



# Environmental, Social and Governance Credentials

September 2023



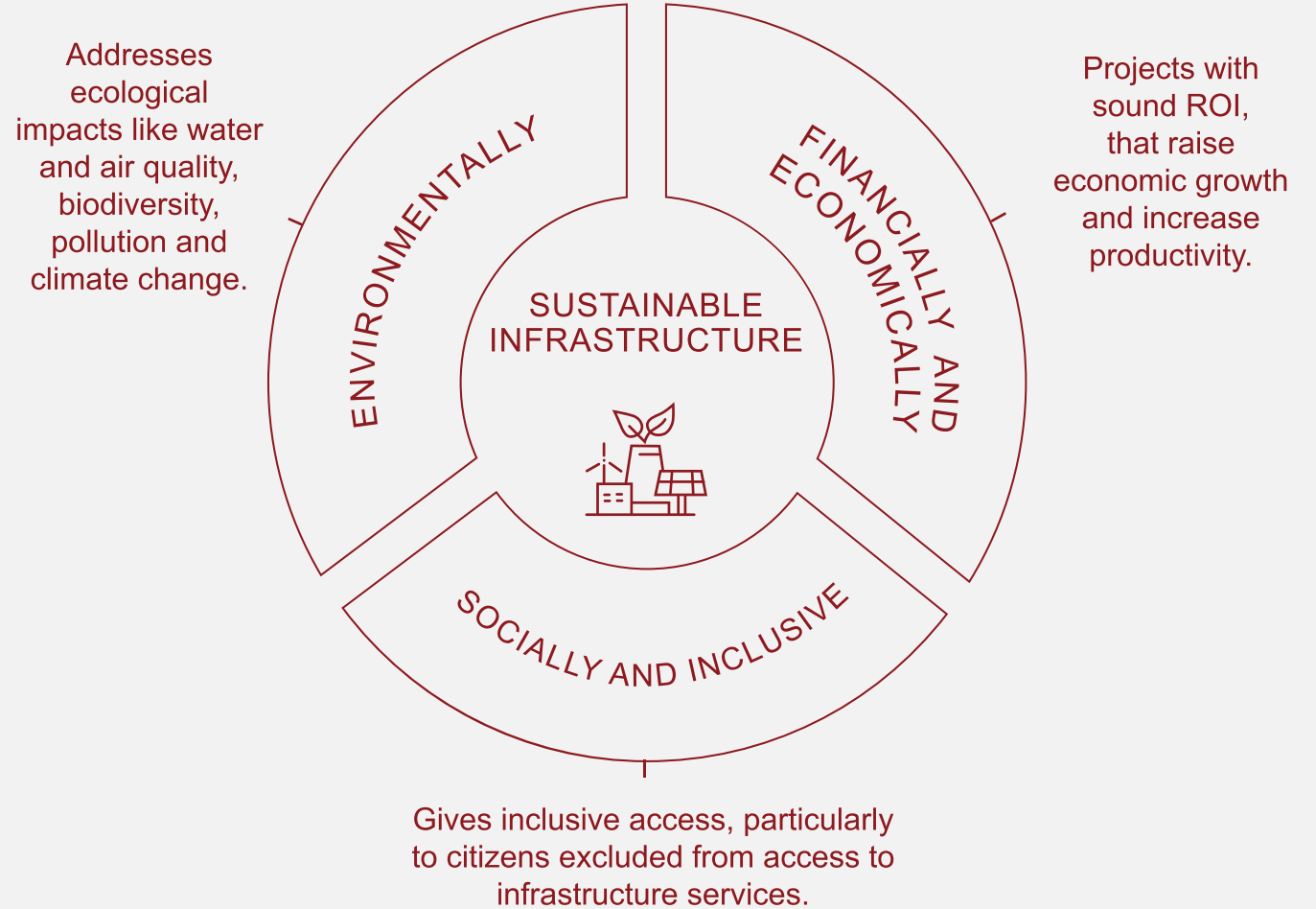
ASIAN INFRASTRUCTURE  
INVESTMENT BANK

# AIIB'S COMMITMENT TO SUSTAINABLE GROWTH

Firm commitment to sustainability by requiring that all investments be:

- Financially and economically sustainable
- Socially sustainable and inclusive
- Environmentally sustainable

## AIIB Invests in i4t, the Infrastructure for Tomorrow:



# 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).

**The Bank recognizes that environmental and social sustainability is a fundamental aspect of achieving outcomes consistent with its mandate.**

# AREAS OF OPERATIONS

## Range of instruments offered

### Sovereign loans

- Sovereign-backed loans have an average maturity up to 20 years and a final maturity limit up to 35 years.
- AIIB cofinances projects with other lenders in addition to expanding its standalone portfolio.

### Nonsovereign-backed financing

- Borrowers can range from sub sovereign public entities to private enterprises.
- The terms and conditions will be set on a commercial basis and reflect the expected risk to the Bank and market conditions.
- AIIB's exposure can be up to 35 percent of the long-term capital of the obligor, or for a new project, up to 35 percent of the project's value.
- The Bank participates in the capital markets to mobilize private capital.

