate high under the proprietary Climate Change Investment Framework (CCIF) to assess climate change investment risk and opportunity and fulfill the objectives of the Paris Agreement.
- Catalyzing and mobilizing investment from one or more climate change-focused institutional investors, which will further validate the Climate Change Investment Framework.
- Providing market education and engaging with climate bond issuers to support their transformation to become Climate Champions.

CCIF aims to include as many players vital to the low-carbon economy as possible, reaching all types of issuers and sectors. The Framework translates each Paris Agreement objective—climate change mitigation, adaptation, and low-carbon transition—into a variable relevant to investment decision making.

A key part of the engagement is also to focus on improvement—engaging with B-List issuers that are well positioned to transition towards full alignment with the Paris Agreement.

METHODOLOGY

The Climate Investment Framework, which has been defined jointly by AIIB and Amundi, relies on the selection of issuers based on their alignment with the three objectives of the Paris Agreement. Those metrics have been defined to indicate if an issuer is actively working towards institutionalizing the objectives of the Paris Agreement in its operational activities. For each objective of the Paris Agreement—Climate Change Mitigation, Climate Change Adaptation, Contribution to the Transition—a corresponding climate metric has been established to capture the risks and opportunities associate with that dimension. In addition to these climate-alignment metrics, the framework also applies a strict exclusion screen, including alignment with the AIIB Environmental and Social Exclusionary¹ list and prohibition on investments in coal, upstreaming oil and gas exploration, production, or refining, etc activities. The climate matrix is illustrated below:

1. Mitigation Score (accounts for exposure to climate transition risk, the higher the better, with a range from 0 to 10): MSCI ESG Research's Low Carbon Transition (LCT) Risk assesses companies' exposure to risks and opportunities related to the

1. AIIB Environnemental and Social Framework ESF June 2024.

low carbon transition based on the carbon-intensive nature of their business lines. The score is based on a multidimensional risks and opportunities assessment, and considers both the primary risks (e.g., changes in market dynamics or regulations) and secondary risks (risks affecting the economy as a whole) a company faces from the transition.

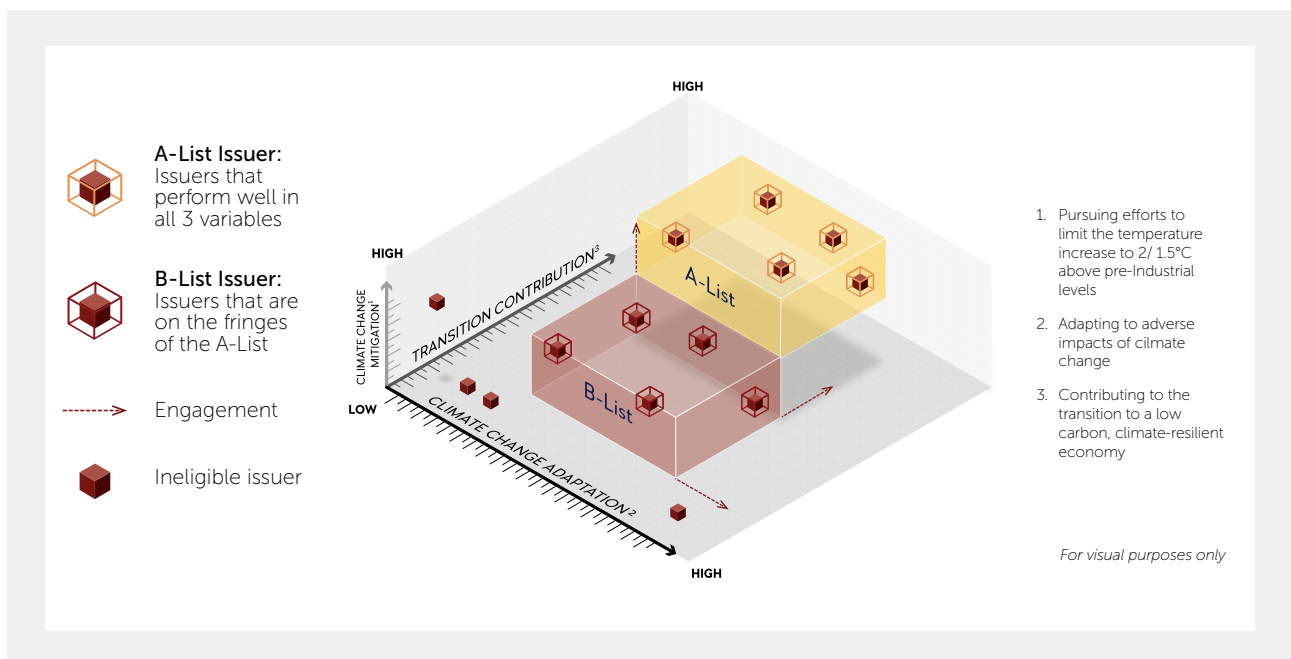
Low carbon transition score	Low carbon transition category	Low carbon transition risk/opportunity
SCORE = 0	Asset stranding	Potential to experience "standing" of physical/ natural assets due to regulatory, market, or technological forces arising from low carbon transition.
	Transition	Product Reduced demand for carbon-intensive products and services. Leaders and laggards are defined by the ability to shift product portfolio to low-carbon products.
		Operational Increased operational and/or capital cost due to carbon taxes and/or investment in carbon emission mitigation measures leading to lower profitability of the companies.
	Neutral	Limited exposure to low carbon transition carbon risk. Though companies in this category could have exposure to physical risk and/or indirect exposure to low carbon transition risk via lending, investment etc.
SCORE = 10	Solutions	Potential to benefit through the growth of low-carbon products and services.

