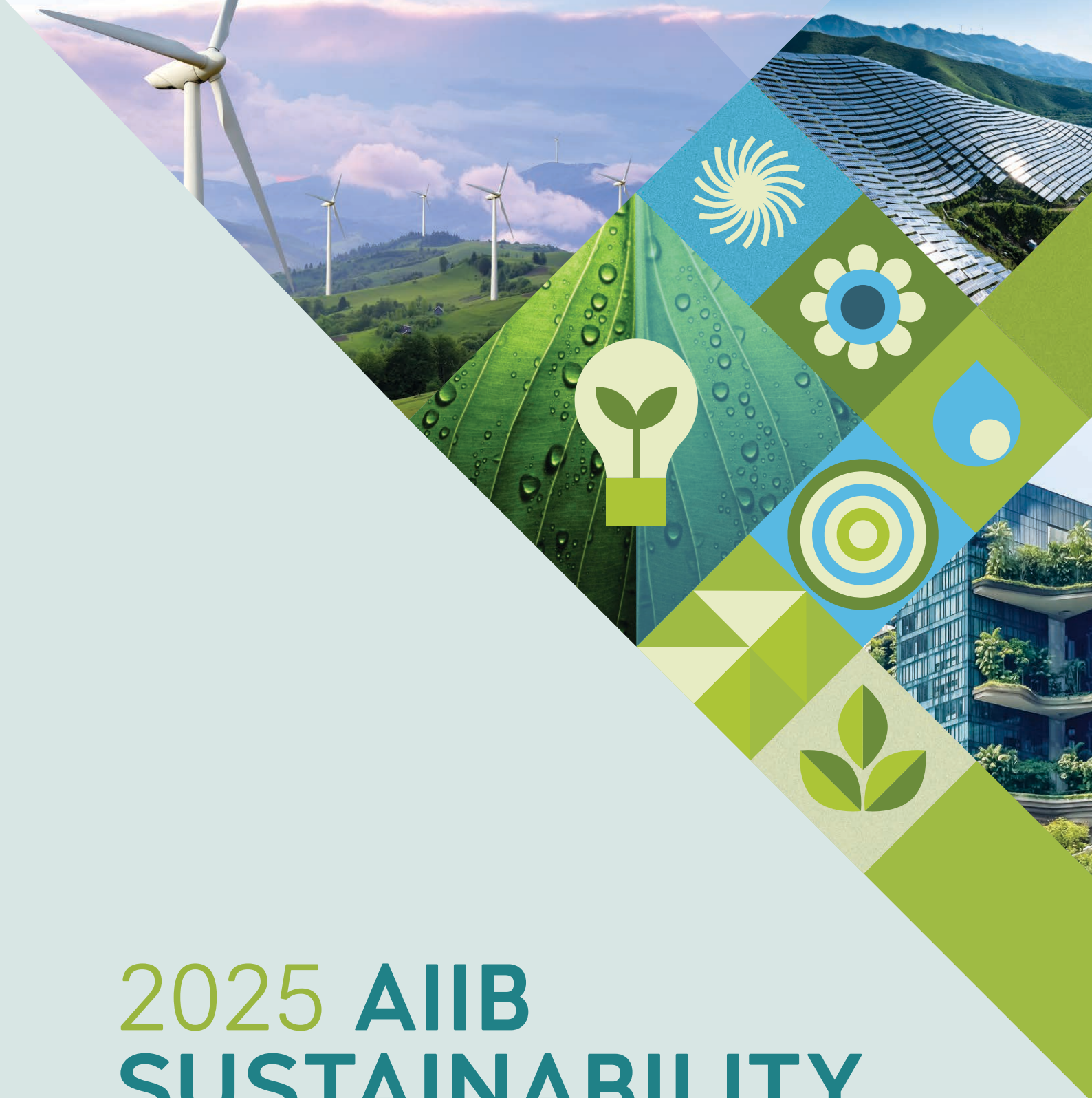
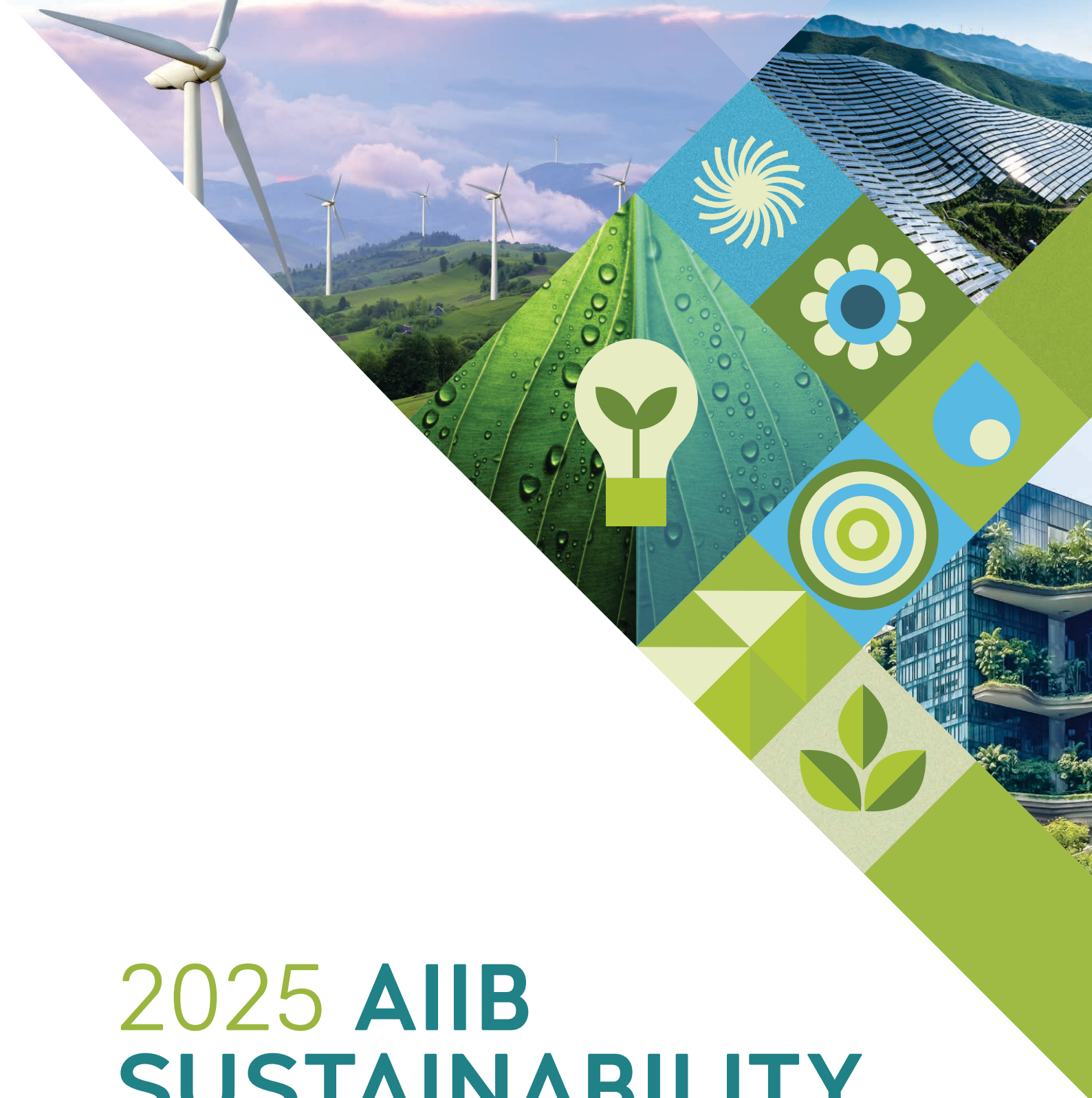


2025 AIIB SUSTAINABILITY REPORT

ASIAN INFRASTRUCTURE INVESTMENT BANK

AIIB Headquarters, Tower A, Asia Financial Center
No. 1 Tianchen East Road, Chaoyang District, Beijing 100101, China
Tel: +86-10-8358-0000
srsc_secretariat@aiib.org



2025 AIIB SUSTAINABILITY REPORT

CONTENTS

TABLES AND FIGURES

TABLES

FIGURES

ABBREVIATIONS

AC	Amortized Cost
AIIB	Asian Infrastructure Investment Bank
AMEDD	Agreement for Mutual Enforcement of Debarment Decisions
BB	Building Block
BHRC	Budget and Human Resources Committee
CO_2e	Carbon Dioxide Equivalent
CRA	Climate-related Financial Risk Assessment
E&S	Environmental & Social
EAD	Exposure at Default
ECL	Expected Credit Loss
ESEL	Environmental and Social Exclusion List
ESF	Environmental and Social Framework
ESG	Environmental, Social and Governance
ESIA	Environmental and Social Impact Assessment
ESP	Environmental and Social Policy
ESRA	Environmental and Social (Financial) Risk Assessment
ESS	Environmental and Social Standard
FV	Fair Value
GDP PPP	Gross Domestic Product based on Purchasing Power Parity
GHG	Greenhouse Gas
GICS	Global Industry Classification Standard
GVA	Gross Value Added
i4t	Infrastructure for Tomorrow
ICEM	Institutional Carbon Emission Management
IFRS	International Financial Reporting Standards
IO	Investment Operations
ISSB	International Sustainability Standards Board

MA	Materiality Assessment
MDB	Multilateral Development Bank
NGFS	Network for Greening the Financial System
NSBF	Nonsovereign-Backed Financing
NSBL	Nonsovereign-Backed Loans
PA	Paris Agreement
PAA	Paris Agreement Alignment
PCAF	Partnership for Carbon Accounting Financials
S&P	Standard & Poor's
SBF	Sovereign-Backed Financing
SDBF	Sustainable Development Bond Framework
SRSC	Sustainability Report Steering Committee
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
USD	US Dollar

MESSAGE

FROM THE PRESIDENT

ZOU JIAYI
President and Chair of the
Board of Directors
Asian Infrastructure Investment Bank

Sustainable development lies at the heart of the Asian Infrastructure Investment Bank's mandate. It is anchored in our Articles of Agreement and reflected in the strategies, policies and governance arrangements that guide our work. As we enter our second decade, sustainability remains central to how we define quality, manage risk and deliver value for our Members.

This conviction matters all the more in a global environment marked by rising climate risks and increasing pressure on countries to deliver growth, inclusion and long-term stability. For AIIB, as a multilateral development bank focused on infrastructure, these challenges go to the core of our mission. Infrastructure decisions taken today will shape development pathways for decades to come and must support a more sustainable future.

In 2025, AIIB remained focused on financing high-quality infrastructure that advances climate action and long-term sustainability. We allocated 71% of our regular financing to climate-related investments, surpassing our 50% annual climate finance target for the fourth consecutive year. Through our Climate-Focused Policy-Based Financing instrument, we also approved USD1.9 billion in 2024 and 2025 to support Members in advancing national climate transition objectives and strengthening the enabling conditions for sustainable growth. We have aligned our new financing with the goals of the Paris Agreement, reinforcing the integration of climate considerations across our investment activities.

This second AIIB Sustainability Report reflects our continued commitment to integrity, innovation and impact. Integrity requires transparency on climate- and sustainability-related financial risks, discipline in how we manage them and clarity on the framework we apply. Innovation requires that we continue to strengthen our tools, methodologies and reporting practices as the global sustainability landscape evolves. Impact requires a focus on results: helping Members invest in infrastructure that is greener, more efficient and better suited to their long-term development needs.

The report also reflects the progress AIIB is making in embedding sustainability more deeply across the institution. It highlights how we are strengthening our reporting practices and broadening our disclosures while recognizing the challenges that remain. The transition to more sustainable development pathways will require sustained investment and effective cooperation across countries, institutions and markets.

We will continue to work in partnership with our Members and peers to help meet this challenge and support a more inclusive and sustainable development future.

MESSAGE

FROM THE ACTING CHIEF FINANCIAL OFFICER AND THE CONTROLLER

DOMENICO NARDELLI
Acting Chief Financial Officer
and Treasurer
Asian Infrastructure Investment Bank

HUI FONG LEE
Controller
Asian Infrastructure Investment Bank

The publication of AIIB's second Sustainability Report continues to be guided by our three strategic imperatives: reinforcing our mandate as a responsible multilateral development bank, strengthening our engagement with global capital markets and responding to evolving stakeholder expectations through transparent and credible disclosure.

Building on last year's achievements and encouraged by the support received for our inaugural report, we have continued to advance our sustainability reporting journey. This year, we expanded the scope of this Sustainability Report beyond climate-related information to encompass broader sustainability considerations and engaged further with our stakeholders to enhance the clarity and depth of our disclosures where appropriate. On climate-related disclosure, we continued to refine the approaches for analysis and increased coverage for financed emissions.

We also deepened our collaboration across the multilateral development bank community to ensure continued alignment with leading practices. Notably, AIIB became a signatory to the Partnership for Carbon Accounting Financials (PCAF), reflecting our commitment to strengthening our financed emissions methodology and contributing actively to the evolution of global standards.

This report provides a transparent account of our journey, celebrating our achievements while honestly acknowledging the work that remains. We are grateful to AIIB's management and staff for their sustained commitment, and to our stakeholders for their trust and engagement. We look forward to continuing our collaboration as we further refine and advance AIIB's reporting practices.

1

INTRODUCTION

In this 2025 AIIB Sustainability Report, the Asian Infrastructure Investment Bank (AIIB, or the Bank) voluntarily applies the International Sustainability Standards Board (ISSB) Standards[1] to disclose general sustainability Environmental and Social (E&S) and climate-related information, which could reasonably be expected to affect AIIB's prospects, financial position, financial performance and value chain over the financial reporting period from Jan. 1 to Dec. 31, 2025.

AIIB has also considered other relevant standards, frameworks and industry practices where appropriate, to inform the identification, assessment and presentation of sustainability and climate-related information, with a view to enhancing the completeness, consistency and decision-usefulness of the disclosures.