### Equity Investments

- The Bank makes equity investments under terms it considers fair, where clear potential exit strategies are present, and where an acceptable internal rate of return is projected.
- Limit on Equity investments up to 10 percent of available capital.
- The Bank plays the role of a minority investor and shall not seek a controlling interest in the target entity or enterprise.

### Guarantees

- Partial Debt Guarantee are available to clients. The product is currently introduced for non-sovereign operations and incorporates partial debt guarantees and unfunded risk participations.
- Projects involving guarantees are appraised, processed, and monitored the same way as loans.
- For capital headroom and exposure management purposes, guarantees are treated as if they were on the balance sheet (i.e., treated the same way as loans).

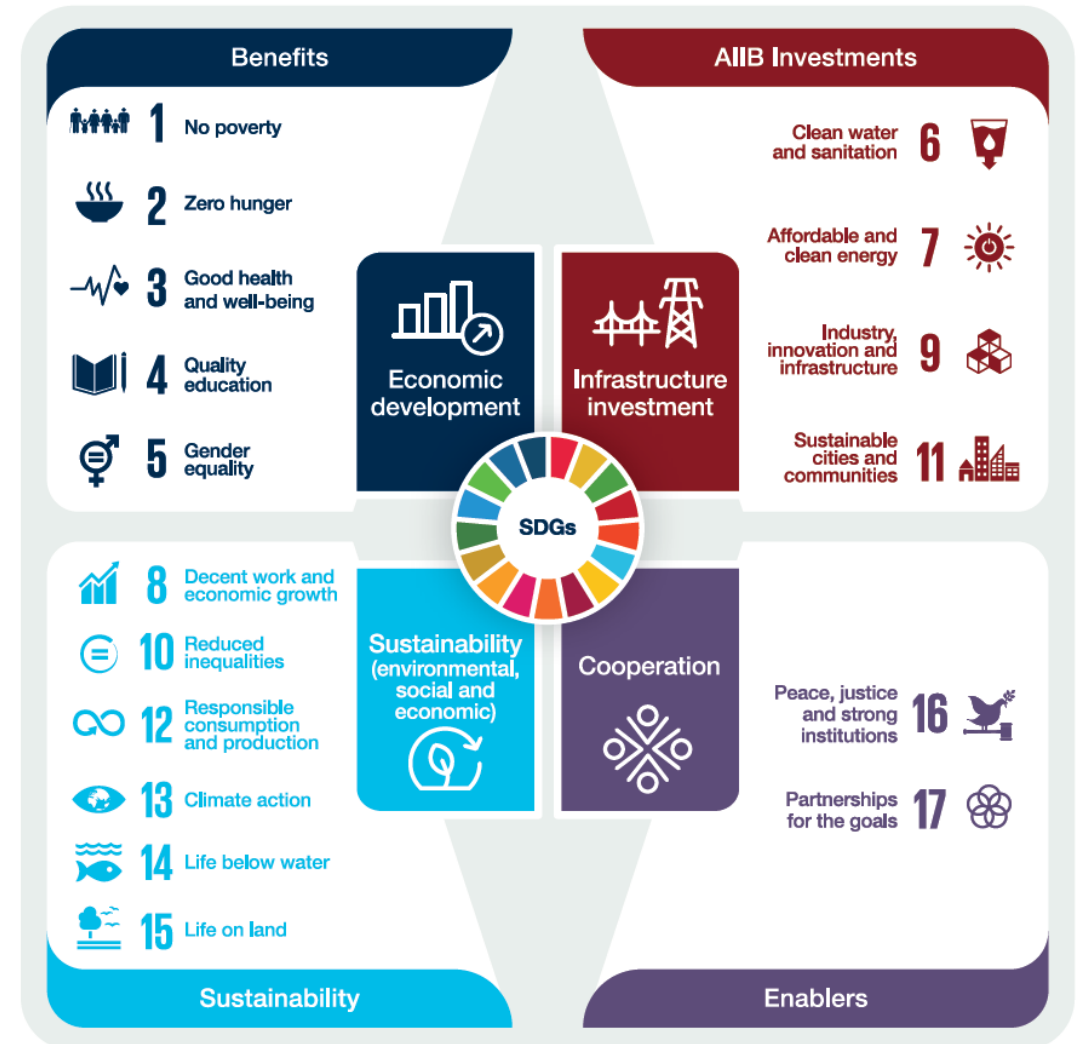
# AIIB'S COMMITMENT TO SUSTAINABLE GROWTH

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 9: Industry, innovation and infrastructure.
- 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

- AIB [Sustainable Development Bond Framework](#) presents a summary of the policies, strategies, processes, and mechanisms that govern AIB's commitment to sustainable financing activities. The Framework applies to all debt issued by AIB.
- The Framework outlines how AIB is adhering to the principles set out in its [Environmental and Social Framework](#) that guides project selection, and how it is helping its members to meet their commitments under the Paris Agreement and the UN Sustainable Development Goals.
- The Framework includes the following four core components: (i) Use of Proceeds, (ii) Process for Project Evaluation and Selection, (iii) Management of Proceeds and (iv) Reporting.
- AIB 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.



