

ASIAN INFRASTRUCTURE INVESTMENT BANK

**Environmental, Social and Governance
Credentials**

November 2020



AIIB'S COMMITMENT TO SUSTAINABLE GROWTH

Financing Infrastructure for Tomorrow

Firm commitment to sustainability by requiring that all investments be:

- **Financially and economically sustainable** in terms of financial returns and economic impact which generates positive economic returns and does not exacerbate a country's debt sustainability. This is assured through economic and financial analyses made for all investments of the Bank.
- **Socially sustainable and inclusive** in terms of addressing direct and indirect impacts, especially on displaced persons, vulnerable groups and community health and safety. Social sustainability promotes inclusive access to project benefits for all citizens—irrespective of age, gender, location, ethnicity and other socioeconomic characteristics and particularly to groups which are often marginalized, vulnerable or excluded from access to services.
- **Environmentally sustainable** in terms of addressing direct and indirect impacts on the physical and biological environment such as water and air quality, biodiversity, local pollution, climate change and land and water use. Environmental and social sustainability is assured through the Bank's ESF which reflects good international practices.

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.

AIIB'S COMMITMENT TO SUSTAINABLE GROWTH

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).

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.

* Based on ESG scores from reputable ESG data providers.

AIIB'S COMMITMENT TO SUSTAINABLE GROWTH

2019 AIIB Investments Mapped Across the SDGs

AIIB approved 28 projects in 2019. These projects continued to show strong alignment with the Sustainable Development Goals (SDGs). The SDGs are inherently interlinked and a project may contribute to many SDGs. We used the same approach as our 2018 mapping activity to show alignment mainly with four infrastructure-related SDGs (6, 7, 9, and 11).



Each project is mapped to one infrastructure-related SDG with which the project has the strongest alignment. Five are cross-sectoral projects that contribute to all four SDGs.

6 Clean water and sanitation

Bangladesh: Bangladesh Municipal Water Supply and Sanitation Project.

India: West Bengal Major Irrigation and Flood Management.

Pakistan: Karachi Water and Sewerage Services Improvement (AF/MF).

9 Industry, innovation and infrastructure

Cambodia: Fiber Optic Communication Network Project.

India: Mumbai Urban Transport Project - Phase III (MUTP) (AF/MF).

Lao PDR: National Road 13 Improvement and Maintenance Project (AF).

Russian Federation: Russian Federation Transport Sector Investment Loan.

7 Affordable and clean energy

Bangladesh: Power System Upgrade and Expansion.

India: L&T- Sustainable Infrastructure On-lending Facility (MF).

India: Rajasthan 250 MW Solar Project - Hero Future Energies (MF).

India: Tata Cleantech Sustainable Infrastructure On-Lending Facility (MF).

Kazakhstan: Zhanatas 100 MW Wind Power Plant (MF).

Multicountry: SUSI Asia Energy Transition Fund (MF).

Nepal: Distribution System Upgrade and Expansion (AF).

Nepal: Upper Trishuli-1 Hydropower Project (MF).

Turkey: Efeler 97.6MWE Geothermal Power Plant Expansion Project.

Turkey: TKYB Renewable Energy and Energy Efficiency On-Lending Facility (MF).

11 Sustainable cities and communities

China: Beijing-Tianjin-Hebei Low Carbon Energy Transition and Air Quality Improvement Project.

Pakistan: Karachi Bus Rapid Transit Red Line Project (AF/MF).

Sri Lanka: Reduction of Landslide Vulnerability by Mitigation Measures (RLVMM) Project (AF).

Sri Lanka: Support to Colombo Urban Regeneration Project.

Turkey: Istanbul Seismic Risk Mitigation and Emergency Preparedness Project.

Uzbekistan: Prosperous Villages Project (AF).

Projects that support across all four infrastructure SDGs (6,7,9,11):

Egypt: National Bank of Egypt Sustainable Infrastructure On-Lending Facility.

Multicountry: Asia Climate Bond Portfolio (AF/MF).

Multicountry: Asia Investment Fund.

Multicountry: CITIC Capital Pan-Eurasian Growth Fund (MF).

Singapore: Infrastructure Private Capital Mobilization Platform.

NOTE: This year, we also highlighted AIIB's climate finance that contributes to SDG 13, Climate Action, as indicated by the green rows. Climate finance amounted to USD1.7 billion or 39% of total financing approved in 2019, representing an increase from USD2.5 billion or 35% of total financing approved over the previous three years (2016-2018). A total of 16 out of 28 projects approved in 2019 had mitigation finance (MF) and/or adaptation finance (AF) components.



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



Average Performer, Nov. 2018



Robust, Oct. 2020



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