The Bank prepares its sustainability and climate-related financial disclosures for the same reporting entity, using the same currency and reporting period as the related financial statements[2] with due consideration given to alignment with financial reporting, and as an integral part of AIIB's general purpose financial reporting package, notwithstanding its publication subsequent to the issuance of the financial statements.

The 2025 AIIB Sustainability Report builds on the inaugural 2024 Sustainability Report and provides expanded disclosures to address the disclosure requirements of IFRS S1. These enhancements include the extension of governance, materiality assessment (MA), financial risk assessment and risk management disclosures, from a climate-focused assessment of financially material risks and opportunities to a broader range of sustainability-related factors. At the same time, the scope of financed greenhouse gas (GHG) emissions covered has been expanded, and provides selected comparative information for climate-related disclosures presented in the 2024 report. In this context, general sustainability and climate-related information in the 2025 report is considered from two dimensions: the operational and policy perspective discussed in Sections 3.2, 3.3, and 4.1.1, and the financial risk perspective discussed in Sections 3.1 and 4.1.

This reporting builds upon AIIB's legacy of Paris Agreement Alignment (PAA) to deliver consistent, transparent and accountable insights to AIIB's global investment community (see Table 1).

---

1 For more information, see *Voluntarily applying ISSB Standards—A guide for preparers* (https://www.ifrs.org/content/dam/ifrs/supporting-implementation/issb-standards/issb-voluntary-application-preparers.pdf)

2 The financial statements related to this report are publicly available on AIIB's website (https://www.aiib.org/en/about-aiib/financial-statements/index.html).

Table 1: AIIB's Sustainability (Including Climate) Action Highlights

Year	Highlight
2015	57 founding Members sign AIIB's Articles of Agreement requiring the Bank's operations to comply with its policies addressing sustainability requirements, including environmental and social impacts
2016	AIIB launches the Environmental and Social Framework (ESF): including the Environmental and Social Policy (ESP), Standards and Exclusion List
2018	AIIB receives its first environmental, social and governance (ESG) ratings by Sustainalytics and ISS-ESG, and from 2019 by Moody's
	AIIB develops its first Sustainable Development Goal-mapping approach linking its operations with the UN's Sustainable Development Goals (SDGs)
2019	AIIB issues the inaugural USD Sustainable Development Bond
	AIIB achieves its first carbon neutral Annual Meeting, through its Act Green Together initiative by measuring and offsetting the carbon emissions associated with the meeting
2020	AIIB launches its 2030 Corporate Strategy (Infrastructure for Tomorrow (i4t), 50% climate finance target by 2025 and commitment to alignment with the Paris Agreement)
	AIIB participates in the launch of the Joint Report on Multilateral Development Bank's (MDB) Climate Finance
2021	AIIB publicly commits to be aligned with the goals of the Paris Agreement for all new investment operations by July 1, 2023
	AIIB adopts the Sustainable Development Bond Framework (SDBF)
	AIIB releases the inaugural Sustainable Development Bonds Impact Report
2022	AIIB releases its first Carbon Footprint Report for AIIB internal operations in accordance with ISO 14064-1:2018
2023	AIIB's new financing investment operations are aligned with the Paris Agreement from July 1, 2023
	AIIB, alongside other MDBs, welcomes the work of ISSB and the use of ISSB Standards by certain jurisdictions
	AIIB publishes its Climate Action Plan (CAP)
	AIIB creates a Bank-wide Sustainability Report Steering Committee (SRSC) to facilitate the disclosure efforts toward the inaugural Sustainability Report
2024	AIIB publicly commits to release its first Sustainability Report in 2025, voluntarily applying the ISSB Standards
	AIIB Beijing Headquarters completely powered by renewable sources
	AIIB Annual Meeting in Uzbekistan receives ISO 20121 Sustainable Event Certification
	AIIB launches Climate-Focused Policy-Based Financing (CPBF) Instrument for Members

continued on next page

Table 1 *continued*

Year	Highlight
2025	AIIB finishes its Corporate Strategy Midterm Review, and reaffirms its ambitious climate target of at least 50% climate finance every year until 2030
	AIIB launches an ESG Investment Framework governing its Treasury investment portfolio to strengthen its commitment to responsible investing strategies
	AIIB's 10th Annual Meeting in Beijing receives ISO 20121 Sustainable Event Certification
	AIIB publishes its inaugural Sustainability Report
	AIIB together with other MDBs publishes 2024 Joint Summary Report on Multilateral Development Bank's Climate Finance
	AIIB updated the terms of its Euro Commercial Paper programme, re-emphasizing the programme's strategic importance under the Bank's Sustainable Development Bond Framework
2026	ESG Ratings improve, with ISS upgrading AIIB's score from 55.32 to 56.02, and Sustainalytics improving its score from 13.7 to 12.2
	AIIB publishes its second Sustainability Report

2

GOVERNANCE

2.1 Governance at the Board Level

All powers of the Bank are vested in the Board of Governors, which is the highest decision-making body under the Bank's Articles of Agreement, representing all its Members. The Board of Governors delegates a defined portion of its authority to the Board of Directors (Figure 1).

The Board of Directors, composed of 12 members, is responsible for guiding the strategic direction of AIIB's operations. This includes the formulation of policies and strategies, along with overseeing their implementation. Quarterly Board meetings, supplemented by other formal and informal meetings, when necessary, ensure regular engagement with AIIB's management.

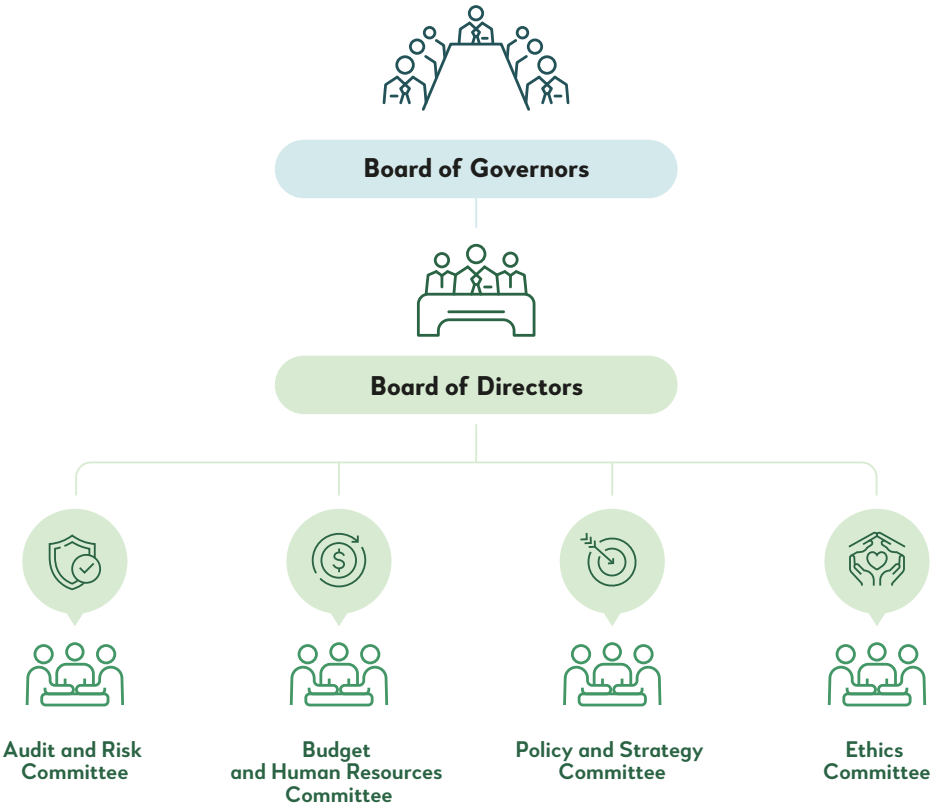
The Board of Directors established four committees to support its work, namely, the Audit and Risk Committee (ARC), the Budget and Human Resources Committee (BHRC), the Policy and Strategy Committee (PSC) and the Ethics Committee.

Given the distributed nature of E&S- and climate-related risks and opportunities, including their impact on AIIB's financing operations, investment activities, risk management processes and reporting, their oversight at the board level is part of the responsibilities of the ARC and the PSC as follows:

- The ARC reviews AIIB's financial statements and accounting, auditing and financial reporting practices, procedures and issues, as well as AIIB's financial and risk-related policies. This includes AIIB's E&S- and climate-related financial risk management and reporting. Since December 2023, the ARC has been monitoring the Bank's progress in implementing the ISSB disclosure requirements, receiving semi-annual updates from the SRSC and examining the Sustainability Report before publication.
- The PSC reviews AIIB's operational policies (other than financial- or risk-related policies), including but not limited to the environment, social and procurement policies, and reports thereon to the Board. This includes operational policies related to environmental and social sustainability, climate and procurement, and advising on the development of the Bank's sustainability and climate business strategic approach.

The Board of Directors provides oversight of sustainability and climate-related risks and opportunities, ensuring that AIIB's strategic direction and policies appropriately address these considerations. In implementing Board-approved policies and strategies, AIIB management is responsible for the timely identification, assessment and management of E&S- and climate-related risks and opportunities. Management is also responsible for integrating E&S- and climate-related risks and opportunities into AIIB's operations, investment decisions, risk management and reporting processes.

Figure 1: Board Governance at AIIB



2.2 Governance at the Management Level

The Board of Governors elects the President who acts as the legal representative of the Bank and oversees its day-to-day business operations, including any sustainability-related financing.

Table 2 presents the list of management-level committees responsible for overseeing E&S- and climate-related risks and opportunities at AIIB, their primary roles and responsibilities, as well as the frequency of their meetings. All management-level committees are accountable to the President.

AIIB has publicly disclosed its policy on compensation and benefits.[3] The compensation of AIIB's ExCom members is not directly linked to specific sustainability or climate-related targets, and AIIB Directors serve without remuneration from the Bank. Nonetheless, all actions of the Board of Directors and senior management are fundamentally motivated by the goal of promoting sustainable economic and social development, thereby advancing the cause of climate action. All AIIB personnel are mandated to always comply with the Bank's policies and procedures.

Governance, integrity and compliance requirements apply to all AIIB financing operations without exception, and every project is subject to comprehensive governance-related due diligence in accordance with the Bank's policies and frameworks. Projects that do not meet these requirements do not proceed to approval, making governance and integrity due diligence a mandatory eligibility threshold across the entire Bank's portfolio.

[3] AIIB's policy on compensation and benefits (https://www.aiib.org/en/about-aiib/who-we-are/role-of-law/.content/index/_download/AIIB-Policy-on-Compensation-and-Benefits_Revision.pdf)

Table 2: AIIB's Governance Framework at the Management Level on E&S- and Climate-related Risks and Opportunities

Management Committee	Chair	Roles and responsibilities	Meeting frequency
Executive Committee (ExCom)	The President	ExCom advises the President on all matters of Bank-wide interest and significance, including those related to sustainability and climate.	Fortnightly
Management Committee (MCom)	Alternating Chair, depending on the agenda	MCom serves as a formal consultative body for senior management on AIIB's policies, strategies and any ad hoc matters of Bank-wide interest, including key opportunities related to E&S and climate.	Ad hoc
Screening Committee (SC)	Vice President, Policy and Strategy	The SC screens projects into the pipeline with a focus on strategic alignment and AIIB's value addition, including consideration of E&S and climate factors, as well as other strategic and policy considerations.	Fortnightly and Ad hoc
Investment Committee (IC)	Chief Investment Officers	The IC reviews selected operations, including considering E&S and climate factors, prior to their submission for approval by the Board of Directors or the President.	Ad hoc
Risk Committee (RC)	Chief Risk Officer	The RC is the principal forum where all matters related to key risks are considered. Its responsibilities include the management of E&S-related financial risks.	Monthly
Sustainability Report Steering Committee (SRSC)	Chief Financial Officer Vice President, Investment Solutions	The SRSC spearheads and orchestrates Bank-wide efforts to develop the Sustainability Report, including defining the scope and content of the disclosures.	Quarterly

3

STRATEGY

3.1 Materiality Assessment

3.1.1 Identification of Environmental, Social and Climate-related Risks

As a multilateral development bank (MDB), AIIB acknowledges that its primary financial risks reside in the lending and investment portfolios (Figure 2). To identify and understand the significant sustainability and climate-related risks that could materially affect its business, AIIB conducted an updated materiality assessment (MA) of E&S- and climate-related risks, applying the financial materiality concept set out in IFRS S1, with the risks considered described in Table 3.

Table 3: Description of Environmental, Social and Climate-related Risks

Risk	Sub-risk	Description
Environmental Risks	**Environmental-related physical risks**	Arise from the effects of the degradation of nature, including its biodiversity, and the loss of ecosystem services that flow from it.
	Environmental-related transition risks	Resulting from a misalignment between economic actors' activities and measures intended to protect, restore and/or reduce adverse impacts on nature.
Climate Risks[a]	**Chronic climate-related physical risks**	Arise from longer term climate shifts, including changes in precipitation and temperature, which could lead to sea level rise, reduced water availability, climate-driven biodiversity loss and changes in soil productivity.
	Acute climate-related physical risks	Result from the increased frequency and severity of extreme weather, including floods, storms, droughts or heatwaves.
	Climate-related transition risks	Resulting from adjustments associated with the transition to a low-carbon economy, including policy and regulatory changes, technological developments and shifts in consumer preferences, with potential impacts on production processes, asset values, investments and business models.

continued on next page

Table 3 *continued*

Risk	Sub-risk	Description
Social Risks[b]		Driven by social conditions affecting economic actors and communities across both private and public sector dimensions, including: • In the private sector: customer relations, human capital, health and safety, responsible production as well as demographic and societal trends. • In the public sector: labor and income, education, housing and access to basic services.

[a] Although climate risks are a subset of environmental risks, the impacts are assessed separately due to their relevance. Climate risks here are as defined by the Basel Committee on Banking Supervision (2022) Principles for the effective management and supervision of climate-related financial risks. (https://www.bis.org/bcbs/publ/d532.pdf)

[b] The definition of social risks is aligned with Moody's social risk heatmap. (https://www.moodys.com/sites/products/ProductAttachments/Infographics/BP59728_Social%20Risks_Global_Heatmap_Overview_Infographic_v4.pdf?cid=X2E4RZUFQJL5519)

The E&S- and climate-related risks in Table 3 could impact the Bank's value chain through both microeconomic and macroeconomic channels, generating a financial impact on its clients and, consequently, on the Bank's financial performance, through credit, market, operational and liquidity risks.