Prime, July 2023



10.3 Low Risk, Apr. 2021



Advanced, Sep. 2021



# AIIB Sustainability Highlights, 2015–2023

2015



57 founding Members signed AIIB's Articles of Agreement: Requiring the Bank's operations comply with its policies addressing environmental and social impacts

2016



Launch of AIIB's Environmental and Social Framework (ESF): Including the Environmental and Social Policy, Standards and Exclusion List

AIIB began operations and the first AIIB Annual Meeting was held in January 2016

2017



AIIB receives a Triple A credit rating from S&P, Moody's and Fitch: Assigned 0% risk weighting and HQLA 1 treatment by the Basel Committee on Banking Supervision

2018



AIIB receives first environmental, social and governance (ESG) ratings: AIIB was rated by Sustainalytics (Rating: 13.9 Low Risk), ISS-ESG (Rating: C+ Prime), and from 2019 Vigeo Eiris (Rating:61/100)



AIIB develops its first SDG-mapping approach.



AIIB granted permanent observer status at the United Nations General Assembly and the Economic and Social Council

2021



AIIB adopts the Sustainable Development Bond Framework (SDBF)  
AIIB issues inaugural AUD Sustainable Development Bond.  
AIIB publishes the inaugural SDB Impact Report: The first report presenting AIIB's social and environmental impact



AIIB revises its ESF: Including requirements on GHG emission reporting  
AIIB revises its SDG-mapping approach: Distinguishing SGDs by priority sectors, project benefits, safeguard actions and enablers



UN Glasgow Climate Change Conference (COP26): AIIB attends its first UN climate meeting in support of implementation of the Paris Agreement

2020



AIIB issues inaugural Sustainable Development Panda Bond (COVID-19 label).  
AIIB issues inaugural GBP Sustainable Development Bond



AIIB responds to the global pandemic with the COVID-19 Crisis Recovery Facility: Financing up to USD20 Billion extended until Dec. 31, 2023



AIIB commits to a portfolio-wide climate finance target as 50% of annual financing approvals by 2025: Aligned with peer MDBs  
AIIB launches its 2030 Corporate Strategy: Financing Infrastructure for Tomorrow

2019



AIIB issues inaugural USD Sustainable Development Bond

2022



Second issuance of SDBF Impact Report  
AIIB issues inaugural domestic local currency issuance: AIIB's bond issuance in Georgian Lari (GEL266 million)



AIIB updates its ESF – Exclusion list: Thermal coal mining, coal-fired power and heating plants or projects that are functionally related to coal excluded from AIIB financing



UN Montreal Biodiversity Conference (COP15): AIIB attends its first UN biodiversity meeting in support of the Kunming-Montreal Global Biodiversity Framework  
UN Sharm El Sheikh Climate Change Conference (COP27): AIIB organizes plenary sessions on climate financing

2023



AIIB meets Paris-alignment in July 2023  
A fast-growing MDB: 106 Approved Members by May 31, 2023