2. Adaptation Score (accounts for exposure to climate physical risk, the lower the better, with a range from 0 to 100, >67 seen as high risk since last methodological update): Physical Risk offers an assessment of the physical risks to companies resulting from climate change. Physical risks may include damage to assets, interruption of operations, and disruption to supply chains. The Physical Risk dataset provides scores that measure a company's vulnerability to climate change risks, both at the company and asset level, and evaluates the financial consequences of such risks.

3. Contribution to Transition Score (accounts for financing climate transition, the higher the better, with a range from 0 to 100): total share of turnover from Green Activities based on data from several data providers.

Active ownership

Engagement plays a key role in the strategy and focuses in on encouraging corporates to catch up with the current best-standards within their sector and geography. Our ambition is to support B-list issuers to transform and meet requirements to qualify as A-listers.



OUTLOOK

ESG AND RESPONSIBLE INVESTING

The landscape of responsible investment (RI) is evolving, marked by a blend of opportunities and challenges as we moved through 2024. This year has been characterized by a divergence in the responsible investment market, influenced by geopolitical uncertainties and varying perspectives on sustainable investing. As the market matures, it is essential to examine the current trends and the challenges that lie ahead, and key areas to watch in the coming year.

In 2024, the responsible investment market has seen inflows into RI funds totalling €101 billion in the first three quarters, although this figure lags behind the broader non-RI market, which has attracted over €168 billion in Europe². This trend indicates a normalization in the growth of responsible investment funds, even as corporate commitments to sustainability continue to rise. Companies are increasingly taking meaningful actions, setting ambitious targets, and enhancing their disclosures, thereby placing climate and nature-related risks at the forefront of their long-term strategies. This shift provides compelling evidence of the materiality of these risks and the costs associated with inaction.

Despite the positive developments, several challenges remain. Regulatory divergence across regions poses significant hurdles for the responsible investment market. There is an urgent need to make responsible investment strategies and sustainable finance more appealing to end savers and across the distribution value chain. As the market matures, we are witnessing a shift towards greater scrutiny and accountability, driven by regulatory advancements and evolving investor expectations.

To effectively address the environmental and social challenges of today's economy while meeting the highest client standards, the industry must enhance transparency and clarify the value proposition of "sustainable finance". We need to scale and accelerate our efforts across multiple sustainability fronts, as responsible investment must rise to this challenge.

As we look ahead, it's essential to keep a close eye on several key areas that will shape our strategies and opportunities in the coming year:

Opportunities in Blended Finance emerging in troubled time: In the context of geopolitical and economic uncertainties, blended finance emerges as a vital tool for fostering resilience and driving sustainable development. By leveraging both public and private capital, blended finance can effectively address the financing gaps that often arise during periods of instability. This approach allows for the de-risking of investments in high-potential sectors, such as renewable energy and infrastructure, which are crucial for long-term sustainability. It also facilitates investments in emerging markets and developing economies (EMDEs), where the need for sustainable infrastructure and services is acute.

Moreover, as countries grapple with the impacts of climate change and strive to meet their sustainability commitments, blended finance can play a pivotal role in mobilizing resources for climate adaptation and mitigation projects. This is particularly important in regions that are disproportionately affected by climate-related risks, where public funding alone is insufficient to meet the growing demand for sustainable solutions. By fostering collaboration between governments, development finance institutions, and private investors, blended finance can create a more resilient and sustainable economic landscape, even in the face of uncertainty.

Climate change and physical risks fuelling the development of financial products: As climate change effects intensify, physical risks are materializing, impacting companies' value chains and leaving them with no choice but to take action. The interrelation of environmental and social crises—spanning the nexus of climate, biodiversity, health, food, and water—poses significant risks to many business models. EMDEs remain particularly vulnerable due to severe underfinancing, exacerbating their exposure to these risks.

One of the key benefits of impact investing in sustainable products is the provision of long-term and stable financing to beneficiaries, which can be companies or projects. Such products like real asset strategies or GSS bonds finance projects with environmental, and/or social benefits, such as wind farms, solar or hydropower infrastructure, smart grids, green buildings and clean transports, provide a concrete way to track the impact on environmental and social factors.

Outcome-based financing is a new frontier that directly links between return on investment and success of project or activity. Outcome bonds make up \$524m invested in 259 bonds, with a 6% CAGR demonstrated by the unique level of additionality it brings for a specific project to be funded by forgoing a coupon. In 2024, green bonds sales in the first half of the year topped \$356bn, the busiest half year observed since the market's inception³.

2. Amundi business intelligence analysis based on Broadridge data as of December 2024 excluding Money Market.

3. Bloomberg. [Record sales of green bonds in H1 2024](#).

Innovative indicators to answer new products and investors demand: As decarbonisation becomes more urgent than ever, with GHG emissions in 2023 increasing at a rate faster than pre-COVID levels, it is necessary to highlight the two complementary dimensions of a decarbonization strategy, net-zero alignment and contribution, and the need to combine both approaches to accompany the transition of the real-world economy and to limit the decoupling between portfolios and the economy carbon pathway. This approach has become central to net-zero investors and two important coalitions of net-zero investors (IIGCC⁴ and NZAOA⁵) have updated their framework to highlight the need to balance in between both approaches.

In reaction, investors are increasingly developing tools to integrate these two core dimensions in the analysis of companies and funds. The focus has shifted from looking at static carbon emissions and objectives to integrate corporates' investment plans and strategies in the analysis. Regulators are also paving the way by integrating the transition dimension into the new version of the French SRI Label or even more directly when the Monetary Authority of Singapore publishes a taxonomy centered around the need to finance the transition (Singapore-Asia Taxonomy⁶).

As we reflect on the dynamics of responsible investment in 2024, it is clear that while the market is maturing, it faces a complex array of challenges and opportunities. The continued growth of clean energy investments, the implications of geopolitical shifts, and the materialization of physical risks will shape the landscape of responsible investing in the coming years. Additionally, the potential of blended finance to mobilize resources for sustainable development offers a promising avenue for investors seeking to make a positive impact. Stakeholders must remain vigilant and adaptable to navigate this evolving environment, ensuring that responsible investment strategies align with the pressing demands of sustainability and accountability.