The E&S- and climate-related physical risks at the individual location level may damage AIIB or its counterparties' operations directly or result in business disruptions. At an aggregate level, physical risks may contribute to capital depreciation, divert investment toward mitigation and adaptation, and influence key economic factors including output, government revenues, interest rates and exchange rates.

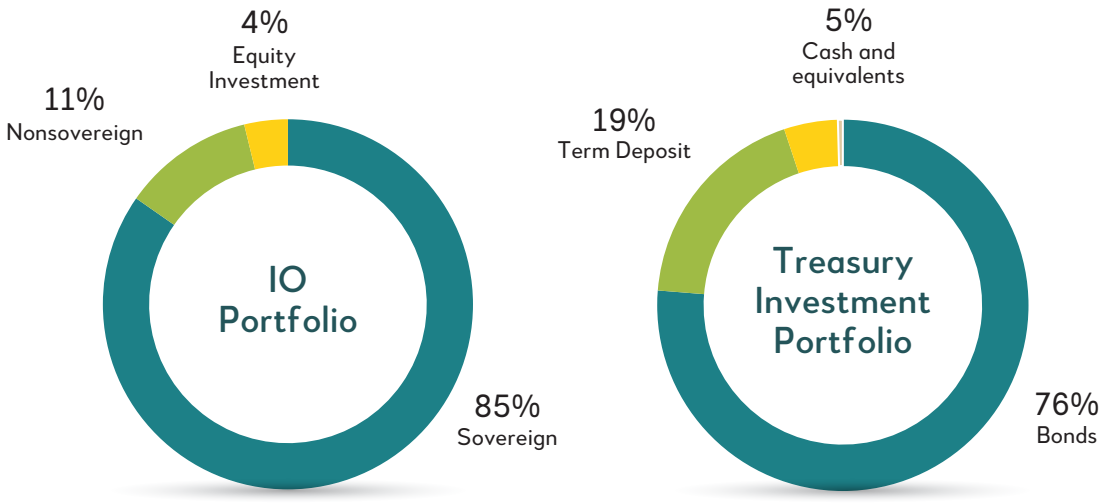
The E&S- and climate-related transition risks could strand assets, necessitate new capital expenditures, and lead to legal liability claims due to a failure to mitigate or adapt to nature, including climate change at the individual business level. At an aggregate level, transition risks could lead to changes in a country's industry structure, trade balance and inflation rate, as well as affect different groups of people.

3.1.2 AIIB's Overall Exposure to E&S and Climate Risk

AIIB's total portfolio exposure under the scope of the MA for E&S- and climate-related financial risks is USD82 billion as of Dec. 31, 2025, comprising the banking Investment Operations (IO) portfolio and the Treasury investment portfolio. For the IO portfolio, the exposure at default (EAD) is proxied by the committed exposure.[4] For the Treasury investment portfolio, the EAD of exposures subject to amortized cost (AC) accounting treatment is proxied by the notional amount, while the EAD of exposures measured at fair value (FV) is proxied by the market value, excluding derivative instruments.

[4] Reflecting both exposure outstanding and committed undrawn amount with binding obligations, excluding prepaid, closed, matured and canceled loans.

Figure 2: AIIB IO and Treasury Investment Portfolios as of Dec. 31, 2025



Note: Figures have been rounded up to the nearest integer.

Source: AIIB

The IO portfolio is made up of exposures to sovereigns[5] (84.7%), nonsovereigns[6] (11.5%) with diverse financing types, as well as equity investments (3.8%). The Treasury investment portfolio is mainly in bonds (76.3%) with issuers being corporates, sovereigns, supranational and government agencies. Figure 2 shows the full composition of the portfolios in scope of the MA.

3.1.3 Approaches to Assess the Materiality of E&S- and Climate-related Risks

To identify environmental and separately climate-related risk hotspots within its investment operations and Treasury investment portfolios, AIIB assesses both physical and transition risks. For social risks, an overall risk rating is assessed. As per the financial statements, risks are financially material if they amount to more than 1% of AIIB's net asset value.

Environmental-related Physical Risk Materiality Assessment Approach

The vulnerability to environmental-related physical risk is measured through the dependency of business activities on natural resources. When dependencies are impacted by physical drivers (e.g., water scarcity, loss of pollinators, erosion), the business experiences operational disruption, higher costs, asset damage or stranded productive assets, i.e., environmental-related physical risks.

For the sovereign portfolio, the physical risk assessment evaluates the overall country-level dependency on nature, incorporating the local industry composition.

For the nonsovereign portfolio, physical risk is assessed following a three-step approach, which considers multiple dimensions, i.e., the obligor/issuer sector, country location and biodiversity intactness of the location.

5 Referred to as Sovereign-backed Financing at AIIB.
6 Referred to as Nonsovereign-backed Financing at AIIB.

Environmental-related Transition Risk Materiality Assessment Approach
The vulnerability to environmental-related transition risk is measured through the impacts of business activities, which are direct, indirect or cumulative changes in the state of nature caused by business activities. When those impacts become the focus of regulation, litigation, consumer shifts or technological substitution, companies that cause significant negative impacts can face higher transition risk (e.g., policy penalties, lost market access, liability or reputational damage).

For the sovereign portfolio, environmental-related transition risk is not applicable as such risk often arises from transition actions mandated by the government (e.g., through compensation for biodiversity loss) and are applicable to individual companies.

For the nonsovereign portfolio, the assessment framework includes a sector-level impact scoring based on publicly available datasets.

Social Risk Materiality Assessment Approach
The main assessment dimension for social risk is from a sector lens, considering whether economic activity would affect the livelihood of people that may result in social unrest. Social risk is not applicable to the sovereign portfolio as sovereign borrowers cover a diverse set of sectors within their jurisdiction. A qualitative overall social risk rating is generated for each sector and subsequently applied across AIIB's IO nonsovereign and Treasury investment portfolios to identify the high-risk exposures.

Climate-related Physical Risk Materiality Assessment Approach
Since a significant portion of the Bank's lending portfolio relates to Sovereign-Backed Financing (SBF), the climate-related physical risk assessment evaluates country-level vulnerability to physical risks triggered by climate change. For a detailed explanation of the methodology applied to the climate-related MA, see the 2024 Sustainability Report, as there have been no changes to the methodology since the previous year.

Climate-related Transition Risk Materiality Assessment Approach
AIIB assesses the exposure of obligors and issuers to climate transition risks using a comprehensive evaluation framework. High transition risk is determined using a proxy based on reference data from Moody's Environmental Heat Map, as well as industry classifications informed by expert insights. This approach is used for the IO nonsovereign and Treasury investment portfolios, with the transition risk evaluation based on the industry of the project obligor or bond issuer.

For the IO sovereign portfolio, transition risk is assessed by examining how a Member's shift toward a low-carbon economy exposes it to risks associated with its primary industries. The evaluation considers the Member's economic structure, with a higher risk in economies that rely heavily on high GHG-emitting sectors.

3.1.4 Materiality Assessment Results

Environmental-related Materiality Assessment Results
For the IO sovereign portfolio, 69.33% of AIIB exposures are assessed as having high environmental-related physical risk and 30.67% as having medium risk. This reflects the full assessment of the IO sovereign portfolio (Table 4) as the environmental transition and social risks are out of scope.

Table 4: Summary of Environmental Physical Risk Materiality Assessment for the Investment Operations Sovereign Portfolio

	High	Medium	Low
Physical Risk	69.33%	30.67%	-

For the IO nonsovereign portfolio (including both loan, capital markets and equity investment), high environmental-related physical risk is found in 48.95% of exposures while 9.12% is in the medium risk category. The remainder of exposures are assessed as having low environmental physical risk. High transition risk is found in 15.22% of exposures for the same portfolio while 51.87% is in the medium risk category. Overall, the IO nonsovereign portfolio has a higher exposure to physical risk compared to transition risk (Table 5), aligning with AIIB's mandate to support projects and corporates in addressing environmental challenges.

Table 5: Physical and Transition Risk Matrix of Investment Operations Nonsovereign Portfolio's Environmental Risk Materiality Assessment Based on Exposure at Default

Physical Risk	High	15.22%	33.70%	0.03%
	Medium	-	6.59%	2.53%
	Low	-	11.58%	30.35%
		High	Medium	Low
		Transition Risk		

For the same IO nonsovereign portfolio, only 7.62% of exposures are assessed as having high social risk, with most exposures in the medium- to low-risk categories (Table 6).

Table 6: Investment Operations Nonsovereign Portfolio's Social Risk Materiality Assessment Based on Exposure at Default

	High	Medium	Low
Social Risk	7.62%	56.02%	36.36%

Lastly, in the Treasury investment portfolio, environmental physical and transition risk is low for 98.63% of exposures, while only 1.37% of the portfolio is assessed as having high social risk.

Climate Risk Assessment Results

Overall, the IO portfolio (including both sovereign and nonsovereign exposures) exhibits medium to high inherent climate physical and transition risk, with a high concentration in emerging and developing economies. A small portion of the IO portfolio, mostly consisting of bonds and tradable financial assets within the nonsovereign portfolio, is exposed to low climate risk. This is reflected in Table 7, which presents a matrix of MA results for AIIB's IO portfolio, where the percentage in each cell represents the exposure level in the IO portfolio.

Table 7: Physical and Transition Climate Risk Matrix of Investment Operations Portfolio's Materiality Assessment Based on Exposure at Default

Physical Risk	High	0.03%	13.36%	0.00%
	Medium	2.94%	77.69%	0.18%
	Low	0.01%	3.18%	2.61%
		High	Medium	Low
		Transition Risk		

Conversely, the Treasury investment portfolio consists of highly liquid, investment-grade assets in economies that are generally more resilient to climate risks. It consequently exhibits low overall climate-related physical and transition risks.

Physical Climate Risk Materiality Assessment Results
For the IO portfolio (both sovereign and nonsovereign), 13.39% of exposures are in countries classified as having high physical risk, with most of these in developing economies. Although the overall exposure is medium to high, the Bank's mandate, as reflected in its Corporate Strategy and the mission of Financing Infrastructure for Tomorrow (i4t), remains to support Members, even when vulnerabilities are present. In doing so, the Bank will continue its efforts in minimizing climate risks at the project level by conducting thorough climate-related due diligence to ensure high project quality.

For the Treasury investment portfolio, almost all the exposures are in countries with low physical risk, rendering the physical risk component immaterial for this portfolio.

Transition Climate Risk Materiality Assessment Results
For the IO portfolio (both sovereign and nonsovereign), 2.98% of exposures are in countries with high transition risk, driven by exposures in developing economies (which rely heavily on industries such as transportation that are especially vulnerable to transition risks), the core of the IO portfolio. By investing in infrastructure and other productive sectors, the Bank supports its Members' sustainable transition toward a low carbon economy.

Taking an industry-level lens, the IO nonsovereign portfolio has limited exposure to industries with high or medium transition risk (Table 8): only 10.83% is in industries with high transition risk. The majority is instead in industries with low transition risk, such as renewable power generation, financial institutions or diversified sectors.

Table 8: Industry-level Investment Operations Nonsovereign Portfolio's Climate Transition Risk Materiality Assessment Based on Exposure at Default

	High	Medium	Low
Transition Risk	10.83%	1.46%	87.71%

Similarly, the Treasury investment portfolio has holdings in bonds from issuers classified entirely as low risk.

The MA provides an initial qualitative view of transition and physical risk hotspots within AIIB's portfolios, which serves as an ongoing hypothesis which is further validated through the quantitative E&S- and Climate-related Financial Risk Assessment (see Section 4.1.2).

3.2 AIIB's Strategic Approach to Sustainability and Climate Action

Providing financing for climate action is a central component of the Bank's strategy. AIIB's dedication to sustainability and climate is reflected in its Corporate Strategy, ESF[7] and Climate Action Plan,[8] which guide sustainable, climate-conscious investment practices and decision-making.

As part of AIIB's mission to finance i4t, green infrastructure is one of the Bank's four thematic priorities, enabling the Bank to support its Members in achieving climate and sustainable development goals by financing projects that mitigate climate change, enhance resilience and deliver co-benefits such as biodiversity conservation and improved local environmental conditions. In 2025, 54 out of 57 (95%) of AIIB's newly approved projects were aligned with the green infrastructure thematic priority. For the same period, AIIB approved USD7.5 billion of climate finance, accounting for 71% of total AIIB financing approvals of 2025, compared to 67% in 2024. Of the total climate financing in 2025, 73% was for climate mitigation, while 27% supported climate adaptation. The number of projects contributing to climate finance represents the vast majority (96%) of projects aligned with the green infrastructure thematic priority. AIIB estimates that cumulative climate finance approvals will exceed USD50 billion over the period 2021-2030.

AIIB has surpassed the 50% share of financing approvals for climate finance for the last four consecutive years. In June 2025, the Bank reaffirmed its commitment to maximizing climate benefits in all investments in its updated Corporate Strategy,[9] targeting an over-50% share of climate finance in actual financing approvals every year until 2030.

Since July 1, 2023, AIIB has ensured that all new investments are aligned with the Paris Agreement (PA), embedding climate considerations into project design, preparation and implementation.

3.3 AIIB's Strategy on E&S- and Climate-related Opportunities

As an MDB, AIIB considers climate financing a significant opportunity in furthering its mandate of financing i4t as well as enhancing its long-term financial sustainability. AIIB identifies and articulates its climate opportunities through its Climate Action Plan and considers opportunities based on four key principles: Client Focus, Impactful, Catalytic and Innovative.

For AIIB, climate opportunities are primarily expressed through (i) the Bank's ability to deliver Member development priorities through sustainable infrastructure and other productive sectors; (ii) the Bank's ability to mobilize additional capital at scale by reducing barriers and risk perceptions in emerging Asian markets; and (iii) the strengthening of long-term portfolio quality and relevance as the global and regional economy transitions toward lower-carbon, more resilient growth pathways.