CAPITAL MARKET ACTIVITIES



POLICY RELEASES AND UPDATES



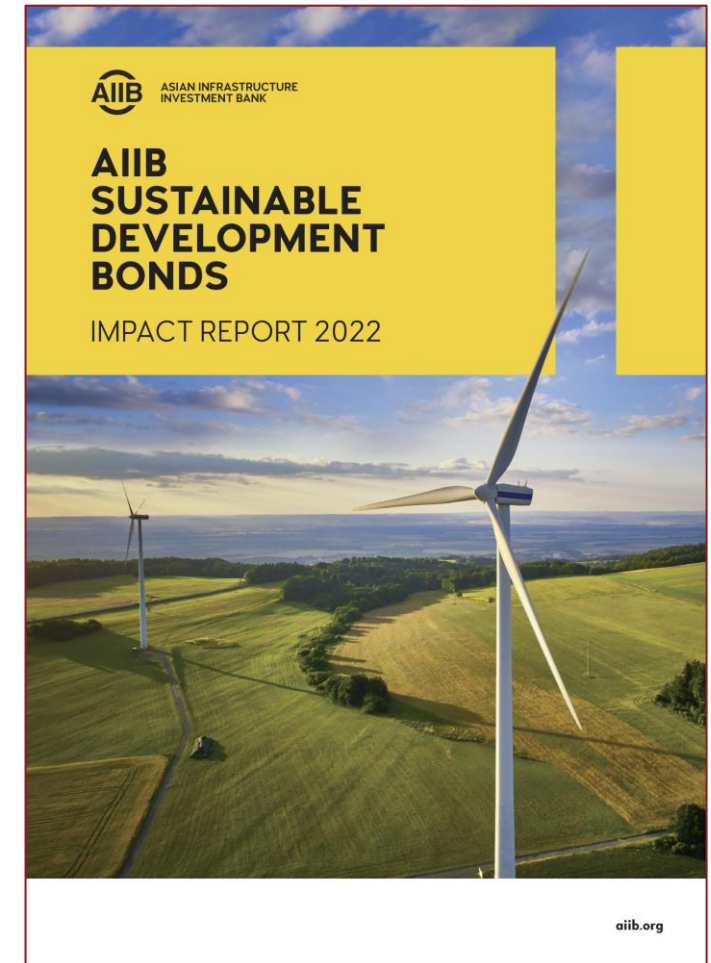
AIIB MILESTONES



# IMPACT REPORT 2022

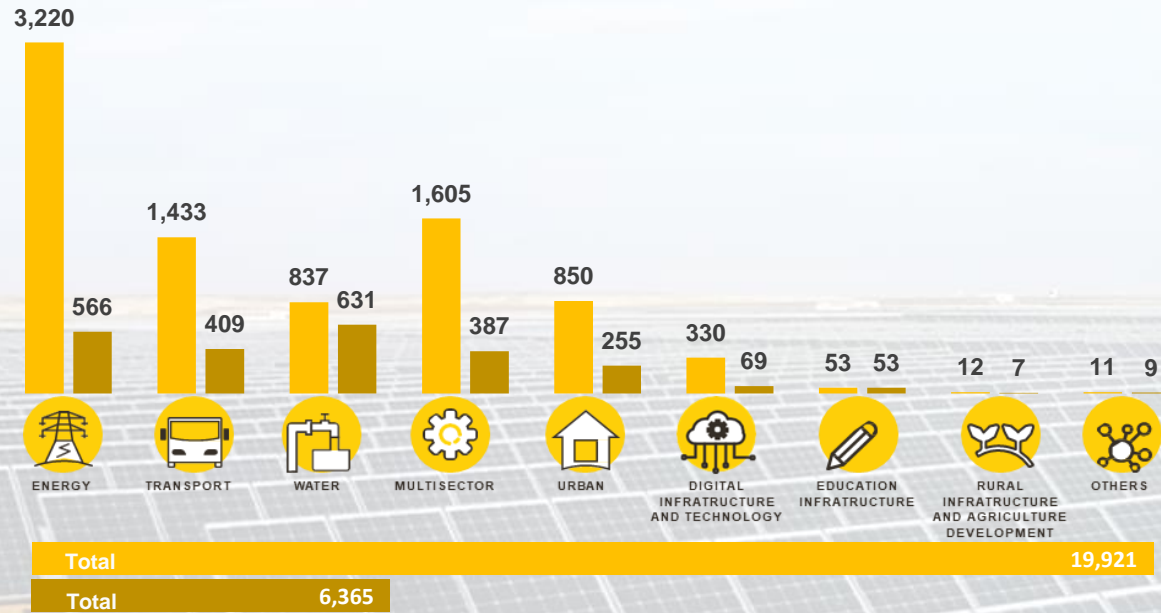
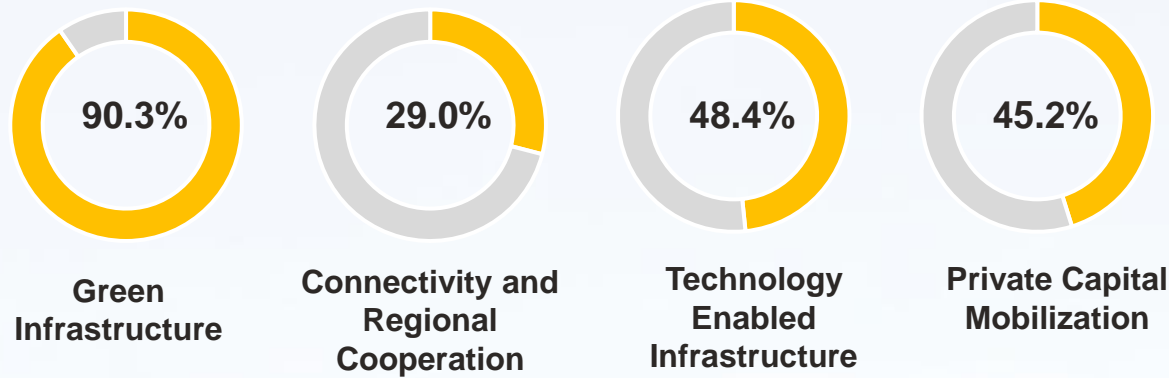
## Investing Today, Transforming Tomorrow

- The Asian Infrastructure Investment Bank (AIIB) has launched its [2022 Sustainable Development Bonds Impact Report](#) that offers investors a view of the sustainable nature and impact of AIIB's development work.
- Under its [Sustainable Development Bond Framework](#), AIIB has committed to annual impact reporting on the Bank's overall portfolio and project-level results reflecting environmental and social benefits generated by its financing.
- The report offers a snapshot into seven project stories from its portfolio that demonstrate AIIB's positive environmental and social impacts, including helping 467 million people gain access to urban mass transport, installing 11,787 MW of renewable energy capacity, and avoiding 19.2 million tons of carbon dioxide.
- As a young and growing institution, AIIB will continue to improve its approach to impact reporting, including the way to collect and maintain data, monitor results, and aggregate impacts.