THE GREEN, CLIMATE AND CLIMATE-ALIGNED BOND MARKETS

In Europe where the GSSS bond market is well-developed, the implementation of the EU Green Bond Standard (EUGBS) at the end of 2024 sets a gold standard that will further enhance the market. The EUGBS is more prescriptive than the ICMA Principles imposing requirements for compliance with the EU Taxonomy and reporting standards with third-party verification. While the label could help to boost confidence in the credibility of projects, the first movers of adopting the label will likely be issuers that have already issued past green bonds that are aligned with the EU Taxonomy.

National taxonomy developments are expected to provide further guidance for issuers ensuring their financed activities are considered sustainable from a local context which could help to encourage a wider range of issuers to come to market. Healthy developments were seen in Asia in 2024, with Hong Kong, China and the Philippines releasing their sustainable finance taxonomies in the year. Developments on taxonomy interoperability could also help to increase cross-border financial flows. For instance, the Multi-Jurisdiction Common Ground Taxonomy published in Nov 2024 provides a mapping of taxonomies across the EU, China and Singapore, enabling each jurisdiction to have a clear view of the credibility of financed projects from issuances originating in the other jurisdictions.

Market guidance on specific ESG thematic could drive further GSSS financing, although uptake by issuers regarding this market guidance is still uncertain. For instance, CBI published the Resilience and Adaptation taxonomy in 2024, providing a common framework for adaptation-related financing. In addition, market guidance on transition bond financing and on green enabling projects published by ICMA in 2023 and 2024 respectively could help to increase the credibility and supply of financing towards projects in these areas. While still in relatively low supply, labelled instruments beyond the conventional GSSS labels, such as blue bonds for financing water-related projects and orange bonds for promoting gender equality, could gain traction among market participants.

We saw some positive developments in the green and climate bonds market space with a healthy supply from emerging market corporate issuers. This led to an increase of outstanding labelled and unlabelled green bonds with respectively 26.8% and 23.7% year on year growth.

4. Institutional Investors Group on Climate Change.

5. Net-Zero Asset Owners Alliance.

6. [Singapore-Asia Taxonomy for sustainable finance 2023 edition](#).

ABOUT THE PORTFOLIO

CLIMATE BONDS

An unlabeled instrument refers to a bond for which the use of proceeds are not explicitly defined and are ultimately supporting an issuer's balance sheet activities. Otherwise, commonly known as a conventional bond. Some issuers of conventional bonds may have a balance sheet which is predominantly made up of green activities. In this case, the bond is considered as a "conventional bond from green issuers". Such issuances can be classified as an unlabeled climate bond if the issuer is also taking steps towards reducing its emissions and/or safeguarding their operations from the impacts of climate change.

Such unlabelled instruments, however, are only eligible for climate-aligned classification under the Climate Change Investment Framework (CCIF) and only under very tight criteria. The CCIF—developed jointly by AIIB and Amundi—requires issuers to demonstrate strong alignment with the three objectives of the Paris Agreement. Alignments are assessed through a matrix of criteria: a Mitigation Score reflecting issuer's the maturity and willingness in transition, an Adaptation Score reflecting the issuer's vulnerability and management of physical climate hazards, and a Contribution to Transition Score reflecting the issuer's share of green revenues. These scoring systems are sourced from reputable third parties such as MSCI Transition Risks, SBTi Commitments, Trucost Sensitivity Adjusted Scores, and MSCI Green Revenue data, and issuer must meet defined thresholds across these metrics to be eligible. This ensures that unlabelled bonds are included only when the issuer's overall climate performance is robust, measurable, and genuinely aligned with the goals of Paris Agreement, safeguarding the integrity of the CCIF and avoiding any perception of greenwashing.

Labeled climate bonds are a subset of green bonds with proceeds earmarked to financing projects or assets on an issuer's balance sheet that have a positive impact on reducing climate change. Both labeled and unlabeled climate bonds are eligible investments under the Asia Climate Bond Portfolio.

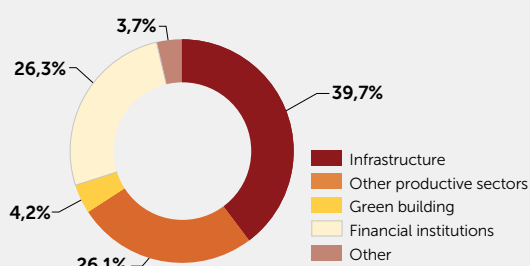
Labelled and unlabelled Climate Bonds allocation

As of the end of 2024, although the portfolio exposure to **labelled green bonds**, as per the AIIB framework, was stable at 74.8%, the number of labelled green bonds held in the portfolio decrease to 42, from 46 as of the end of 2023. A Corporate action (Tender offer), Bond redemptions (Four in 2024) and some divestment decisions triggered by the increase ESG risk were fully offset by the participation of the portfolio to new bond issuances in 2024. A vast majority of those labelled green bonds are issued by corporates (49.5%) and the remaining by financials (25.3%) and are included in the Climate Bond Initiative database, the ICMA green category, or approved by a CBI-approved verifier or by a 2nd party opinion provider.

Moving to **unlabelled green bonds**, the contribution to the portfolio bond allocation was slightly lower with a decrease to 21.6% from 22.8% a year earlier. Nevertheless, the number of bonds held in the portfolio increased to sixteen. On the one hand, we divested from an unlabelled green bond due to lack of process from its offshore debt restructuring process; on the other hand, we deployed capital in the unlabelled green bonds through the secondary market by add exposure in telecom sectors across Middle East, Asia, and Latin America.

As for the **cash buffer**, it was increased to slightly below 4% (From 2% a year earlier) and will be more likely redeployed at a later stage across both labelled and unlabelled green bonds when the primary market resumes in 2025.