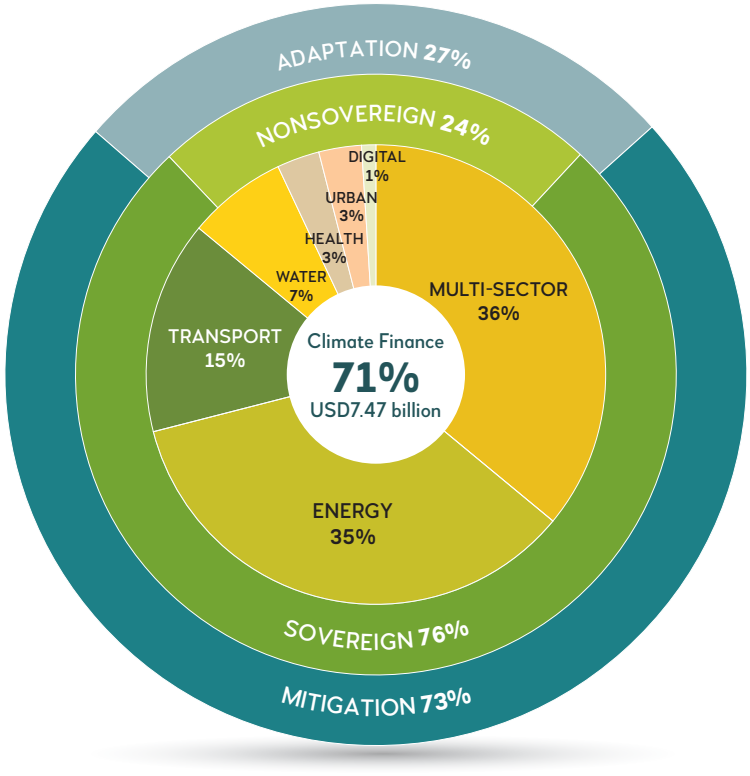
---

7 Refer to https://www.aiib.org/en/policies-strategies/framework-agreements/environmental-social-framework.html for further details

8 For more details, see AIIB's Climate Action Plan: https://www.aiib.org/en/how-we-work/paris-alignment/_download/AIIB-Climate-Action-Plan.pdf

9 Refer to https://www.aiib.org/en/policies-strategies/strategies/.content/index/_download/AIIB-Corporate-Strategy.pdf for further details

Figure 3: AIIB 2025 Climate Financing



Source: AIIB

AIIB's climate opportunities reflect both the rising client demand for climate solutions across broader sectors and the Bank's continued commitment in supporting low-carbon and climate-resilient development (Figure 3). They concentrate in four mutually reinforcing pathways and are expected to remain significant across short-, medium- and long-term horizons:

1. Scaling climate-aligned sustainable infrastructure (e.g., clean energy, grids, efficiency, low-carbon transport) consistent with Member transition strategies.
2. Mainstreaming adaptation and resilience into infrastructure (including water security, urban resilience and resilient transport), in recognition that infrastructure is both exposed to climate impacts and a critical part of the solution.
3. Mobilizing private capital and concessional resources through blended structures, guarantees/risk-sharing and scalable capital market products, leveraging MDB balance sheets and credibility.
4. Driving innovation and replicability in Asia and beyond, including technology-enabled solutions and standard-setting (e.g., taxonomies, proof-of-impact approaches) that can scale beyond individual transactions.

AIIB's ESF vision integrates environmental and social sustainability as a core element in all the projects that the Bank finances. This integration positions the Bank to develop new and sustainable approaches to meet evolving infrastructure challenges. Within this framework, the Bank considers E&S opportunities as circumstances where sound E&S practices in project identification, preparation and implementation have the potential to strengthen long-term portfolio quality, relevance and pipeline. This advances the Bank's mandate to finance i4t.

The active pursuit of E&S opportunities is embedded in the implementation of the ESF. Through its emphasis on innovation and integration, supported by the development and dissemination of knowledge on emerging issues and key trends, the ESF positions the Bank to proactively pursue opportunities across its operations. The Bank closely cooperates with clients through the provision of expert advice and capacity-building support to enhance its understanding of evolving infrastructure needs. This, in turn, strengthens the Bank's ability to support projects addressing emerging E&S challenges across sustainable infrastructure and other productive sectors.

The 2024–2025 Corporate Strategy Midterm Review confirmed the strategy's continued relevance and progress in meeting client needs. The Corporate Strategy is operationalized through annual business plans and budgets, which translate strategic objectives into annual indicators and provide regular checkpoints to adapt directions based on lessons learned and evolving client needs.

3.4 Impacts of E&S- and Climate-related Risks and Opportunities on AIIB's Strategy, Business Model and Financial Position

In line with its mandate, AIIB operates in and provides financing to projects in countries with medium to high physical climate risks. From a strategic perspective, the Bank has accepted this climate-related risk exposure within its SBF portfolio. Based on the results of the MA covering E&S- and climate-related financial considerations, the potential financial impacts of these risks on the Bank's financial performance are currently assessed as immaterial. The Bank's current strategy, policies and business model remain consistent with the delivery of its mandate and its sustainability objectives; accordingly, no changes are anticipated at this stage. In parallel, AIIB continues to scale climate opportunities in line with its Climate Action Plan through financing sustainable infrastructure solutions and mobilizing additional public and private capital. AIIB expects sustained opportunities driven by Member demand and continued climate mainstreaming across the time horizons assessed.

3.5 Treasury ESG Investment Framework

The Treasury ESG Investment Framework establishes principles and processes for integrating E&S and climate considerations into the Bank's liquidity management activities, serving as a practical overlay to the foundational E&S and climate risk governance. Designed to support the Bank's core values of "Lean, Clean and Green" and its mission of Financing i4t, this framework translates high-level risk oversight into actionable guidance and limits for day-to-day investment decisions.

This framework provides supplementary operational criteria. These practical requirements ensure that sustainability considerations are consistently applied across all investment activities while maintaining the portfolio's essential characteristics of high liquidity, strong credit quality and diversification necessary to protect against adverse market conditions and safeguard the Bank's credit ratings.

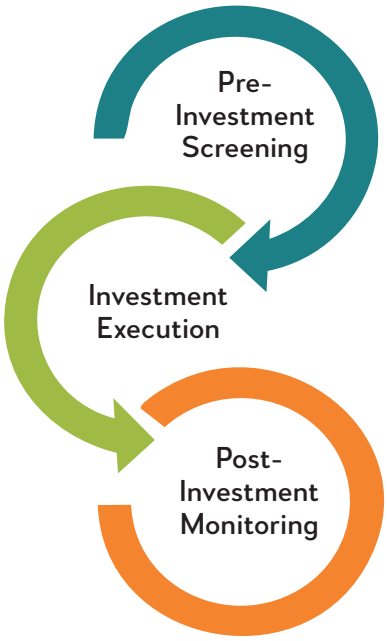
The framework follows a three-step process: pre-investment exclusionary screening, investment execution and post-investment monitoring and escalation process for identified risks.

Pre-Investment Process: Exclusionary Screening and E&S Assessment

The investment process follows a rigorous approach that governs activities from pre-investment through post-investment monitoring, building upon the E&S-related financial impact assessment with additional screening layers:

- **MDB Debarment Lists:** Prohibits investments in issuers appearing on MDB debarment lists, including:
  - AIIB's own Debarment List comprising entities sanctioned for prohibited practices
  - Cross-debarred entities from other major MDBs under the Agreement for Mutual Enforcement of Debarment Decisions (AMEDD)

- **Product-Based Exclusions:**[10] Excludes issuers involved in controversial activities using a 5% revenue and production threshold for activities considered misaligned with the Bank's sustainable development mandate:
  - Weapons manufacturing (conventional weapons or weapon systems)
  - Alcoholic beverages production and/or sale
  - Tobacco products production and/or sale
  - Gambling, casinos and equivalent enterprises
  - Thermal coal extraction, power generation or functionally related projects



Investment Execution and ESG Assessment

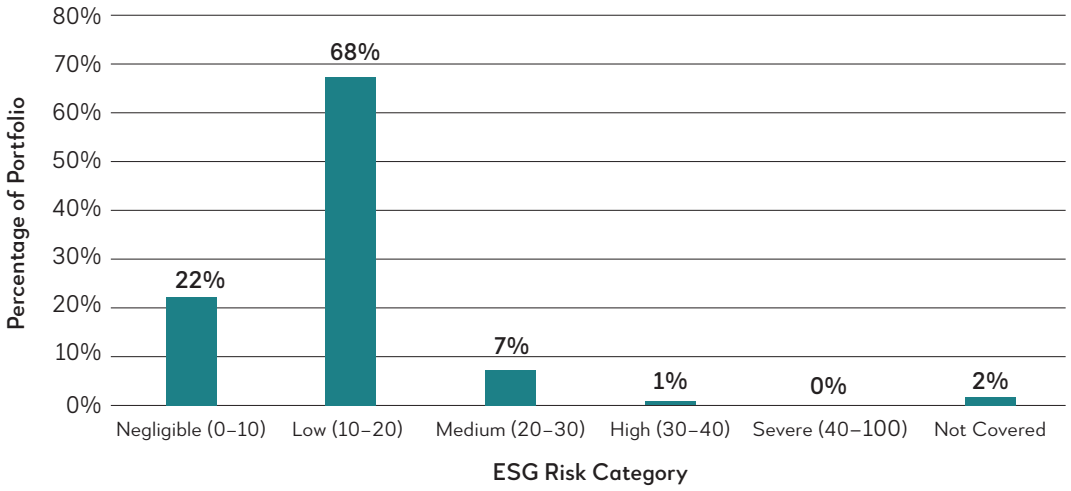
Following negative screening, eligible holdings undergo a comprehensive evaluation that combines fundamental credit analysis with ESG risk scores and controversy screening from third-party data providers. This dual-layered approach ensures investment decisions incorporate both financially material ESG considerations and Treasury's broader sustainability criteria.

Post-Investment Monitoring and Engagement

Post-investment, the framework mandates continuous monitoring of all holdings for financial and non-financial developments, with active issuer engagement prioritized based on ESG risk materiality, holding size and duration. When monitoring identifies deteriorating ESG performance or potential norm violations, a structured escalation process is triggered. This process progresses from initial observation status to placement on an ESG Focus List for material unresolved issues, and ultimately to potential exclusion or divestment if engagement fails to achieve adequate corrective action. By establishing clear practical limits and operational guidance, the framework ensures that Treasury investment decisions consistently reflect the Bank's sustainability commitments while remaining fully aligned with the Bank's foundational ESG risk governance.

[10] The AIIB Treasury ESG Framework incorporates product involvement screening and ESG risk ratings provided by Sustainalytics. While AIIB maintains oversight and engages with issuers regarding potential data gaps or screening anomalies, AIIB does not independently verify third-party data and accepts no responsibility for delays, inaccuracies, or omissions therein.

Figure 4: ESG Risk Score Distribution of Treasury Investment Portfolio
(% by Market Value)



Note: 2% of the Treasury investment portfolio is not rated by Sustainalytics, including cash equivalent products.

Source: Sustainalytics

Responsible Investment

Given the primary objective of the Treasury ESG Framework to provide a robust structure for managing the Bank's operational and reputational risks in relation to ESG factors, AIIB integrates ESG considerations into its investment process by leveraging data and methodologies from Sustainalytics.[11] Sustainalytics' approach[12] aligns closely with Treasury's ESG strategy, which prioritizes the identification and mitigation of ESG risks over maximizing financial returns. By focusing on issuers with lower ESG risk profiles, this partnership ensures that investment decisions are grounded in a rigorous assessment of material sustainability risks, thereby safeguarding the Bank's reputation and operational stability rather than seeking incremental yield through higher-risk exposures.

The portfolio's composition validates the risk-based strategy: **within the covered positions**, 99.2% is allocated to issuers with ESG Risk Ratings from "Negligible" to "Medium," resulting in a weighted-average rating of 13.2 (Low risk). This strong tilt toward issuers with minimal ESG risk is reinforced by the fact that no portfolio position has ever entered the "Severe" risk category (above 40). These outcomes demonstrate that the framework's screening and integration processes avoid material sustainability risks while maintaining liquidity and credit quality.

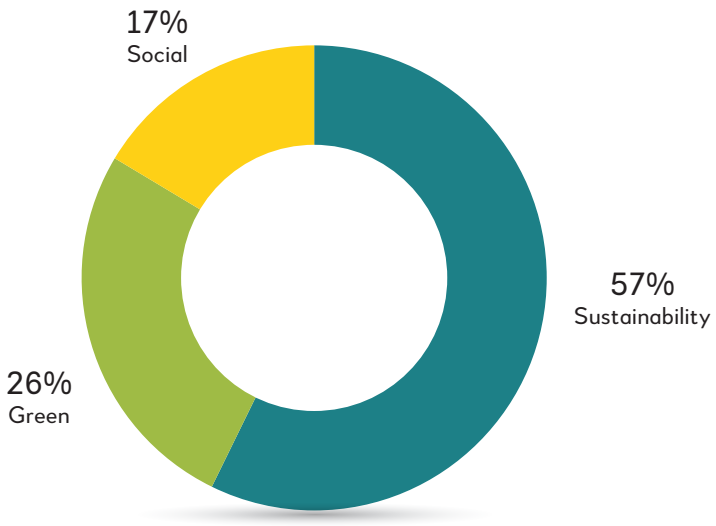
By adhering to these stringent risk parameters, the framework effectively translates its responsible investment objective into tangible portfolio outcomes, thereby safeguarding the Bank's reputation and operational stability.

---

[11] ©(2026) Sustainalytics. All Rights Reserved. The information, data, analyses and opinions contained herein: (1) includes the proprietary information of Sustainalytics and/or its content providers; (2) may not be copied or redistributed except as specifically authorized; (3) do not constitute investment advice nor an endorsement of any product or project; (4) are provided solely for informational purposes; and (5) are not warranted to be complete, accurate or timely. Neither Sustainalytics nor its content providers are responsible for any trading decisions, damages or other losses related to it or its use. The use of the data is subject to conditions available here (https://www.sustainalytics.com/legal-disclaimers).