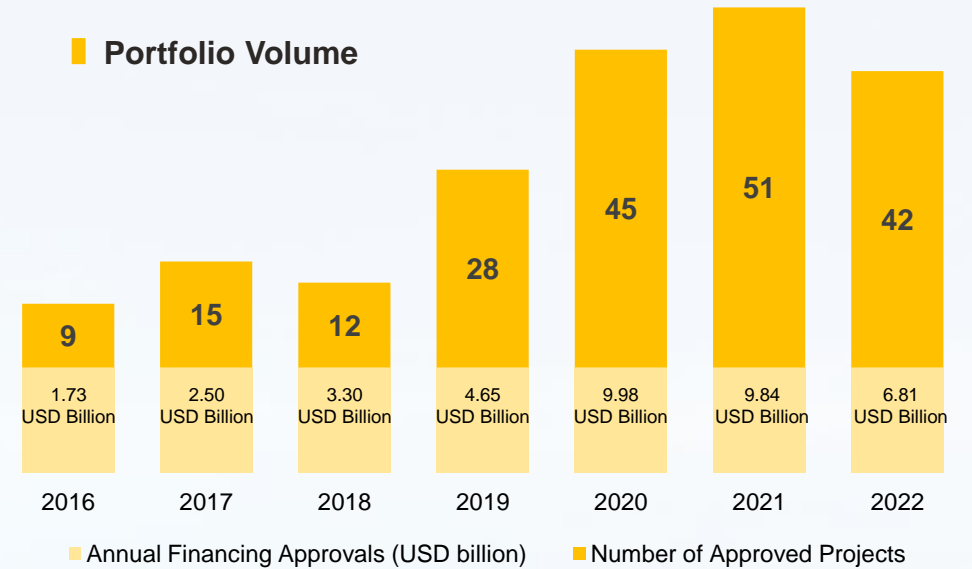
# Impact Report 2022 – Portfolio-Level Reporting

## 2022 Portfolio Alignment

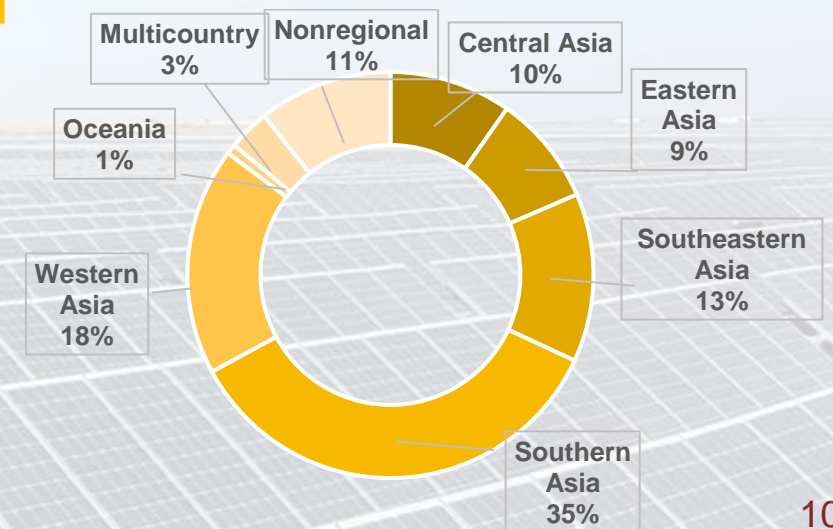


■ Disbursed Amount 2022 ■ Disbursed Amount (2016-2022)

## Portfolio Volume



## Portfolio Geography



FEATURED PROJECTS

# TÜRKIYE

Osmangazi Electricity Distribution Corporate Facility

TARGET RESULTS



7.9 TWh/year  
of distributed net energy



Less than 6.5%  
of annual electricity losses



45,000  
installed smart meters



1,750,000  
total connected residential customers



<b>Project Name</b>	<b>Osmangazi Electricity Distribution Network Modernization and Expansion Project</b>
<b>Project Number</b>	000458
<b>Member</b>	Türkiye
<b>Approval Date</b>	Dec. 6, 2021
<b>Sector</b>	Energy
<b>Financing Type</b>	Nonsovereign
<b>AIIB Commitment</b>	USD75.0 million
<b>Total Finance amount</b>	USD350.0 million*

PROJECT STORY

The Osmangazi region is a landlocked area of approximately 50,000 km<sup>2</sup>, located in western Anatolia in Türkiye that encompasses the provinces of Afyonkarahisar, Bilecik, Eskişehir, Kütahya and Uşak. It has a total population of 2.84 million and 1.98 million electricity users that consumed 6.8 terawatt hours (TWh) in 2022. The region is one of Türkiye’s designated 21 distribution zones, each one operated by a separate distribution system operator. Since the liberalization of Türkiye’s electricity distribution sector in 2004, its distribution networks have required substantial investments to meet the country’s growing electricity demand.

This project aims to modernize and expand Osmangazi Electricity Distribution’s (OEDAŞ) distribution network. AIIB committed USD75.0 million to support the capital expenditure program launched by the Government of Türkiye under Türkiye’s Fourth Tariff Implementation Period (TIP-4) for the years 2021-2025. AIIB brings additional value by providing local currency Turkish Lira (TRY) financing and liquidity for the development of distribution assets, facilitating the indirect mobilization of private capital and supporting the development of the TRY funding market.

The Project is expected to contribute to the expansion and digitalization of the electricity distribution network and reduce GHG emissions by improving losses incurred by the grid. At project completion in 2025, OEDAŞ network will encompass 54,000 kilometers of distribution lines, 9,000 megavolt amperes of transformer capacity and deploy more than 45,000 new smart meters to improve data gathering and system integration. The use of smart metering and smart grid technology is largely tested and replicable. Thus, the successful application of technology to this project can be replicated by other electricity distribution companies in the country.



\* The project is cofinanced with the International Finance Corporation, European Bank for Reconstruction and Development, FMO- Dutch Entrepreneurial Development Bank and Denizbank.