Figure 1: AIIB Sector Allocation



Source: Amundi, Data as of 31 December 2024

Sectorial allocation⁷

As of 31 December 2024, the portfolio key allocation (39.7%) was comprised of bonds issued with the **aim of financing infrastructure programs** across a well-diversified number of sectors such as telecommunication services, utilities, power and renewable electricity production, transportation. Around a quarter of our allocation was dedicated to financing projects from other **productive sectors**, such as electronic equipment, pulp and paper, chemicals, automobiles, semiconductor and electronic equipment, totalling an exposure of 26.1%.

7. According to AIIB sector methodology.

The portfolio also had a 26.3% exposure to **financial institutions**, mainly via banks, while exposure to **green building development projects** stabilised at around 4% (4.2%) after closing the portfolio exposure to Chinese distressed property developers through the year due to the lack of restructuring progress and continuous declining home sales in China.

The sectorial allocation remains well balanced, despite increasing bond exposure to infrastructure at the expense of other productive sectors such as electronic equipment.

Geographical allocation

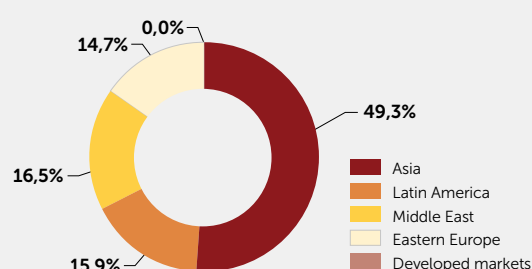
In terms of **geographical allocation**, the portfolio remained focused on Asia (49.3%), with India being the key country allocation in the region (12.1%), followed by Korea (8.9%), Hong Kong, China (6.9%), China (6.9%) and Singapore (5.8%). Other allocations in Asia were Southeast Asian countries (6.8% split between Indonesia, Malaysia and the Philippines). Outside Asia, the regional allocation was well balanced across **Middle East** (16.5%), **Eastern Europe** (14.7%) and **Latin America** (15.9%).

While the top 3 economies the portfolio was invested in remained unchanged compared to 2023, exposure to Indian issuers was significantly reduced (from 17.3% to 12.1%) as we reduced allocation to the utility and agencies in India region. Inversely, our exposure to Korean corporates was increased as we added one labelled Green Bond and a climate bond from Korean T&T issuers. In the automotive sector we participated to a new green bond issuance, while later in the year we divested from another automaker due to increasing controversy risk.

Last but not least, we participated to a new green bond issuance from a Hong Kong, China conglomerate operating across infrastructure, ports or consumer.

Moving to other regions, in the Middle East, we diversified our country allocation, opening an exposure to a telecom company in Oman through a climate bond. In Latam, we increased our exposure through Chilean green bond and climate bond issuers via both the primary and secondary market.

Figure 2: Geographical allocation



Source: Amundi, Data as of 31 December 2024

Primary issuances

After a sharp drop in 2022 and a relative stabilisation in 2023, there was a clear supply pick up in 2024 from EM corporate issuers with gross issuances reaching \$402 billion, 62.8% above 2023 level. Green bond issuances from EM corporates were relatively muted with \$45 billion printed in 2024, broadly in line with 2022 (\$42 billion) and 2023 (\$44 billion), but 30% below the record level reached in 2021. A higher interest rates environment, longer maturities than conventional bonds and the drop of green bond issuances from China, are currently providing a cap for additional issuances despite the need to keep financing the transition to a greener economy within emerging markets.

Despite this backdrop, we kept participating actively to new green bond issuances whenever we saw strong investment opportunities and deployed \$26.76 million in new issuances across four different bonds. This represents 10.3% of the portfolio assets under management as at the end of 2024, slightly higher than a year before both in absolute and relative terms. Since the inception of the portfolio, a cumulated \$157.18 million of bonds were purchased via the primary market and 50.5% of the bonds held in the portfolio at the end of 2024 were originated from new bond issuance programs.

CLIMATE BOND ISSUERS

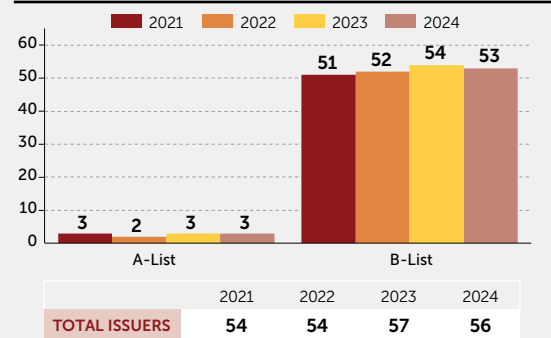
Exposure to **A-List issuers**, which are defined as climate bond issuers ranking high under the AIIB-Amundi Climate Change Investment Framework, have gradually increased since we launch the portfolio in 2021 (8.1%) to reach close to 10% at the end of 2024, although the number of A-List issuers remained stable compared to 2023. Those 3 issuers, which are based in Asia (Singapore, China and Hong Kong, China), are pure players, meaning more than 50% of their revenue derives from green activities.

The 53 **B-List issuers**, which are defined as on the fringes of transforming into A-List issuers, made up the remaining part of the bond allocation and operate in various sectors (green building, infrastructure and other productive sectors).

Meanwhile we have been actively adjusting the portfolio positioning through the year, though the number of A-List issuer within the portfolio remain stable comparing to 2023, one issuer was upgraded as an A List issuer, which offsets one bond divestment from a A-List issuer. The number of B-List issuer was broadly stable too in 2024 with the entry of seven new B-List issuers offsetting various divestment decisions based on financial and ESG considerations.