[12] Sustainalytics methodology is publicly available (https://connect.sustainalytics.com/srw-esg-risk-ratings-methodology).

Figure 5: Sustainable Bonds Composition
(%, by category)



Source: AIIB

Labeled Bond Allocation and ESG Performance
Under a holistic ESG investment approach, the share of the Treasury investment portfolio allocated to labeled bonds stood at approximately 11% as of the end of 2025. This represents meaningful progress in integrating sustainability-focused assets into liquidity management. Sustainable investments currently consist of Green, Social or Sustainability bonds, in line with the principles and guidelines published by the International Capital Market Association. These labeled bond investments are executed within the scope of AIIB's standard liquidity management activities, rather than as a separately managed dedicated portfolio. This approach ensures that sustainability considerations are embedded into core treasury operations.

Figure 5 shows the composition across labeled bond categories.

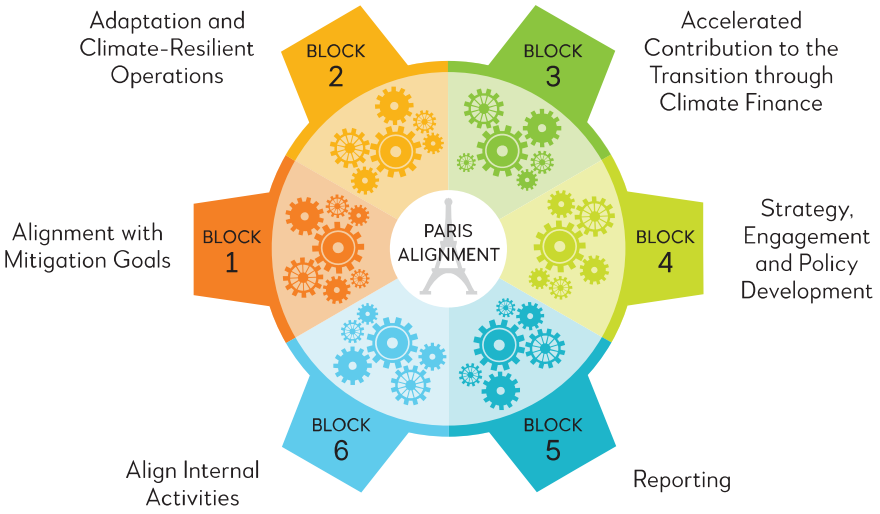
Strong Compliance Track Record
Since the ESG Investment Framework was launched, no position in the portfolio has breached the negative screening process, demonstrating the robustness of pre-investment exclusionary checks and the effectiveness of ongoing monitoring mechanisms in ensuring continuous alignment with the Bank's ESG requirements.

3.6 Climate Transition Plans

3.6.1 Climate Transition for Investment Operations

The Bank's Paris Agreement Alignment (PAA) commitment not only supports the climate transition of clients by financing projects aligned with low-carbon, climate-resilient development pathways, but also progresses the Bank's own journey toward managing its financed emissions.

Figure 6: The Six Core Areas of the Joint MDB Methodological Principles of PAA



Source: MDB Paris Alignment Working Group (2019).

AIIB's PAA approach is guided by the framework developed jointly by the MDBs, details of which can be found in the Joint MDB Methodological Principles for Assessment of PAA.[13] To be considered PA-aligned, an investment operation must be aligned with mitigation goals (Building Block 1 (BB1)) and adaptation and climate-resilient operations (Building Block 2 (BB2)), with AIIB adopting these goals in direct lending operations,[14] intermediated financing,[15] general corporate purpose financing[16] and policy-based lending operations.[17] PA operationalization is throughout the project lifecycle, including at the approval, screening and implementation stages. If a potential project does not meet the PAA criteria, it will not proceed to the next stage of the Bank's review process.

3.6.2 AIIB Internal Operations Transition Plan

In 2021, AIIB established the Institutional Carbon Emission Management (ICEM) Plan as the Bank's primary framework for managing GHG emissions from internal operations and aligning institutional activities with the objectives of the PAA. The ICEM Plan presented a five-year overview of AIIB's institutional GHG management strategy (2021–2025), which prioritized emission tracing, management and information disclosure, as well as decarbonization and offsetting. As part of the ICEM, AIIB has undertaken multiple initiatives to manage its carbon footprint, including:

- Disclosing its emissions associated with internal activities in the annual Carbon Footprint Report;

---

13 Joint MDB Methodological Principles for Assessment of PAA (https://www.aiib.org/en/about-aiib/who-we-are/partnership/_download/alignment-approach-paris-agreement.pdf)

14 Joint MDB Methodological Principles for Assessment of PAA of Direct Investment Lending Operations (https://www.aiib.org/en/news-events/news/2023/pdf/MDB-PA-DL-Principles_final_14.06.2023.pdf)

15 Joint MDB Methodological Principles for Assessment of PAA of Intermediated Financing (https://www.aiib.org/en/news-events/news/2023/pdf/MDB-PA-FI-Principles_final_14.06.2023.pdf)

16 Joint MDB Methodological Principles for Assessment of PAA of General Corporate Purpose Financing (https://www.aiib.org/en/news-events/news/2023/pdf/MDB-PA-GCP-Principles_final_14.06.2023.pdf)

17 Joint MDB Methodological Principles for Assessment of PAA of Policy-based Lending Operations (https://www.aiib.org/en/news-events/news/2023/pdf/MDB-PA-PBL-Principles_final_14.06.2023.pdf)

- Increasing the share of renewable electricity in 2025 by building on the initial adoption of green electricity procurement in 2024, therefore achieving 100% green electricity coverage for headquarters electricity consumption[18] through purchased renewable electricity and on-site rooftop solar PV generation, and finalizing plans to upgrade and expand its rooftop solar PV systems at headquarters, with implementation scheduled to commence in 2026 to increase on-site renewable generation and further strengthen operational sustainability;
- Managing business travel emissions by encouraging the use of videoconferencing and consolidating multiple business missions into single trips, promoting low-carbon commuting, and supporting remote working options;
- Shaping AIIB's Sustainable Event Management Framework for Annual Meetings through the Act Green Together (AGT) initiative, including the framework for measuring carbon emissions, with the 2025 Annual Meeting in Beijing again aligned with ISO 20121 Sustainable Event standards; and
- Purchasing high-quality credits to offset emissions related to facility management and staff travel for 2025.

AIIB has reviewed the initial ICEM plan and will continue to strengthen institutional emissions management in alignment with the Paris Agreement.

The Bank continues to enhance and implement best practices with a view to further improving performance on GHG emissions from its internal operations.

[18] The reporting scope for AIIB headquarters covers Tower A of the Asian Financial Center and remains unchanged from 2024. Further details and the underlying justification for the reporting scope are provided in the 2025 Carbon Footprint Report. (https://www.aiib.org/en/what-we-do/carbon-footprint/overview/index.html)

4

RISK MANAGEMENT

4.1 Risk Management of E&S- and Climate-related Risks

4.1.1 Transaction Level Risk Assessment

E&S- and Climate-related Policy Risk
The Bank's ESF supports the E&S soundness as well as the sustainability of its projects, integrating E&S assessments into every project to ensure they follow AIIB's high environmental and social standards. The ESF includes provisions to identify and address project-level E&S risks in alignment with the infrastructure nature of AIIB project financing. Consequently, through its adoption, key E&S risks — such as those pertaining to health and safety, social inclusion and vulnerable groups, pollution, among others — are carefully assessed, managed, and monitored throughout the project lifecycle to prevent such risks from materializing.

The Environmental and Social Policy (ESP) is an integral part of the ESF, comprising mandatory E&S requirements for projects, and is accompanied by:

- Three associated mandatory Environmental and Social Standards (ESSs) setting out requirements applicable to Bank Clients on E&S Assessment and Management, Land Acquisition and Involuntary Resettlement, and Indigenous Peoples; as well as
- An Environmental and Social Exclusion List (ESEL).

The ESP, together with the ESSs and ESEL, provides a process for E&S screening, categorization and due diligence. The categorization is performed at the outset, classifying projects into four categories — A, B, C and FI — taking into consideration the type, nature, location, sensitivity and scale of the project. Categories A through C reflect a spectrum from projects likely to have significant adverse environmental and social impacts to those with minimal or no adverse impacts, while Category FI applies where financing is provided through a financial intermediary.

The E&S categorization determines the information disclosure, E&S requirements, as well as the level of E&S due diligence that the client must conduct to address project-level E&S risks and impacts. The level of review of the E&S risks and impacts and proposed E&S risk mitigants will be proportional to the E&S risk and impact of the Project. The same applies for FIs, where the Bank delegates the decision-making on the use of the Bank's funds, including monitoring, to the FI, based on the client's E&S Management System.

To enable the Bank to fulfill its E&S due diligence responsibilities, the client is responsible for ensuring that all relevant information is provided to the Bank in a timely manner. At which point, the Bank undertakes the environmental due diligence which includes (i) reviewing the client's E&S assessment and documentation, and (ii) determining the appropriateness of measures to avoid, minimize, mitigate, offset or compensate for adverse E&S risks and impacts. The due diligence informs the Bank's financing decision as well as how the identified risks and impacts will be addressed during the planning and implementation phases of the project.

The Bank monitors the client's environmental and social performance, including E&S Action Plan (ESAP) progress, under the project throughout its implementation. This monitoring is risk-based and comprises reviewing, and monitoring reports furnished by the client, as well as the Bank conducting periodic site visits or reviews. Where issues are identified in regard to the adherence to the Bank's E&S requirements, the Bank will consult with the client on corrective measures to bring the Project back into compliance within a time frame deemed appropriate by the Bank.

The Bank holds itself to high E&S standards and has established a robust governance of internal review and independent complaints handling mechanisms to ensure that E&S risks are managed in accordance with the Bank's ESF. Consequently, the Bank's organizational structure and ESF operate in tandem to ensure that the E&S risks are duly managed to prevent significant E&S risks from materializing at the project level.

In addition, based on the Joint MDB Methodology for PAA, the Bank has developed detailed guidance to ensure that both the objectives of climate mitigation (Building Block 1) and adaptation (Building Block 2) are met. Detailed methodological assessment is documented in Chapter 3 of Assessing the Alignment of AIIB Investment Operations with the Paris Agreement.[19]

Financial Risk Management

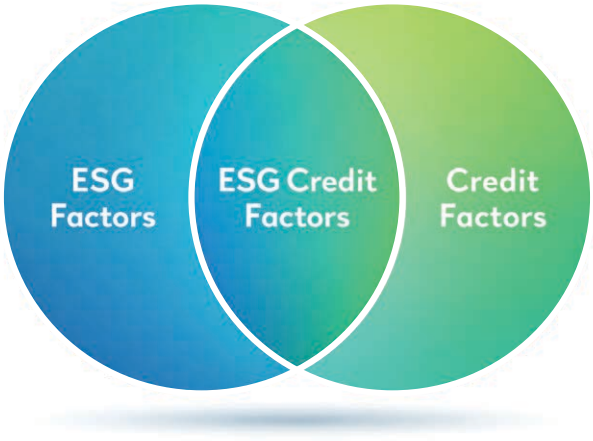
AIIB applies the credit rating scorecards developed by Standard & Poor's (S&P) to rate nonsovereign clients. The S&P scorecard assigns ratings that incorporate explicit ESG criteria, which include a client's susceptibility to both physical and transition climate-related risks. S&P defines ESG credit factors as environmental, social or governance factors that influence an obligor's capacity and willingness to meet its financial commitments. This influence could be reflected through changes in the size and relative stability of an obligor's current or projected revenue base, its operating requirements, profitability or earnings, cash flows or liquidity, or the size and maturity of its financial commitments. Not all ESG factors materially influence creditworthiness; therefore, ESG credit factors used are those that can materially impact the creditworthiness of a rated entity (Figure 7).

4.1.2 E&S- and Climate-related Financial Risk Assessment

Building on the MA (see Section 3.1), AIIB performed a top-down scenario analysis of E&S- and climate-related transition and physical risks at both the Member and industry levels, assessing the sensitivity of AIIB's IO and Treasury investment portfolios to these risks and the resulting incremental financial impact in the form of credit and market risks. This method evaluates aggregated portfolio-level risks using industry-standard scenarios, assuming a static balance sheet, in line with practices among regulators and commercial banks for E&S- and climate-related stress testing.

[19] Assessing the Alignment of AIIB Investment Operations with the Paris Agreement (https://www.aiib.org/en/about-aiib/who-we-are/partnership/_download/Methodology-for-Assessing-the-Alignment-of-AIIB-Investment-Operations-with-the-Paris-Agreemement.pdf)

Figure 7: Intersection between Material ESG and Credit Factors



ESG = Environmental, Social and Governance

Methodology

Environmental-related Financial Risks

Environmental-related financial risk was assessed through separate analyses of environmental physical risk and environmental transition risk. In line with the MA described in Section 3.1.4, scenario analysis was applied only to exposures identified as medium or high risk and meeting the relevant exposure inclusion criteria. Social risk was assessed qualitatively through only the MA and was not included in the scenario analysis.

For the IO sovereign portfolio, only environmental physical risk was assessed in scenario analysis. As described in Section 3.1.3, environmental-related transition risk was not applicable to sovereign exposures. For physical risk, the Bank applied an ECB-referenced severe biodiversity degradation scenario which was translated into Expected Credit Loss (ECL) impacts.

For the IO nonsovereign portfolio, including loans, capital market investments and equity investments, the Bank assessed both environmental physical and transition risks, assessing ECL impacts for amortized-cost exposures and fair value (FV) impacts for fair-value exposures, respectively.

For the Treasury investment portfolio, no exposures met the relevant inclusion criteria for environmental scenario analysis.

The environmental scenarios applied are summarized in Table 9.

