AIIB’S COMMITMENT TO SUSTAINABLE GROWTH

Elements and Objectives of the Environmental and Social Framework (ESF)

Elements of the ESF

• Vision
• Environment and Social Policy (ESP)
• Environmental and Social Standards (ESS)
• Environmental and Social Exclusion List (ESEL)

Objectives of the ESF

• Provide a robust structure for managing operational and reputational risks of the bank and its shareholders in relation to project environmental and social risks and impacts.
• Ensure the environmental and social soundness and sustainability of projects.
• Support integration of environmental and social aspects of projects into the decision-making process by all parties.
• Provide a mechanism for addressing environmental and social risks and impacts in project identification, preparation and implementation.
• Enable Clients to identify and manage environmental and social risks and impacts of projects, including those of climate change.
• Provide a framework for public consultation and disclosure of environmental and social information in relation to projects.
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Environmental and Social Framework (ESF) at the core of the organization

- Each proposed investment project is screened based on its potential Environmental and Social (ES) risks and impacts.
- Each proposed investment project requires an ES Impact Assessment, or related type of study, which identifies actions to avoid, minimize, mitigate and/or offset ES impacts.
- Mandatory requirements apply to investment projects as set out in the Environmental and Social Standards (ESS).
- AIIB supports Clients in the development of an Environmental and Social Management Plan (ESMP) or similar document for effective implementation of management and monitoring measures under investment projects.
- As part of project preparation and implementation, provisions are included for disclosure of information and consultation on ES aspects.
- Every investment project is required to have a Grievance Redress Mechanism accessible to project affected people and workers.
- Regular monitoring and reporting is required of the Client on implementation of ES measures agreed with the bank under the investment project.
- AIIB conducts comprehensive field-based reviews of investment projects to monitor compliance with the provisions of the ESMP and Environmental and Social Exclusion List (ESEL).

The Bank recognizes that environmental and social sustainability is a fundamental aspect of achieving outcomes consistent with its mandate.
SUSTAINABLE CAPITAL MARKETS INITIATIVE UNDER AIIB FINANCINGS

Applying the ESF to capital market projects for increased private capital mobilization and promotion of sustainable infrastructure as an asset class

**Four-Step ESG Integration Process for Investment Operations Portfolios**

**Pre-investment**

*Step One: Exclusionary screening* consistent with the ESEL.

*Step Two: ESG assessment* based on ESG score* and controversies screening in line with the vision of the ESF.

**Post-investment**

*Step Three: Engagement with issuers* on ESG issues.

*Step Four: Monitoring, reporting and engagement* based on deteriorating ESG performance and/or involvement in activities specified in step 1 and 2.

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**ESG investing:** Establishing an ESG investing framework for other market participants in Asia.

**ESG research:** Gaining insights on ESG issues and trends that are relevant for credit analysis of infrastructure-related companies.

**ESG transparency and disclosure:** Working with asset managers and stakeholders to improve transparency and disclosure in the market.

**Market capacity building:** Improving the understanding of ESG through capacity building for market participants.

*Based on ESG scores from reputable ESG data providers.*
SUSTAINABLE CAPITAL MARKET PROJECT EXAMPLES

Catalyzing private capital and deepening ESG standards in emerging markets

Asia ESG Enhanced Credit Managed Portfolio – USD 500 million

- ESG Framework together with Aberdeen Standard Investments.
- Develop debt capital markets for infrastructure in Emerging Asia with a strong ESG rationale.
- Catalyze and mobilize investment from ESG-focused institutional investors.

Asia Climate Bond Portfolio – USD 500 million

- Climate Change Investment Framework with Amundi which will be used alongside AIIB’s ESG framework.
- Framework enables investment into “climate champions” by consideration of an issuer’s alignment to achieving the 3 objectives of the Paris Agreement: Alignment of green business activities, climate mitigation and resilience to climate change.
- Catalyze and mobilize investment from climate change focused institutional investors.
AIIB’S COMMITMENT TO SUSTAINABLE GROWTH
SDGs mapped on AIIB operations—Dec 31, 2018

Interpretation of the SDGs in relation to AIIB’s activities

Benefits

1. No poverty
2. Zero hunger
3. Good health and well-being
4. Quality education
5. Gender equality

AIIB Investments

- Clean water and sanitation
- Affordable and clean energy
- Industry innovation and infrastructure
- Sustainable cities and communities

Economic development

Enablers

- Peace, justice and strong institutions
- Partnerships for the goals

Sustainability (environmental, social and economic)

Cooperation

Sample AIIB investments in four infrastructure-related SDGs

NOTE: AIIB Projects listed below are partial samples of approved projects till end-2018. Some are aligned with more than one SDG. To avoid double-counting, each project is placed under only one goal. Thematic areas are strongly interlinked and overlaps need to be recognized. A specific thematic initiative may influence multiple goals and multiple thematic areas may collectively contribute to a specific goal.

GOAL 6: Clean water and sanitation

- Indonesia: Darm Operational Improvement and Safety Phase II (2017).

GOAL 7: Affordable and clean energy

- Bangladesh: Natural Gas Infrastructure and Efficiency Improvement (2017).
- India: Andhra Pradesh 24/7 Power for All (2017).
- Pakistan: Tarbela 5 Hydropower Extension (2016).
- Turkey: TSKB Sustainable Energy and Infrastructure On-lending Facility (2019).

GOAL 9: Industry, innovation and infrastructure

- Georgia: Return Bypass Road (2017).
- Oman: Duqm Port Commercial Terminal and Operational Zone Development (2019).
- Tajikistan: Dushanbe-Uzbekistan Border Road Improvement (2016).
- Regional: AIIB Asa ESG Enhanced Credit Managed Portfolio (2018).

GOAL 11: Sustainable cities and communities

- Indonesia: Regional Infrastructure Development Fund (2017).
- Philippines: Metro Manila Road Management (2017).
AIIB’S COMMITMENT TO SUSTAINABLE GROWTH

Use of Proceeds

• AIIB’s Environmental and Social Framework (ESF) is the cornerstone of its commitment to supporting environmentally and socially sustainable infrastructure projects for both sovereign and non-sovereign clients.

• The Vision section of the ESF describes the bank’s aspirations in integrating environmental and social sustainability into its mission. It is part of our mission to help our members to address their commitments to the Sustainable Development Goals (SDGs) and to achieve their nationally determined contributions under the Paris Agreement, as demonstrated by our investment in projects related to climate mitigation, climate adaptation and other environmental objectives.

• All debt issued to date has Use of Proceeds language highlighting the Bank’s sustainable mission and referring to the Bank’s environmental and social criteria.

• AIIB project summaries contain environmental and social information on each project. These are posted on the AIIB Website under Approved Projects and Proposed Projects.

• AIIB is rated by three ESG rating agencies; ISS ESG, Sustainalytics, and Vigeo Eiris. These ratings are solicited by investors and are based on industry-specific environmental, social and governance (ESG) criteria.

C+ (Prime), Nov. 2018
66/100 (Average Performer), Nov. 2018
51/100 (Robust), Nov. 2019
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