While some of the divestments and investment decisions were triggered by purely financial considerations (spread, duration, and yield). there are more investment decisions triggered by ESG considerations. For example, ESG deterioration and negative engagement momentum prompted divestment from one B List Korean issuer that was unresponsive to our engagement initiatives. We increased allocation to an issuer upgraded into the A List (A List Pure Player) by participating in its labelled green bond in the primary market, and we also opened exposures to seven new B List issuers via a mix of secondary unlabelled green bonds and primary labelled issues financing a diversified set of green projects (circular economy, clean transportation, energy efficiency, renewable energy, and green building).

Figure 3: Issuers



Source: Amundi, Data as of 31 December 2024

PORTFOLIO CLIMATE IMPACT INDICATORS

The Climate Change Investment Framework, jointly defined by AIIB and Amundi, relies on the selection of issuers based on their alignment with the three objectives of the Paris Agreement - Mitigation, Adaptation, and Contribution to Transition.

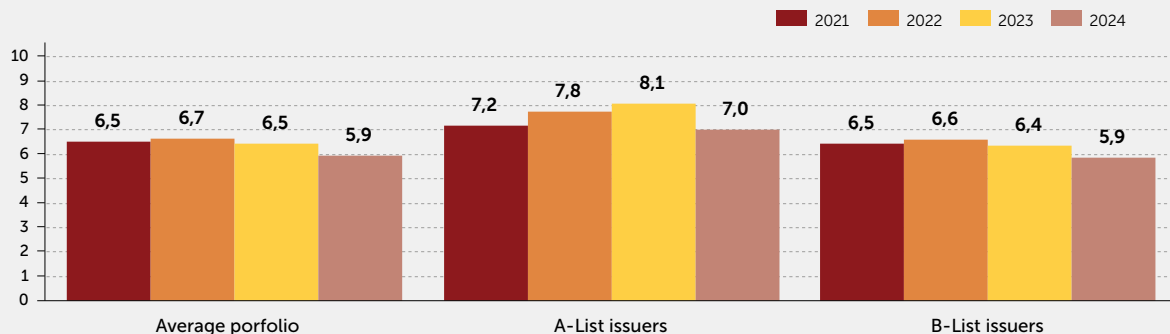
MITIGATION, ADAPTATION AND TRANSITION SCORES

Comparing A-List and B-List issuers

A-List issuers (4 labelled green bond from 3 issuers representing 9.5% of portfolio AUM) were, similarly as for previous years, usually showing a higher score than the aggregate portfolio on each of the three variables.

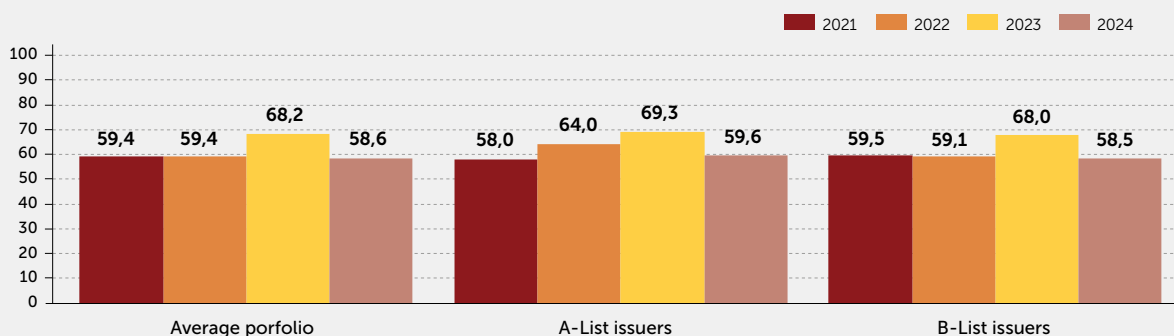
- Similarly to previous years, there was a gap at both mitigation and contribution to transition levels between A list issuers and B list issuers, demonstrating the ability of A-List issuers to better manage transition risk.
- As for the adaptation score, three issuers from A-List actually exhibited a slightly higher score than B-List issuers. This is because our A-List issuers are located in geographic areas that presents higher physical risk vulnerabilities. Out of the three issuer, one from India and one from Hong Kong, China, both are areas of high physical risk scoring for heatwaves and flooding vulnerabilities.

Figure 6a: Mitigation score



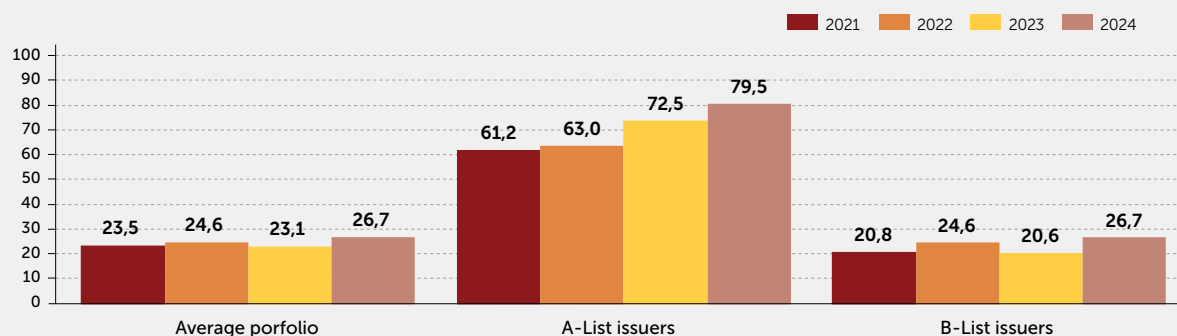
Source: Amundi, Data as of 31 December 2024

Figure 6b: Adaptation score



Source: Amundi, Data as of 31 December 2024

Figure 6c: Transition score



Source: Amundi, Data as of 31 December 2024

At industry-level

We observed a slight divergence across sectors (AIIB sector) and issuer types for mitigation and adaptation scores. A more significant divergence emerged when focusing on the transition score of A-List issuers involved in **other productive sector** and **infrastructure**.