Table 9: Summary of the Environmental Scenarios Applied for the Environmental and Social (Financial) Risk Assessment (ESRA)

Risk type	Scenario approach	Scenario description
Environmental Transition Risk	Bespoke industry-based "what-if" scenarios	Bespoke transition-risk scenarios were developed for selected industries and sectors meeting the applicable inclusion criteria. These scenarios reflect potential environmental obligations, such as stricter policies, mitigation, restoration, monitoring and compensation requirements, and were tailored to the Bank's sectoral and geographical footprint.
Environmental Physical Risk	ECB-referenced severe biodiversity degradation scenario (SSP5 × RCP8.5)[a]	Physical risk was assessed using the fossil-fueled development scenario referenced from the ECB's environmental physical-risk framework. This scenario was selected because it represents the most severe biodiversity degradation among the scenarios considered and therefore provides a conservative "what-if" assessment of vulnerability under severe nature degradation.

[a] Please refer to the following ECB article for additional details (https://www.ecb.europa.eu/press/economic-bulletin/articles/2024/html/ecb.ebart202406_02~ae87ac450e.en.html)

Climate-related Financial Risks[20]

- For the IO sovereign portfolio, the Bank's climate-related risk assessment for its sovereign portfolio begins by using the Network for Greening the Financial System (NGFS)[21] climate scenarios to capture both transition and physical risks. The Bank compares the climate-adjusted rating with the baseline rating and applies the differences to the financial impact through ECL calculations. This establishes a forward-looking and robust framework for assessing and managing the potential impacts of climate change on sovereign exposures.
- For the IO nonsovereign portfolio, the Bank starts by conducting an industry-level quantitative assessment of transition risk using NGFS climate scenarios that incorporate decarbonization variables and industry benchmarks. The model stresses the climate impact and produces company rating projections for those in high- and medium-risk industries identified in the Bank's MA. To capture physical climate risk, a sovereign rating overlay is applied to the obligor. The rating change is then translated into a financial impact through ECL.
- For the Treasury investment portfolio, transition risk is assessed using a top-down approach based on instrument type, applying factors from NGFS scenarios through a credit sensitivity analysis to estimate the potential financial impact on FV losses. Physical climate risk is also incorporated in a similar way as the IO nonsovereign portfolio.

[20] For a detailed explanation of the methodology applied to climate-related financial risks, see the 2024 Sustainability Report, as there have been no changes to the methodology since the previous year. (https://www.aiib.org/en/publications/sustainability-reports/2024/_common/pdf/2024-AIIB-Sustainability-Report-Web.pdf).

[21] The NGFS is an alliance of central banks and supervisors, many of which are from markets in which AIIB operates, that focuses on climate-related research and climate scenarios development and map out greenhouse gas emissions to different levels of climate action.

AIIB employs two extreme NGFS scenarios to stress-test the portfolio and assess its sensitivity to climate-related risks, presented below in Table 10.

Table 10: NGFS Climate Scenarios Applied for the Climate-related Financial Risk Assessment

	Scenario 1: Net Zero 2050	Scenario 2: Current Policies
Description	This is part of the NGFS' Orderly Transition scenarios category and aligns with net zero emissions by 2050 limiting the global temperature increase to around 1.5° C above pre-industrial levels by 2050. This scenario is PAA and assumes high climate-related transition risk through immediate, stringent climate policies to limit emissions, and subsequently mild climate-related physical risk.	In the Current Policies scenario, the currently implemented climate policies are preserved, and no new climate policies are introduced, limiting transition risks. Subsequently, net zero is not reached this century, resulting in a global temperature increase of around 2.9° C above pre-industrial levels by 2050, and significant climate-related physical risk.
Key Assumptions	Immediate, swift decarbonization; high carbon tax is introduced to curb emissions; relatively mild physical risk due to lower temperature and fast transition.	CO_2 emissions remain at the current level; no additional carbon price is introduced; the higher average temperature increase introduces irreversible changes like higher sea levels. This results in overall the highest physical risks of any of the NGFS scenarios.
Temperature Target	1.4–1.6° C	2.9° C
Policy Reaction	Immediate	None
Technology Change	Fast Change	Slow Change
CO_2 Removal	Medium-high use	Low use
Regional Policy Variation	Medium variation	Low variation

The short-, medium- and long-term timeframes for the climate scenarios chosen above are aligned with AIIB's risk profile and strategic financial planning horizons, as shown in Table 11 below.

Table 11: Time Horizons for the Climate-related Financial Risk Assessment

Time Frame	Definition	Rationale
Short-term	By 2028	Informs the Bank's capacity to face immediate and short-term risks
Medium-term	By 2032	Informs the Bank's strategic financial planning
Long-term	By 2050	Informs the Bank's capacity to achieve alignment with the Paris Agreement

Scenario Analysis Results

Environmental-related Financial Risks

Overall, the environmental scenario analysis indicates that the estimated financial impact on AIIB's portfolios remains immaterial relative to the Bank's net assets.[22] These results should be read in the context of the methodology adopted. Accordingly, the results are best interpreted as directional indicators of potential vulnerability under severe assumptions for selected in-scope exposures.

IO Sovereign Portfolio

For the IO sovereign portfolio, scenario analysis focused only on environmental physical risk. Under the severe biodiversity degradation scenario, the results indicate more pronounced deterioration in sovereign credit metrics for countries whose economic structures are more concentrated in nature-dependent sectors. This is consistent with the sovereign MA, which identified higher physical risk in a number of countries to which the portfolio is materially exposed. Although the estimated increase in ECL is high in relative change terms, the overall financial effect remains immaterial relative to the Bank's net assets.

IO Nonsovereign Portfolio

For the IO nonsovereign portfolio, environmental transition risk impacts are concentrated in those sectors and exposures identified through MA and meeting the applicable inclusion criteria. The main impact is concentrated in several applicable sectors and exposures rather than across the whole nonsovereign portfolio, with transition-risk impacts generally more evident in projects at construction stage than in operational stage.

For the same portfolio, the physical risk results indicate broader and more pronounced impacts than those under the transition risk scenario. This is primarily because a larger share of exposures is assessed as highly vulnerable to environmental physical risk than to environmental transition risk.

Summary Outcome of the Environmental-related Financial Risk Assessment

The quantitative results for environmental physical risk and environmental transition risk are summarized in Figure 8 and Figure 9, respectively.

Under environmental physical risk, the estimated financial impact is larger than under environmental transition risk. At the aggregate level, the analysis indicates an estimated increase in ECL of approximately USD116.01 million and an estimated fair-value loss of approximately USD116.59 million. These results include an estimated increase in sovereign portfolio ECL of approximately USD44.11 million under the severe biodiversity degradation scenario, together with additional ECL and fair-value impacts across selected nonsovereign exposures. The relatively larger impact under physical risk reflects both the broader analytical coverage of the scenario, encompassing sovereign and nonsovereign portfolios, and the greater sensitivity of affected exposures to nature-related physical risk drivers.

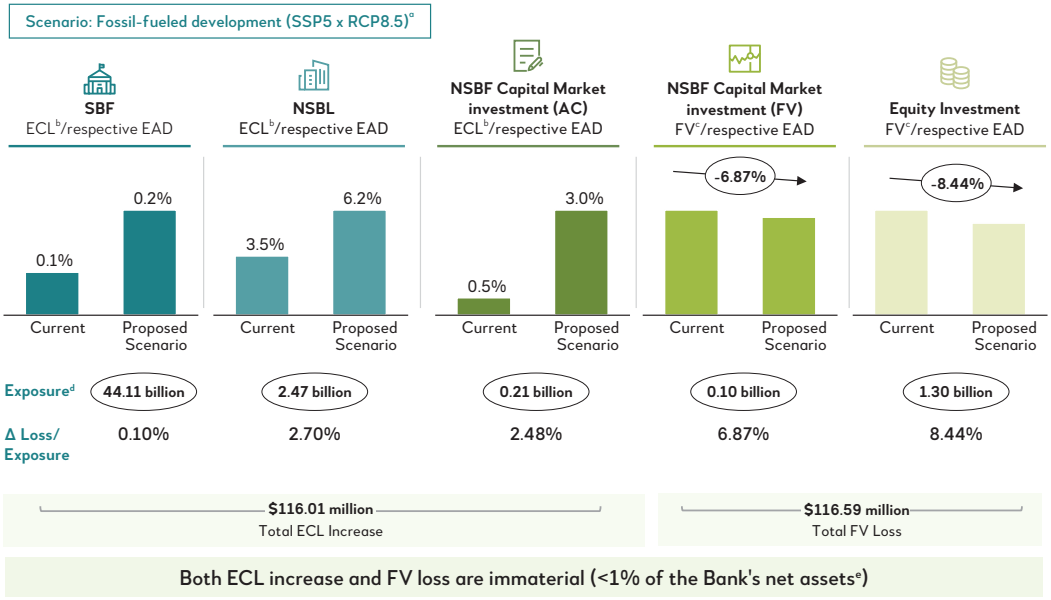
Under environmental transition risk, the estimated financial impact is concentrated in applicable in-scope nonsovereign sectors. At an aggregate level, the analysis indicates an estimated increase in ECL of approximately USD22.95[23] million for amortized-cost exposures and an estimated fair

---

[22] Please refer to the total Members' equity provided in the AIIB Auditor's Report and Financial Statements for the Year Ended Dec. 31, 2025 (https://www.aiib.org/en/about-aiib/financial-statements/.content/index/pdf/AIIB-Financial-Statements-2025-Final.pdf)

[23] Please note that the portfolios under scope of the environmental physical risk and the environmental transition risk are different, hence the relatively higher ECL charge of 0.92% corresponding to USD22.95 million, compared to the 0.25% charge associated with USD116.01 million. For more details, see also Figure 8 and Figure 9.

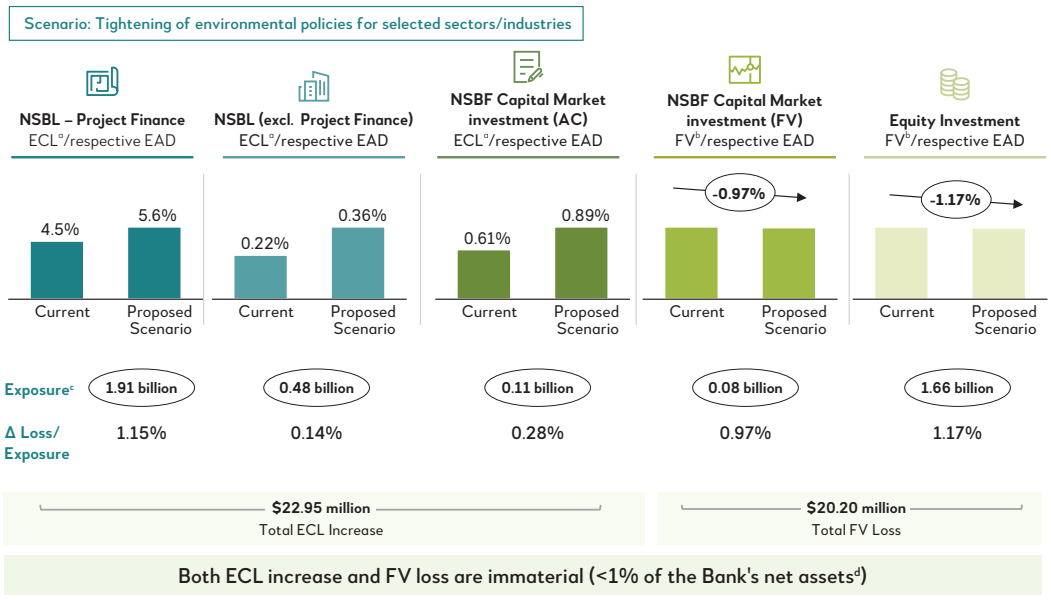
Figure 8: Summary Outcome of the Environmental and Social (Financial) Risk Assessment (ESRA) on AIIB's Investment Operations Portfolios – Physical Risk



Notes: AC = amortized cost, EAD = Exposure at Default, ECL = Expected Credit Loss, FV = Fair Value, NSBF = Nonsovereign-Backed Financing, NSBL = Nonsovereign-Backed Loans, SSP5 x RCP8.5 = Shared Socioeconomic Pathway 5 paired with Representative Concentration Pathway 8.5.

[a] The fossil-fueled development scenario (SSP5 × RCP8.5), referenced from the ECB's environmental physical-risk framework was used.
[b] ECL is used to measure potential loss for AC-based investments; an increase in ECL represents increased loss against the baseline of Dec. 31, 2025.
[c] FV is used to measure the gain or loss for FV-based investments; thus, a decrease in FV represents increased loss against the baseline of Dec. 31, 2025.
[d] For the IO portfolio, relevant committed exposure; for the Treasury investment portfolio, notional amount for AC investments and market value for FV investments, in each case as of Dec. 31, 2025.
[e] Please refer to AIIB's total Members' equity presented in the financial statements as of Dec. 31, 2025.

Figure 9: Summary Outcome of the Environmental and Social (Financial) Risk Assessment (ESRA) on AIIB's Investment Operations Portfolios – Transition Risk



Notes: AC = amortized cost, EAD = Exposure at Default, ECL = Expected Credit Loss, FV = Fair Value, NSBF = Nonsovereign-Backed Financing, NSBL = Nonsovereign-Backed Loans.

[a] ECL is used to measure potential loss for AC-based investments; an increase in ECL represents increased loss against the baseline of Dec. 31, 2025.
[b] FV is used to measure the gain or loss for FV-based investments; thus, a decrease in FV represents increased loss against the baseline of Dec. 31, 2025.
[c] For the IO portfolio, relevant committed exposure; for the Treasury investment portfolio, notional amount for AC investments and market value for FV investments, in each case as of Dec. 31, 2025.
[d] Please refer to AIIB's total Members' equity presented in the financial statements as of Dec. 31, 2025.

value loss of approximately USD20.20 million for relevant fair-value exposures. The largest ECL effect arises in nonsovereign project finance portfolio, while the largest fair-value effect arises in equity investments.