FEATURED PROJECTS

# BANGLADESH

Rural Water, Sanitation and Hygiene for Human Capital Development Project



**589,680**  
people provided with access to safely-managed water services (gender disaggregated indicator)



**3,618,900**  
people provided with access to safely-managed sanitation services (gender disaggregated indicator)



**763,000**  
handwashing stations built



**USD123.4 million<sup>35</sup>**  
in microfinance mobilized from micro finance institutions



<b>Project Name</b>	<b>Rural Water, Sanitation and Hygiene for Human Capital Development Project</b>
<b>Project Number</b>	000398
<b>Member</b>	Bangladesh
<b>Approval Date</b>	Oct. 16, 2020
<b>Sector</b>	Water
<b>Financing Type</b>	Sovereign
<b>AIIB Commitment</b>	USD200.0 million
<b>Total Finance amount</b>	USD550.0 million*

### PROJECT STORY

Bangladesh's high population density and low capacity for managing public health risks leaves it vulnerable to high rates of morbidity from infectious diseases, such as cholera, dengue fever, diphtheria, diarrhea, typhoid and COVID-19 virus. This project is cofinanced with the World Bank and supports the Government of Bangladesh's efforts to improve the living conditions of the rural population.

As a result of the AIIB and the World Bank assistance, an estimated 4.5 million people living in 78 Upazilas\* in Mymensingh, Rangpur, Chittagong, and Sylhet Divisions are expected to gain access to safely-managed water, sanitation and hygiene (WASH) facilities in their homes by the end of the project's implementation. An additional one million people are expected to gain access to WASH facilities in public spaces, including community clinics. Under the terms of the project, the World Bank and AIIB finance will be provided to retail microfinance institutions, which in turn will extend loans to households to upgrade WASH facilities at their residences.



<sup>35</sup> Bangladeshi Taka (BDT): BDT1.00=USD0.0092 as at May 31, 2023.

\* The project is cofinanced with the International Finance Corporation, European Bank for Reconstruction and Development, FMO- Dutch Entrepreneurial Development Bank and Denizbank.

FEATURED PROJECTS

# MULTICOUNTRY

STIC Asia Infrastructure Innovation Fund

TARGET RESULTS

	<b>USD61 million</b> of private capital mobilized
	<b>80%</b> of investment in technology-enabled Infrastructure
	<b>60%</b> of investment in Green Infrastructure
	<b>30%</b> of investment qualifying for Climate Mitigation Finance



Project Name	STIC Asia Infrastructure Innovation Fund
Project Number	000480
Member	Multicountry
Approval Date	Oct. 13, 2021
Sector	Multisector
Financing Type	Nonsovereign
AIB Commitment	USD60.0 million
Total Project Cost	USD480.0 million



PROJECT STORY

The use of digital technologies is playing an increasingly important role in both accelerating economic growth, and supporting actions to improve the environment and respond to climate change.

AIB's investment of USD60 million in the STIC Asia Infrastructure Innovation Fund (the Fund) is allowing the Fund to extend investments into the use of digital technologies for transport, logistics, smart cities, social infrastructure and clean energy. At least 60% of the investments should support green infrastructure and 30% in climate mitigation activities.

The Fund's first portfolio company, Tik, is a smart logistics company based in Viet Nam that is using artificial intelligence in its warehouses to improve route scheduling and the efficiency of its fleet of vehicles. Following adoption of the technology now provides delivery in two hours. It has also expanded its use of eco-friendly packaging materials to 96% of the total in 2022, from the previous 70%.

Another Fund portfolio company is Ninjacart, a fresh produce supply chain business in India, which is utilizing digital technology to deliver produce from farmers to businesses in just 12 hours. Ninjacart uses digital technology to optimize deliveries, at almost one-third of the price of traditional supply chains. In addition, the company has cut spoilage from 35% to 1% for food handled, and reduced their quarterly disposal expense for food waste by 19% from 2021 to 2022.

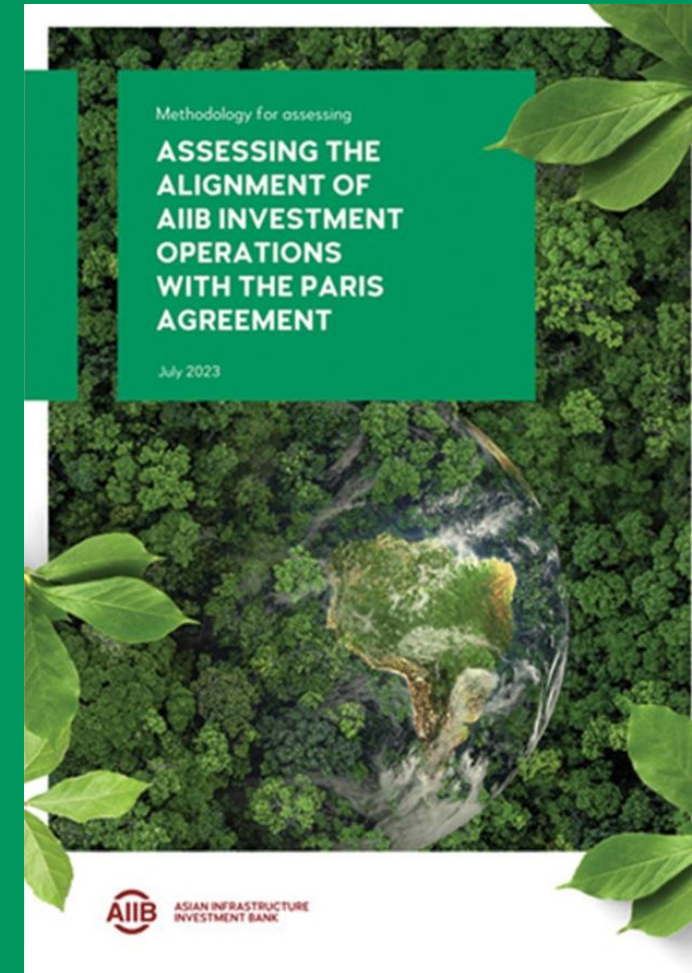
As of now, the Fund has invested in five companies and is still expanding its portfolio in developing economies in Asia. Its investments are helping boost the use of new digital technologies and supporting innovation, propagate best practices in technology and enjoy greater sustainability in infrastructure.