- For Other productive sector (OPS), each of the Paris Alignment scoring metric shows A-listed issuers being meaningfully better than B-listed issuers:
 - **Mitigation score:** A-List issuers had a mitigation score of 8.22, significantly higher than its B-List peers in this sector (5.74). Contribution to transition score was significantly higher than B-List issuers too, at 78.36 versus 33.68,
 - **Adaptation score:** The progress observed were more significant when looking at the physical risk, with the adaptation score average of 69.92 and 56.97 for respective A and B-List issuers in the mandate,
 - **Transition score:** The transition score improved too, reaching 46.85 on the back of the higher contribution to transition from the two A-List issuers, while the transition score from B-List dropped slightly (From 35.4 to 33.7).
- For infrastructure (INFRA), the picture is more nuanced:
 - **Mitigation score:** A-List issuers scored better and outperformed B-List issuers, with more than 2 points difference,
 - **Adaptation score:** in our portfolio, A-List companies exhibit a lower score than B-List issuers due to similar reasons elaborated in above section,
 - **Transition score:** Without any surprise, the contribution to transition for the only A-List issuer (83.49) in this sector is significantly higher than its B-List peers (27.75).

At regional -and country- level

The three A-List issuers were based in Asia and usually scored better than their regional peers across two of the three objectives of the Paris Agreement, while for the physical climate risk, one of the three A-List issuers is carrying the highest physical risk among other Asian issuers as a result of the climate risks the portfolio is exposed to.

• Mitigation

Within the portfolio, Indian companies showed strong mitigation performance with one of the best scores in Asia (6.64), while Singaporean companies lead the region with the highest mitigation score

Figure 7: Score breakdown

Mitigation score	Portfolio	A-List issuers	B-List issuers
Other Productive sectors	5.89	6.09	5.85
Financial Institutions	5.58		5.58
Infrastructure	6.2	8.72	6.02
Green Building			
Adaptation score	Portfolio	A-List issuers	B-List issuers
Other Productive sectors	56.97	63.01	54.1
Financial Institutions	59.7		59.7
Infrastructure	58.95	48.17	59.73
Green Building			
Transition score	Portfolio	A-List issuers	B-List issuers
Other Productive sectors	46.85	78.36	33.68
Financial Institutions	0.9		0.9
Infrastructure	31.25	83.49	27.75
Green Building			

Source: Amundi, Data as of 31 December 2024

(7.98). Asian entities overall have a slightly above-average mitigation score (6.22) compared to the global average (6.14), though this is a slight decline from 6.64 at the end of 2023. Notable downward revisions occurred in Indian corporates (from 8.24 to 6.64), Chinese corporates (from 5.92 to 5.25), and corporates in Hong Kong, China (from 8.43 to 6.81) due to portfolio adjustments. Indeed, although corporates in Hong Kong, China exhibited a lower mitigation score compared to other Asian peers, we took the decision to add this new label green bond as the issuer was qualifying under the CCIF, the bond was providing some diversification, and our credit analysis team had a positive view on the issuer. Outside Asia, data on green revenues and mitigation positioning is limited, making assessment relatively more challenging.

Behind the transition risk increase that the portfolio faced in 2024 (or lower Climate Change mitigation), it's worth flagging four main observations that is helping to draw a slightly more optimistic conclusion:

1. For the majority of the Asian issuers (32%) the score was broadly stable versus 2023 and moved in a range of [-0.5 / +0.2] point.
2. The drop of transition risk score was partly triggered by 4 specific Asian companies; three B-List financial institutions, which saw their score dropping between 0.9 and 2.7 points in 2024 and one A-List issuer in the auto component space, which experienced 2.5 points drop. At instrument level, those four bonds were labelled Green Bond and represented 1.7% of the portfolio weight at the end of 2024.
3. Portfolio activity and the various adjustments performed, had a negative impact on the overall portfolio transition risk
 - a. Asian companies removed from the portfolio (6.4% of the portfolio weight) through the year following either bond maturity or active divestment (Distressed, ESG concerns) were usually scoring high in term of mitigation (6.6 on average).
 - b. The new Asian issuers which were added in the portfolio via the primary bond market usually had a lower score (5.4) compared to the rest of the Asian bond held. This score would be even lower if we would remove the non-labelled green bond (Climate Bonds) which carried a transition risk in line with the rest of the portfolio. In general, those bonds purchased on the primary market in 2024, represented 8.9% of the portfolio weight.
4. Last but not least, outside Asia, the transition risk of the portfolio remained broadly stable in 2024, with a minor 0.07point degradation (From 6.07 to 6).

• Adaptation

One of the three Asian A-List issuers carries the highest physical risk among Asian issuers due to portfolio exposure. Indian companies have a slightly higher adaptation risk (60.14) than their Asian peers (56.06), while companies in Hong Kong, China face the lowest physical risk in Asia with an adaptation score of 50.33, well below the regional average. Singaporean companies have a slightly lower physical risk than Asian peers. Issuers from Türkiye, UAE, and Chile show higher adaptation scores than their regional peers but also face slightly higher physical risks. Financial entities in Oman, Romania, and Brazil tend to have lower physical risk profiles. In our portfolio, physical risk in Asian corporate allocations has decreased year-on-year by about 10 points, driven by improvements in India, Hong Kong, China, Singapore, and Korea.

Among existing holdings, only three B-List issuers saw their physical risk increased in 2024. one Peruvian financial institution and two companies supporting the development of infrastructures in Indonesia and Chile. Usually, the physical risk increase was limited (between 3 to 6 points).

For the rest of the holdings, the improvement (up to 23 points) was broad-based across countries and sectors. For instance, all Asian companies (Except the above mentioned Indonesian entity) which are part of the portfolio saw an improvement between 1 to 23 points (For an average of 13 points improvement). The same trend applies to our Middle Eastern companies and to a lesser extent to Latin American or Middle East companies.

