Environmental, Social and Governance Credentials

August 2021
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.
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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.
AIIB’s commitment to sustainable growth

AIIB’s existing investments in energy, transport, sustainable cities, digital infrastructure and water sectors directly support four SDGs:

- SDG 6: Clean water and sanitation.
- SDG 7: Affordable and clean energy.
- SDG 11: Sustainable cities and communities.

AIIB’s investments either directly or indirectly contribute to other SDGs. For example,

- AIIB’s support for its clients in the COVID-19 pandemic and future investment in social infrastructure over the Corporate Strategy period would contribute to SDG 3: Good health and well-being and SDG 4: Quality education.
- AIIB’s commitment to climate finance can be mapped against SDG 13: Climate action.
- AIIB’s commitment to increase its connectivity and regional cooperation operations is expected to be reflected in SDG 8: Decent work and economic growth, and SDG 17: Partnerships for the goals.
- AIIB’s efforts to increasingly incorporating gender considerations into projects can contribute to SDG 5: Gender equality.
**SUSTAINABLE DEVELOPMENT BONDS**

**Invest in our commitment to sustainability**

- **AIIB Sustainable Development Bond Framework** presents a summary of the policies, strategies, processes, and mechanisms that govern AIIB’s commitment to sustainable financing activities. The Framework applies to all debt issued by AIIB.

- **AIIB’s Environmental and Social Framework (ESF)** is the cornerstone of the Bank’s commitment to supporting environmentally and socially sustainable infrastructure projects for both sovereign and nonsovereign 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 AIIB’s mission to help its members address their commitments to the United Nations’ Sustainable Development Goals (SDGs) and to achieve their nationally determined contributions under the Paris Agreement, as demonstrated by its investment in projects related to climate mitigation, climate adaptation and other environmental objectives.

- **AIIB project summaries** contain environmental and social information on each project. These are available 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.

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C+ (Prime), Nov. 2018

Average Performer, Nov. 2018

Robust, Oct. 2020