\* The project is cofinanced with the International Finance Corporation, European Bank for Reconstruction and Development, FMO- Dutch Entrepreneurial Development Bank and Denizbank.

# AIIB's Paris Alignment Assessment Methodology

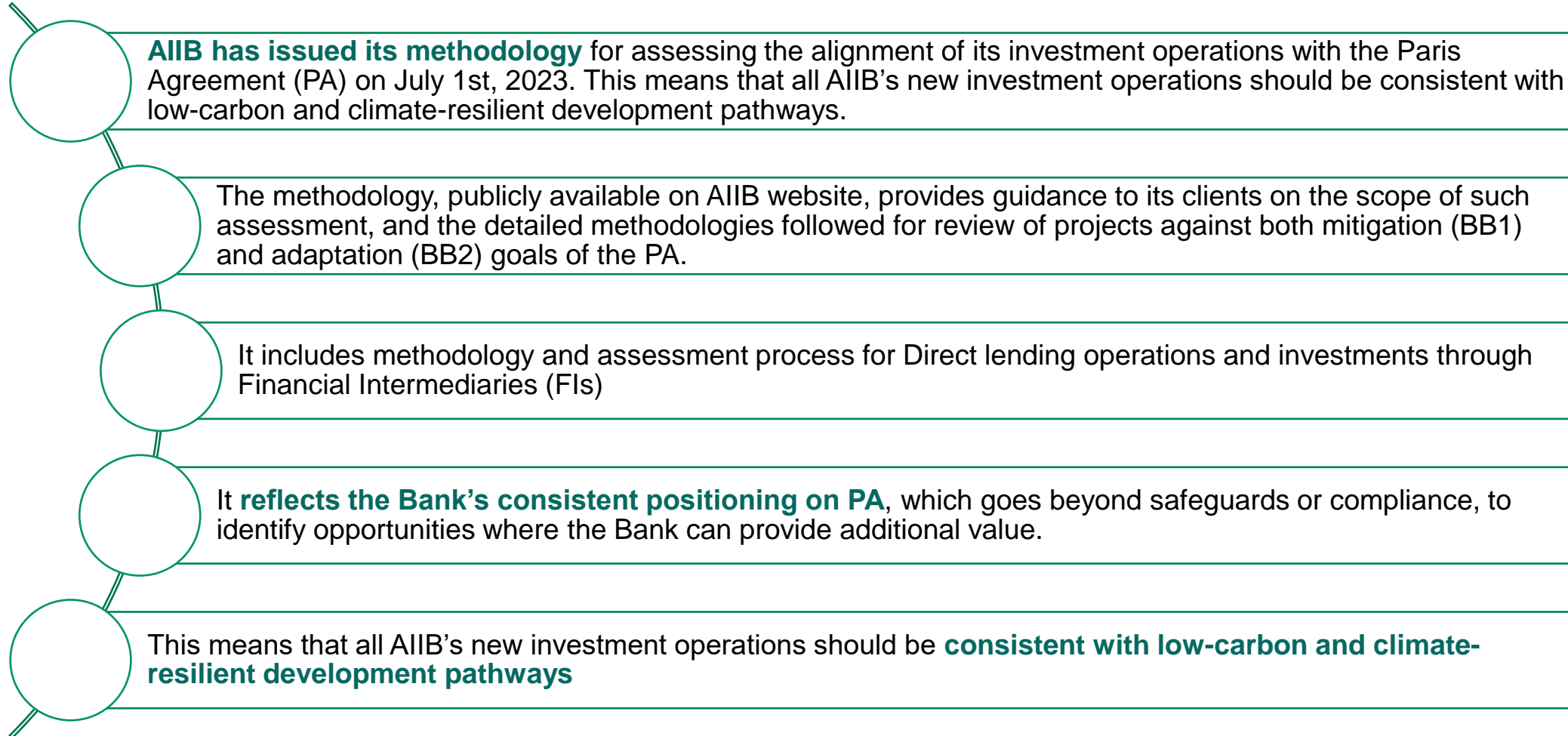
In 2022, AIIB's Climate finance amounted to 56% of total approved regular financing, up from 48% in the previous year.