• Transition

Indian companies lead Asia with the highest transition score (42.87), followed by companies in Hong Kong, China with a score of 41.83. Singaporean companies have room for improvement in transition, scoring 27.81 versus the regional average of 32.98. Within Asia, 8 companies generate more than 25% of their revenues from green activities; overall. Outside Asia, Brazilian and Chilean companies in the portfolio have high green revenue proportions (32.2% to 85%, averaging 65.2%), but transition assessment is limited due to sparse data. Asian issuers are generally better positioned on transition risk compared to other regions.

The improvement in term of transition was driven by few specific companies representing 5.5% of the portfolio weight:

- Two companies operating in Chemical and automobile components which were added within the portfolio in 2024 through both primary and secondary bond markets are generating between 79% and 95% of green revenue.
- One bank is now reporting its green bond revenue, which reached 69% in 2024.
- Last but not least, one Turkish electricity producers have increased its green revenue from 22% to 100% in 2024.

For the rest of the holdings, the percentage of green revenue was broadly stable year on year with the exception of one Chilean utility operator and one Brazilian Pulp & paper company which reported a lower green revenue percentage of 16.3% and 7.6%. This was partially offset by an increase of green revenue of more than 5% by three Asian companies we hold in the portfolio.

Among companies divested, two of them were generating between 74% and to 100% of Green Revenue while the other generated 20% on average.

CLIMATE METRICS

Gross total tons of CO₂ equivalent emissions avoided

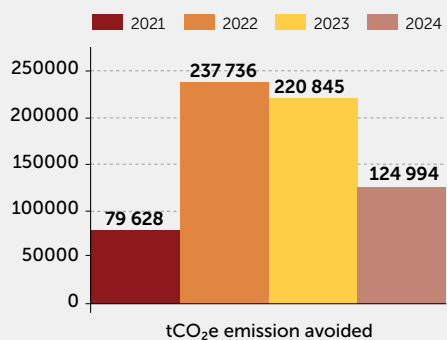
As of the end of 2024, the portfolio recorded a gross total of 124,994 tons of CO₂ equivalent (tCO₂e) emissions avoided, based on data collected across twenty eight green bond issuers that disclosed related information on scope 1, 2 and 3, representing 52.8% of the portfolio assets under management.

Green House Gases (GHG) emissions avoided is usually available in an impact report which, per the industry standard for green bond issuers, and is usually reported one year after issuance. Impact report would usually be available for use of proceeds bonds only.

The decrease in emissions avoided in 2024 can be explained by investment decisions and changes to our own measurement approach. On one hand, for fourteen bonds that we were holding in 2024 (representing 18.1% of the portfolio AUM), tCO₂e avoided data were finally available, affecting positively the figure. On the other hand, avoided emissions decreased significantly due to three bonds falling out of scope (one from divestment and two from maturity) and to a reassessment of avoided emissions for two bonds, which represented the largest contribution in term of avoided tCO₂e for previous years:

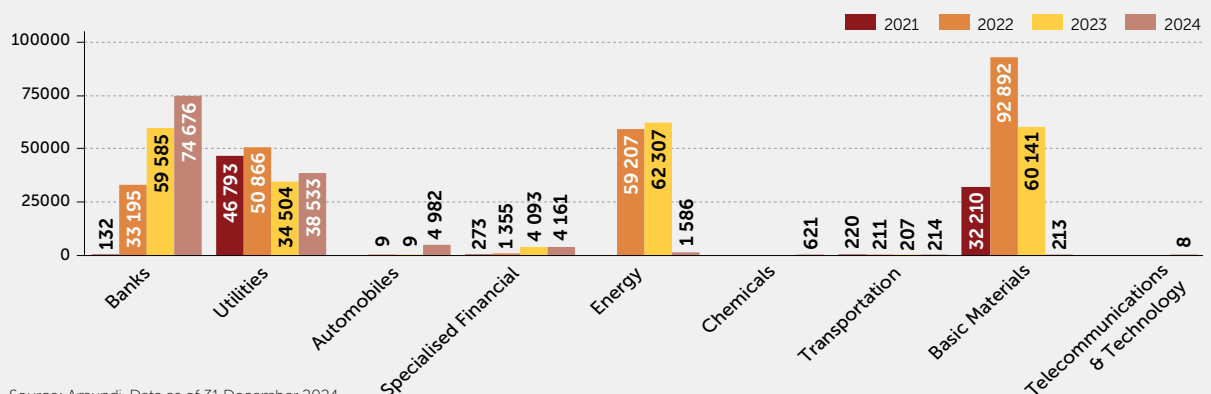
In terms of sector, the main contributors of tCO₂e avoided were banks and utility companies, followed by automobiles, specialised finance and energy to a smaller extent. It's worth highlighting that the green bonds issued by corporates from the energy and basic material sectors contributed significantly in the previous year (in excess of 50% in 2023 for instance) and we observe the similar trend in 2024.

Figure 8: tCO₂e emission avoided



Source: Amundi, Data as of 31 December 2024

Figure 9: tCO₂e emission avoided per sector



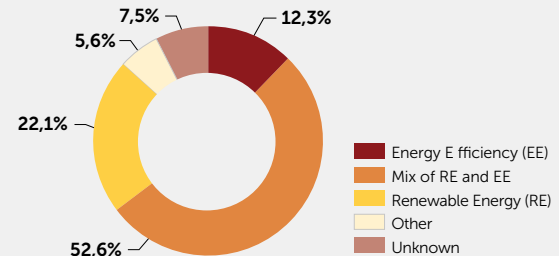
Source: Amundi, Data as of 31 December 2024

In term of use of proceeds, projects with a mix of energy efficiency and renewable energy keeps contributing the most to gross total tons of CO₂ equivalent emissions avoided both in absolute (65,747) and relative (52.6%) terms, followed by projects focusing on renewable energy only (22.1%). Alike 2023, energy efficiency projects have so far made a limited contribution to emissions avoided but increased materially to 12.3% versus 0.6% in 2023. A remaining 5.6% was allocated toward other projects.