Climate-related Financial Risks

IO Sovereign Portfolio
The climate risk impact is crystallized into a maximum one-notch sovereign rating downgrade for both climate-stressed scenarios. Under the Current Policies scenario, 33.99% of AIIB's sovereign portfolio will suffer a one-notch credit rating downgrade by 2050 compared with just 11.22% of the sovereign portfolio under the Net Zero 2050 scenario. The rating downgrades only manifested from 2035 to 2040 onwards for both scenarios due to the delayed physical climate impacts.

- The impact of transition risks under both scenarios is immaterial. Under the Net Zero 2050 scenario, the negative impact on demand from higher carbon prices and consequent energy costs is partially offset as governments boost their revenues through carbon taxes. Over the longer term, the cost savings from decarbonization (e.g., lower energy prices) would more than offset the initial short-term negative impact from the transition risks.
- The analysis reveals that while some countries face medium to high physical risks due to their vulnerability and potential financial losses from climate events, these risks do not automatically result in sovereign rating downgrades because government responses can vary across scenarios. Under the Current Policies scenario, rising CO_2 emissions without additional carbon pricing led to more severe long-term economic impacts on sovereigns from climate-driven catastrophes and higher ECL. In contrast, the Net Zero 2050 scenario, which assumes rapid decarbonization and strong carbon pricing, results in milder physical risk impacts and lower financial effects on sovereign credit metrics.

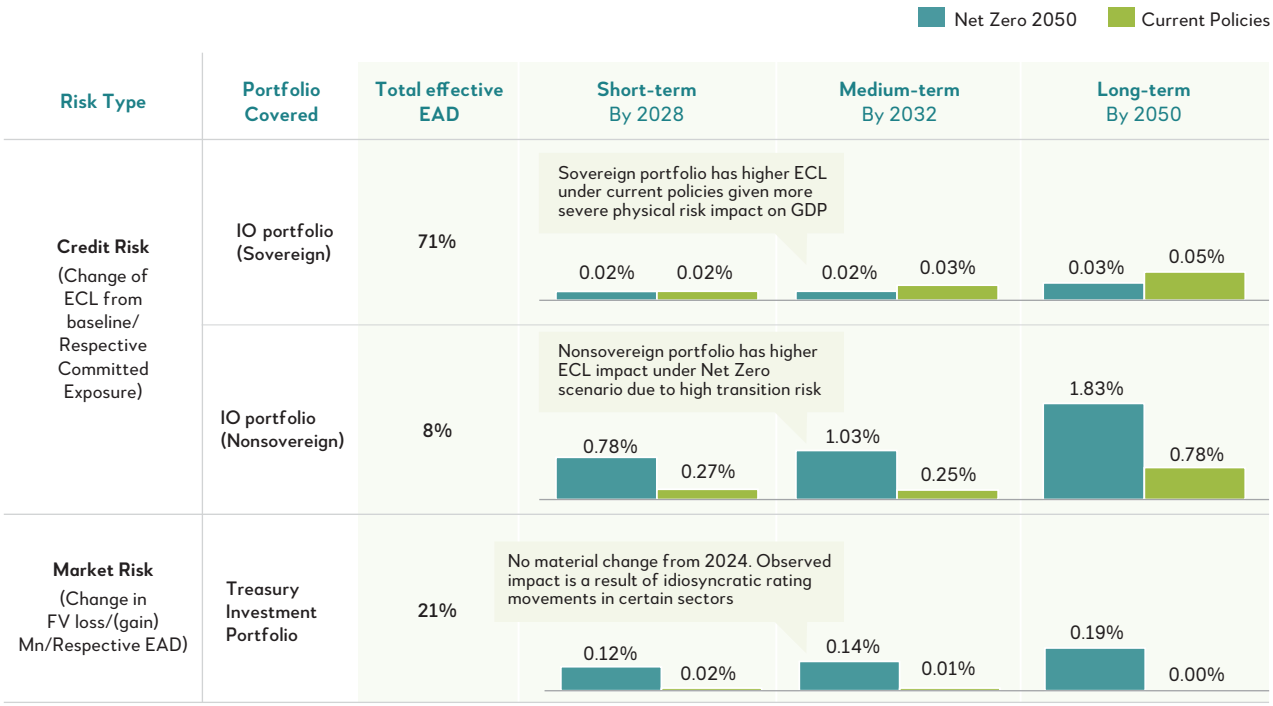
IO Nonsovereign Portfolio
Nonsovereign investments are more negatively impacted under the Net Zero 2050 scenario compared to the Current Policies scenario. AIIB has identified high and medium transition risk industries in the nonsovereign IO portfolio. Modelling results indicate that, under the Net Zero 2050 scenario, these industries could experience credit deterioration, particularly toward the end of the scenario timeframe. This significant increase is driven by a rapid transition to a low-carbon economy, heavily influenced by government policies and transformative narratives. Emissions-intensive industries are particularly vulnerable, as their high emission profiles and limited ability to pass through costs expose them to higher carbon taxes, requiring substantial investments in abatement measures.

Treasury Investment Portfolio
For the Treasury investment portfolio, most of the bond issuers are either financial institutions (FIs) or sovereigns, supranationals and government agencies. The FIs industry transition risk is the main driver of estimated climate impacts on FV loss.

Summary Outcome of the Climate-related Financial Risk Assessment
Under both the Net Zero 2050 and Current Policies scenarios, the climate impact on AIIB's portfolios (as measured by ECL or FV loss, respectively) is not expected to be material when benchmarked against 1% of the Bank's total net assets (or available capital), across both sovereign and nonsovereign investments in the IO portfolio, as well as in the Treasury investment portfolio. The detailed results under the two scenarios are as follows (see also Figure 10):

- Under the Net Zero 2050 scenario, the financial impact above baseline at the end of the scenario analysis period (2050) as measured by ECL for the sovereign IO portfolio is estimated to be USD12 million (0.03%), and USD95 million (1.83%) for the nonsovereign IO portfolio (as of Dec. 31, 2025). The nonsovereign portfolio has a higher ECL impact under the Net Zero scenario due to higher transition risk. The Treasury investment portfolio is estimated to experience climate-driven market risks, resulting in USD25 million (0.19%) FV loss.
- Under the Current Policies scenario, the ECL for the sovereign IO portfolio in 2050 is expected to be USD21 million (0.05%) above the baseline ECL (as of Dec. 31, 2025), while for the nonsovereign IO portfolio, the ECL increase is USD40 million (0.78%) over the same period above the baseline. The sovereign portfolio has a higher ECL increase under the Current Policies scenario, due to more severe physical risk impacts resulting from a delayed climate transition. On the other hand, for the Treasury investment portfolio, the climate impacts under the Current Policies scenario are USD1 million (0.003%) due to the portfolio's limited exposure to countries with high and medium climate risks.

Figure 10: Summary Outcome of the Climate-related Financial Risk Assessment (CRA) on AIIB's Investment Operations and Treasury Investment Portfolios (by Risk Type and Time Horizon)[a]



EAD = Exposure at Default, ECL = Expected Credit Loss, FV = Fair Value, GDP = Gross Domestic Product, IO = Investment Operations

[a] The baseline exposure measure for the Credit Risk type has been updated in the current fiscal year to committed exposure from the previous net signed amount, in line with AIIB's other reporting practices. Despite there being no material change, the results are not directly comparable to last year's report.

Notes: 1. The effective EAD for IO portfolio excludes Equities (Equity Fund and Private Equity), exposure that is measured in Fair Value, which is out of scope for ECL calculation; 2. The EAD in scope for treasury book excludes Derivatives; The effective EAD further excludes instruments measured in Amortized Cost: Bond, Term Deposit, Cash and Money Market Funds, which is out of scope for FV loss calculation. The effective EAD for Treasury investment portfolio includes all instruments measured in Fair Value. The classification is based on AIIB's own tagging. 3. EAD for IO portfolio is based on Committed Exposure; EAD for bond, cash, term deposits, money market fund is proxied with notional amount.

4.2 Integration into the Risk Management Process

AIIB views E&S- and climate-related risks as reflected in existing financial risks — particularly credit risk — and manages them within the current risk management framework. In this context, specific E&S- and climate-related considerations have been adopted in the internal risk management processes:

- Since Q3 2024, ECL provisioning incorporates climate-related considerations by quantifying climate risk as an additional shock in the downside scenarios for countries vulnerable to climate change.
- S&P scorecards for all nonsovereign-backed financing obligors, which are used to evaluate creditworthiness at the obligor level, explicitly include credit-related ESG factors.

4.3 Capturing Climate-related Opportunities through AIIB's Project Cycle

Building on the climate-related opportunities set out in Section 3.3, this section describes how AIIB operationalizes these opportunities through its project cycle.

Climate considerations are incorporated into the Bank's business development and decision-making process. As illustrated in Figure 11, the key stages and actions throughout the project cycle are designed to capture and maximize sustainability and climate opportunities while simultaneously identifying and mitigating climate risks.

In practice, AIIB manages climate-related opportunities through (i) upstream client engagement and platform to identify investable themes aligned with Member plans; (ii) systematic project-cycle screening and assessment (including climate finance potential assessment, PAA assessment and physical climate risk considerations) to shape project design; and (iii) the use of partnerships and instruments to mobilize additional financing, including co-financing approaches and structures that support replication and scale.

Figure 11: Climate Considerations within AIIB's Project Lifecycle

Pre-screening stage

1. Investment teams are proactively seeking climate investment opportunities in discussion with clients, including SBF and NSBF

Screening stage

1. Climate Finance (CF) potential assessment
2. Paris Alignment (PA) assessment
3. Physical climate risks initial assessment

Appraisal and Board approval stage

1. All PA alignment and climate finance documentation needs to be complete
2. Responses required to be prepared for Board Q&A session related to PA and Climate Finance
3. Necessary legal documentation should include PA and CF covenants/conditions

Concept stage

1. Main due diligence assessments under way, including GHG calculations, climate risk assessments, and assessments against national climate policies
2. CF numbers estimated and confirmed
3. Clients' existing system and processes reviewed against AIIB PA requirements

Notes: AIIB = Asian Infrastructure Investment Bank, GHG = greenhouse gas, NSBF = Nonsovereign-Backed Financing, PA = Paris Agreement, Q&A = question and answer, SBF = Sovereign-Backed Financing.

Source: AIIB

5

METRICS AND TARGETS

The following sections cover the metrics and targets that AIIB has implemented to manage GHG emissions associated with its operations and investment activities.

Table 12: Summary of Greenhouse Gas (GHG) Emissions

Absolute greenhouse gas (GHG) emissions [tCO_2e]	**2024**	**2025**	**Section**
Scope 1	143	142	Refer to Section 5.1
Scope 2 (location-based)	7,394	7,404	Refer to Section 5.1
Scope 3	1,410,931	2,303,002	Refer to Sections 5.1 and 5.2
Total (location-based)	**1,418,468**	**2,310,548**	

5.1 Institutional Emissions (Own Operations and Value Chain)

This section outlines the metrics that AIIB employs to manage GHG emissions associated with the Bank's own internal activities. In 2025, the reporting boundary, scope and methodologies remained consistent with those of the prior year.

AIIB takes responsibility for understanding and managing its carbon footprint. The Bank has set a clear objective to align its internal operations with the goals of the Paris Agreement. As disclosed in AIIB's Carbon Footprint Reports, GHG emissions arising from the Bank's internal operations are identified and categorized in accordance with ISO 14064-1:2018, a standard that is generally consistent with and compatible with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004).

- Scope 1 (direct) GHG emissions comprise emissions from sources that are owned or controlled by AIIB. These include direct emissions from the on-site combustion of fuels (such as emergency generators), fuel use in company-controlled vehicles, and fugitive emissions resulting from the leakage of refrigerants and other gases from air-conditioning systems, refrigerators, fire-suppression equipment and septic systems.

- Scope 2 (indirect) GHG emissions consist of indirect emissions from the generation of purchased energy consumed by AIIB. This includes electricity purchased from the grid and renewable sources, as well as municipally supplied heating, cooling and hot water. The Bank follows a location-based approach to report Scope 2 emissions. In addition, market-based Scope 2 emissions are calculated to monitor the impact of increased renewable electricity usage.
- Scope 3 (other indirect) GHG emissions include upstream emissions that occur as a consequence of AIIB's activities but arise from sources not owned or controlled by the Bank. For AIIB, emissions associated with business travel (including air, rail and accommodation), staff commuting, purchased goods and services (including selected items from corporate procurement, tap water and purchased energy-related activities), and waste management, are selected to be reported within the scope of institutional emissions.

Table 13 summarizes AIIB's own institutional emissions for 2025, covering Scope 1 and Scope 2, as well as Scope 3 emissions related to internal activities.

Table 13: Summary of Own Operations GHG Emissions Data[a]

Absolute GHG emissions in tCO_2e	2024	2025
Total Scope 1	143	142
Total Scope 2 – location-based method	7,394	7,404
Total Scope 2 – market-based method	3,445	2,687
Total Scope 3 – own operations emissions	11,756	14,177
Total own operations emissions: Scopes 1, 2 and 3 – location-based method	19,293	21,723
Total own operations emissions: Scopes 1, 2 and 3 – market-based method	15,344	17,006

[a] For further information, please refer to the AIIB Carbon Footprint Report (https://www.aiib.org/en/what-we-do/carbon-footprint/overview/index.html), in particular Chapter 4 and subsequent sections, which provide detailed methodologies, data sources and calculations supporting the institutional greenhouse gas emissions disclosures presented in this table.

In 2025, the Bank's total operational emissions amounted to 21,723 tCO_2e under the location-based method and 17,006 tCO_2e under the market-based method.

Scope 1 emissions and location-based Scope 2 emissions remained relatively stable compared to 2024, with fluctuations of less than 1%.

Market-based Scope 2 emissions decreased by 22% from 2024, reflecting the Bank's increased procurement of renewable electricity for its Beijing headquarters, which rose from 90% to 100%.

Scope 3 emissions increased by 21%, with variations across individual emissions categories. The significant increases were observed in procurement-related emissions and business travel emissions, driven by increased business and services demand during the reporting period. Furthermore, the Scope 3 emissions of 2024 were restated as the relevant data sources were updated in the calculation of business travel.