Total tons of CO₂ equivalent emissions avoided per 1 million USD invested per year

As of the end of 2024, the portfolio recorded a gross total of 483.42 tCO₂e emissions avoided per 1 million USD invested. This achievement is significantly lower than in 2023 due to reasons illustrated above.

Figure 10: tCO₂e per project type

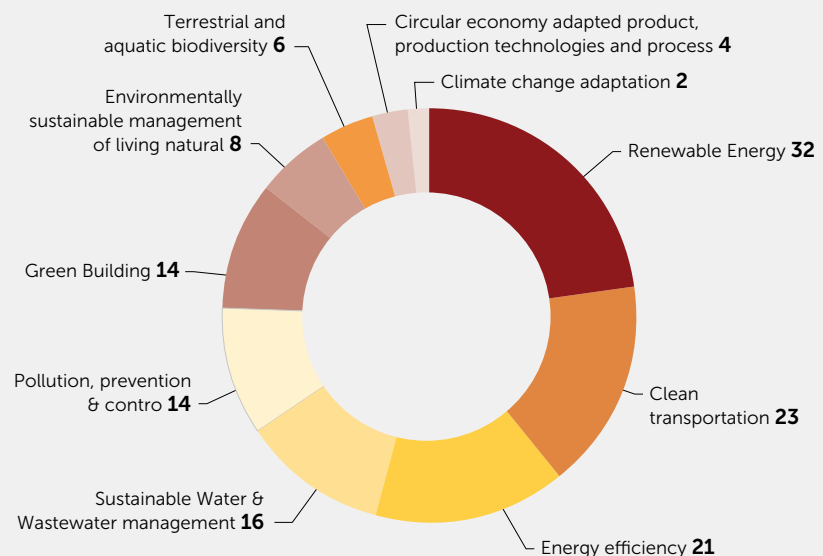


Source: Amundi, Data as of 31 December 2024

LABELLED GREEN BONDS USE OF PROCEEDS

Per use of proceeds for all the labelled green bonds (including two sustainability bonds) held in the portfolio as at end of 2024 based on the eligible Green Projects categories from the ICMA Green Bond Principles, Renewable Energy remains by far the most common use of proceeds (mentioned for 32 green and sustainability bonds) followed by Clean Transportation (23) and Energy Efficiency (21).

Figure 11: Use of proceeds*



Source: Amundi, Data as of 31 December 2024.

* For each type of use of proceeds, the number of bonds with exposure with this particular theme is represented. One bond may have exposure to multiple themes.

MARKET DEVELOPMENT PROGRAM

CLIMATE CHANGE INVESTMENT FRAMEWORK OUTREACH

In 2024, the AIIB and Amundi participated in three significant events organized by the Climate Bonds Initiative (CBI), the Climate Bonds CONNECT 2024 conferences in Shanghai (China), Mumbai (India) and London (United Kingdom), aimed at promoting the green and climate bonds markets development, and the AIIB-Amundi Climate Change Investment Framework. These events provided a vital platform for engaging with key stakeholders in the sustainable finance sector, facilitating discussions on pressing issues related to climate finance, and exploring opportunities and solutions to advance the transition to a low-carbon economy.

The panels AIIB and Amundi experts joined at these events covered a range of thematic topics relevant to sustainable finance. In Shanghai, discussions focused on the state of the climate finance market in Asia and the role of institutional investors in China's green transition, highlighting the challenges and opportunities in green finance, particularly in the context of China's urgent need for a low-carbon transition. The Mumbai panel focused on the development of a climate aligned financial system and economy in India, emphasizing India's strategies to address climate risks and finance its transition to a resilient economy. Finally, the London conference featured a panel on transparency and reporting in the GSS bonds market, which addressed the importance of post-issuance reporting and best practices to enhance transparency in sustainable finance. Collectively, these themes underscore the critical role of effective communication and collaboration in driving sustainable investment practices. The London conference was also accompanied by an AIIB-Amundi roundtable, delving specifically into the CCIF.

The audience for these panels and workshop included a diverse group of stakeholders, such as representatives from government departments, regulators, investors, banks, corporations, industry associations, and think tanks. Their roles in the financial system are crucial, as they influence policy decisions, investment strategies, and the overall direction of sustainable finance initiatives. As such, by bringing together these key players, the events fostered a collaborative environment where insights and experiences could be shared, ultimately contributing positively to the development of a more robust and transparent sustainable finance ecosystem.

DEVELOPMENT AND DISSEMINATION OF KNOWLEDGE PRODUCTS

In addition to the CBI annual event, during which senior of AIIB and Amundi staff advocated for climate investment, the *Companies and Climate change*⁸ - An updated research application of the AIIB-Amundi CCIF was published in January 2024, providing an update of the *Companies and Climate Change Report*⁹ (January 2023). This report presents the research work done by BMI, a Fitch Solutions Company, and the Climate Bonds Initiative by applying the CCIF at a country and sector level (BMI), and an entity level (Climate Bonds), highlighting the energy transition performance of the automotive, technology-electronics, healthcare, and basic industries sectors.

8. AIIB et al (2024), *Companies and Climate Change. A research application of the AIIB - Amundi Climate Change Investment Framework*.

9. AIIB et al (2023), *Companies and Climate Change. A research application of the AIIB - Amundi Climate Change Investment Framework*.



Trust must be earned

Amundi Asset Management, French "Société par Actions Simplifiée" - SAS with a registered capital of € 1 086 262 605 and regulated by the French Securities Regulator (Autorité des Marchés Financiers- AMF) under number GP 04000036 as a portfolio management company.

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