5.2 Financed Emissions (Scope 3, Category 15)

5.2.1 Financed Emissions of Investment Operations

AIIB's financed emissions represent its Scope 3 Category 15 emissions, capturing the share of GHG emissions attributable to its loan and investment portfolio. In line with the Partnership for Carbon Accounting Financials (PCAF) methodology, emissions are allocated based on AIIB's exposure relative to each counterparty's total value or other relevant attribution factors. Due to ongoing data and methodological limitations, the current reporting boundary covers Scope 1 and Scope 2 emissions from AIIB's investments. For 2025, AIIB refined the application of this boundary to improve consistency across reported projects, resulting in the exclusion of certain upstream emissions that had been included in the prior year. The Bank expects this approach to enhance the consistency and comparability of future disclosures.

This analysis reflects AIIB's outstanding portfolio as of the end of 2025, excluding projects under the Crisis Recovery Facility (CRF), which was a one-off financing measure introduced during the COVID-19 pandemic. Therefore, despite accounting for approximately 45% of AIIB's total exposure, CRF projects are excluded from this financed emissions assessment to better represent the Bank's regular operations and to support future data comparability.

Methodologies and Data Sources
The Bank's loan and investment portfolio aligns with the following three asset classes:

- **Project Finance.** Emissions are calculated using primary physical activity data derived from the project design. For instance, emission estimates of projects in the Independent Power & Renewable Electricity Producers sector typically consider the electricity generation capacity of the project, whereas projects in Oil, Gas & Consumable Fuels consider the total volume of fuel storage to estimate methane leakage emissions.
- **Sovereign Loans.** Emissions are determined using sovereign production emissions (excluding Land Use, Land-Use Change and Forestry) validated by the PCAF, combined with the latest available gross domestic product based on purchasing power parity (GDP PPP).
- **Corporate Loans, Bonds, Funds and Equity.** For corporate loans, bonds, funds and equity investments, the most recent emissions reported at the investee or issuer level are attributed to AIIB based on the ratio between AIIB's outstanding funded amount and the value of the financed company.

Based on these approaches and the mix of reported versus proxy data, the overall PCAF data quality score for AIIB's 2025 financed emissions is 2.2, indicating moderate reliance on proxy data in certain asset classes.

Results
Due to the methodological refinements outlined above, certain figures in the 2025 data are not directly comparable with those reported for 2024. The emissions also reflect a significant increase in the percentage of the portfolio for which financed emissions are reported (53% in 2025 vs 27% in 2024).

Table 14 provides a detailed breakdown of the outstanding amounts in each asset class and industry segment, the portion of the portfolio for which AIIB calculates financed emissions and the resulting emissions (in tCO_2e). AIIB's calculated financed emissions for 2025 amount to 1,628,687 tCO_2e, based on an almost doubling of coverage to 53% of the non-CRF outstanding portfolio of USD17.79 billion (compared with a total of 724,063 tCO_2e GHG emissions from the

27% of the USD13.50 billion portfolio included in 2024). The increase in coverage reflects improved data availability and methodological refinements, allowing for a more comprehensive representation of the Bank's portfolio. Details for each portfolio are described below within these asset classes:

Project Finance

- Project Finance remains the dominant source of financed emissions in AIIB's portfolio, with total emissions of approximately 886,379 tCO_2e for 42% of the portfolio covered. This reflects a significant increase in coverage from 2024, with 14% coverage and 409,485 tCO_2e emissions.
- Emissions are highly concentrated in a few sectors, led by Independent Power & Renewable Electricity Producers, which accounts for most emissions, followed by Transport Infrastructure, Commercial Services, and Water Utilities. The Oil, Gas & Consumable Fuels portfolio's emissions decreased significantly (down 90%), despite an expanded portfolio coverage, due to the methodological change which has resulted in Scope 3 emissions being excluded from the calculation. By contrast, several sectors with meaningful exposure (e.g., Electric Utilities, Telecommunications) report negligible emissions, reflecting their low carbon intensity. The portfolio's emissions concentration reinforces the importance of targeted engagement in high-emitting, transition-critical sectors.

Sovereign Loans

- Sovereign loans contribute significantly to financed emissions, accounting for 42% of AIIB's total calculated emissions. This is primarily due to the relatively high emissions intensity of the sovereigns funded, which is reflected in the applied PCAF methodology. A proportion of the country's total emissions is reflected in AIIB's financed emissions based on the Bank's financial exposure and the GDP in PPP of the country.

Corporate Loans, Bonds, Funds and Equities

- AIIB's corporate investments contribute a relatively smaller share of total financed emissions, as a substantial portion of these exposures is directed toward lower-emitting sectors, resulting in significantly lower carbon intensity compared to more carbon-intensive industries. In addition, for fund investments, limited availability of underlying investee-level emissions data limits robust estimation. The increase in carbon intensity of this portfolio compared to 2024 reflects the more diversified investments covered by the expanded portfolio coverage.

Avoided Emissions[24]

AIIB discloses an ex-ante estimate of the greenhouse gas emissions that its energy projects will avoid, based on the International Financial Institution Framework for a Harmonized Approach to Greenhouse Gas Accounting.

AIIB's renewable energy projects, combined with various infrastructure modernization measures that generate energy savings, again added to the total avoided GHG emissions of AIIB's energy portfolio, which now stands at 35.13 million tCO_2e per year.

Continuous Improvement

AIIB acknowledges that GHG accounting methodologies and data availability continue to evolve. Therefore, it continues to refine the scope, accuracy, and comprehensiveness of its financed emissions reporting for its investment operations. The Bank aims to provide transparent and robust disclosure of the climate impact associated with its portfolio.

---

[24] For more details on avoided emissions, see also AIIB's Sustainable Development Bonds Impact Reports (https://www.aiib.org/en/news-events/impact-reports/sustainability-bond-impact/overview/index.html)

Table 14: Financed Emissions for AIIB's Investment Operations in 2025

PCAF asset class and GICS (sub-)industry[a]	Outstanding Amount[b] [USD million]		Outstanding Amount for which financed emissions are calculated [USD million]		Share of Outstanding Amount for which financed emissions are calculated [Percentage]		Scope 1 + 2 financed emissions [tCO_2e]		Share of total financed emissions [Percentage]		Carbon Intensity [tCO_2e/USD million invested]	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
Project Finance	**8,920**	**11,080**	**1,084**	**4,698**	**12%**	**42%**	**409,485**	**886,379**	**57%**	**54%**	**378**	**189**
Transportation Infrastructure	3,113	4,241	38	1,542	1%	36%	22,474	87,399	3%	5%	585	57
Independent Power & Renewable Electricity Producers	855	1,416	183	833	21%	59%	126,847	741,984	18%	46%	693	891
Oil, Gas & Consumable Fuels	1,391	1,265	863	1,265	62%	100%	260,164	26,475	36%	2%	302	21
Other industries	3,561	4,159	-	1,058	0%	25%	-	30,521	0%	2%	-	29
Sovereign Loans	**1,515**	**2,707**	**1,515**	**2,707**	**100%**	**100%**	**306,000**	**689,360**	**42%**	**42%**	**202**	**255**
Corporate Loans, Bonds, Funds and Equities	**3,065**	**4,001**	**986**	**2,082**	**32%**	**52%**	**8,578**	**52,948**	**1%**	**3%**	**9**	**25**
Total	**13,500**	**17,788**	**3,586**	**9,487**	**27%**	**53%**	**724,063**	**1,628,687**	**100%**	**100%**	**202**	**172**

Notes: GICS = Global Industry Classification Standard, PCAF = Partnership for Carbon Accounting Financials, tCO_2e = metric tons of carbon dioxide equivalent, USD = US Dollar

[a] The calculation methodology has been refined to achieve closer alignment with the PCAF standards. As a result, certain figures are not directly comparable with those reported for 2024. The updated approach focuses strictly on Scope 1 and Scope 2 emissions of AIIB's investments, with upstream Scope 3 emissions excluded from the calculation. This refinement particularly affects results for the Oil, Gas & Consumable Fuels industry and may result in lower emissions despite expanded coverage. Given ongoing data availability and methodological limitations for Scope 3, the Bank expects this approach to enhance the consistency and comparability of future disclosures.

[b] Outstanding amounts are assessed in accordance with the PCAF methodology and may therefore differ from amounts reported in the financial statements. Investments in COVID-19 Crisis Recovery Facilities are excluded from this analysis.

5.2.2 Financed Emissions of Treasury Investment Portfolio

The Treasury investment portfolio is a key contributor to the Bank's overall Scope 3 greenhouse gas emissions. Given its current proportional size relative to the lending portfolio, reporting financed emissions from this portfolio has been a critical part of AIIB's disclosure since 2024, providing information that is essential to investors.

The Treasury investment portfolio primarily serves the Bank's day-to-day liquidity needs and consists mainly of bonds from sovereign and nonsovereign issuers. A comprehensive ESG Investment Framework (see Section 3.5) has been adopted, integrating climate risk into daily trading decisions by incorporating environmental factors as a key element of ESG performance assessment. The framework excludes investments where more than 5% of annual turnover is derived from thermal coal mining, coal-fired power and heating plants, or projects functionally related to coal — defined as facilities dedicated to coal mining and use, or projects that would not be viable without a dedicated coal-based power supply.

Financed emissions are calculated in accordance with the *Global GHG Accounting and Reporting Standard for the Financial Industry* published by PCAF. Only held-to-maturity instruments with a tenor exceeding one year fall within the scope of GHG emissions calculations for the Treasury investment portfolio. In the interest of transparency and to ensure comprehensive coverage of GHG emissions, AIIB includes use-of-proceeds structured bonds (such as green bonds and sustainability-linked bonds) by treating them as straight bonds, and sub-sovereign debt, by applying sovereign debt as a proxy — rather than excluding these asset classes from the calculation.

AIIB collects the latest GHG emissions data from both public sources and third-party data providers, applying a waterfall approach to select input data based on the data quality hierarchy defined in the PCAF guidance.

Table 15 presents AIIB's financed emissions associated with sovereign and nonsovereign investments. The Treasury investment portfolio is managed under a strict credit risk framework that ensures no direct exposure to high-emission sectors. As such, disaggregating financed emissions by industry would not yield materially different insights beyond the distinction between sovereign and nonsovereign exposures. Presenting emissions data at this aggregated level provides a clear and decision-useful view of the portfolio's climate impact while maintaining consistency with the portfolio's underlying risk characteristics.

The data indicates that the majority of financed emissions originate from sovereign bond holdings, largely attributable to the specific methodology applied for calculating sovereign-related financed emissions. Compared to the previous financial year, coverage of in-scope financed emissions was enhanced to 99% (94% in 2024), while the calculation methodology was further refined. As a result, total financed emissions decreased by approximately 2% to 660,138 tCO_2e, with overall data quality remaining unchanged. This reduction reflects improved calculation accuracy, driven by the transition from proxy-based estimates to more granular, company-specific information.

Table 15: AIIB's Financed Emissions from Treasury Investment Portfolio as of Dec. 31, 2025[a]

	Sovereign investments		Nonsovereign investments[b]		Total	
	2024	2025	2024	2025	2024	2025
Gross exposure [USD million]	3,267	3,472	5,088	4,753	8,355	8,224
Gross exposure covered by GHG emissions [USD million]	3,267	3,472	4,568	4,635	7,835	8,106
Exposure covered by GHG emissions calculation [Percentage]	100%	100%	90%	98%	94%	99%
Absolute GHG emissions [tCO_2e]	673,961	658,887	1,151	1,251	675,112	660,138
GHG emissions intensity per exposure [tCO_2e/USD million]	206.3	189.8	0.3	0.3	86.2	81.4
Average PCAF data quality score [Number][c]	2.0	2.0	3.2	3.1	2.7	2.7

Notes: GHG = greenhouse gas, PCAF = Partnership for Carbon Accounting Financials, tCO_2e = metric tons of carbon dioxide equivalent, USD = US Dollar

[a] Holding value analysis date is as of Dec. 31, 2025. The emission effective date, on which emissions and Enterprise Value Including Cash data is reported and provisioned by the third-party data provider is Mar. 13, 2026.
[b] Only Scope 1 and Scope 2 emissions are included due to data quality challenges on Scope 3 for nonsovereign issuers.
[c] The average PCAF data quality score for the whole portfolio corresponds to the notional weighted average of the investments type above.

5.3 Carbon Price

To account for the externality cost of GHG emissions, a shadow carbon price is used in the economic analysis of projects. AIIB's guidelines require such analysis be conducted for all SBF and those NSBF with large climate externalities (defined as a NSBF project with gross GHG emissions exceeding 100,000 tCO_2e per year). AIIB IO project teams are advised to apply the principles and values established in the 2017 Report of the High-Level Commission on Carbon Prices[25] (co-chaired by economists Nicholas Stern and Joseph Stiglitz), a common practice among MDBs. Keeping abreast of advancements in carbon pricing research, AIIB periodically refines its methodology to better measure its carbon footprint and the impact of its projects.

[25] Report of the High-Level Commission on Carbon Pricing. 2017. IBRD/World Bank. https://www.uncclearn.org/wp-content/uploads/library/carbonpricing_fullreport.pdf

6

LOOKING FORWARD

AIIB remains dedicated to refining the presentation of its sustainability and climate-related financial information by actively monitoring the evolving global reporting landscape. This proactive approach ensures the Bank can progressively introduce material disclosures while simultaneously strengthening internal controls to potentially seek limited assurance in the future reporting cycles.

Sustainability underpins the operations of the Asian Infrastructure Investment Bank (AIIB). AIIB has taken steps to embed sustainability in its decision-making processes at every level. The 2025 AIIB Sustainability Report forms an integral part of the Bank's general purpose financial reporting. It complements the Bank's financial statements by providing general sustainability and climate-related financial disclosures prepared by voluntarily applying the ISSB Standards. Through this approach, the Sustainability Report strengthens the connectivity between sustainability and financial reporting.

ASIAN INFRASTRUCTURE INVESTMENT BANK

AIIB Headquarters, Tower A, Asia Financial Center
No. 1 Tianchen East Road, Chaoyang District, Beijing 100101, China

Tel: +86-10-8358-0000 | srsc_secretariat@aiib.org