- **ALIGNMENT OF NEW INVESTMENT OPERATIONS WITH THE GOALS OF THE PARIS AGREEMENT BY JULY 1, 2023**
- **CLIMATE FINANCE TARGET: 50% OF TOTAL APPROVED REGULAR FINANCING BY 2025.**



# AIIB'S CLIMATE FINANCE AND PARIS AGREEMENT COMMITMENT

## Alignment of Investment Operations by July 1, 2023



# What does AIIB PA assessment methodology speak to?

- Document elaborates the application of the joint MDB methodological framework to aligning AIIB investment operations with the PA (focusing on BB1 and BB2). Specifically, AIIB investment operations will:
  - Be consistent with **a low greenhouse gas (GHG) emissions development pathway** for the respective country and **not undermine a transition to a decarbonized economy**, in that country or globally, taking into account countries' common but differentiated responsibilities and respective capabilities; and
  - Be actively **managing material physical climate risks**, based on **systematic and robust risk screening and assessment**, in a manner consistent with climate-resilient development pathways. In addition, AIIB will seek to support the enhancement of climate-related disaster resilience of clients and their communities to the adverse impacts of climate change.
- Sector specific approaches for energy, transport, water sub-sectors assessments under BB1, sectoral considerations for climate risk assessment as well as suggested outline of the Paris Alignment Action Plan are all included as annexes to the methodology





# BB1 Assessment Framework - Mitigation

## Specific Assessment Criteria

Nationally determined contributions (NDC)

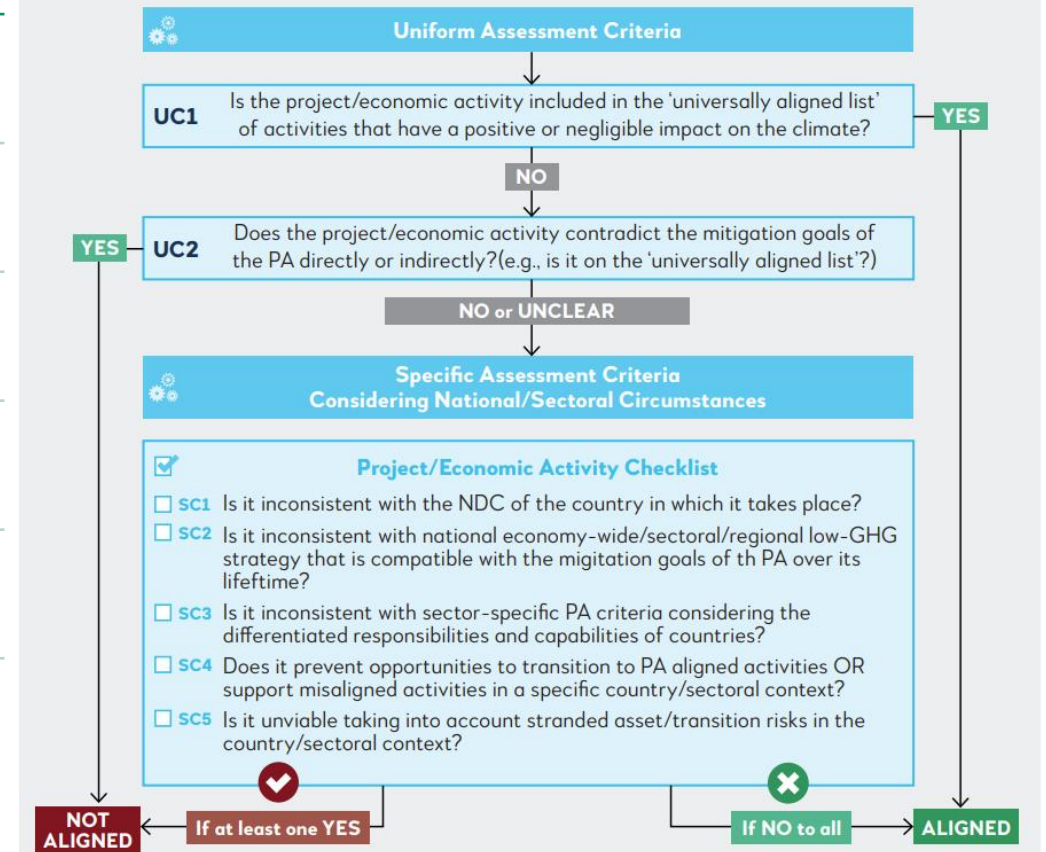
Long Term Decarbonization Strategy (LTS)

Global sector-specific decarbonization pathways

Preventing other low carbon activities

Leading to stranded asset

Figure 2. Decision-making approach for determining the alignment of direct investment operations with the PA's mitigation goals (BB1)



Source: Joint MDB Methodological Principles for Assessment of Paris Agreement Alignment of New Operations – Direct Investment Lending Operations

## “Positive” and “Negative” list

### Considered universally aligned list

- Aligned regardless of the national context. E.g,
- Renewables (excl. hydro with large reservoir)
  - Hydro power Rehabilitation
  - Low GHG District heating/cooling
  - Electricity T&D
  - Waste treatment (excl. WtE)
  - Water supply and wastewater treatment
  - New road with low traffic volume/road rehab
  - Electric vehicles
  - Port/rail infrastructure
  - Services (education, health etc. )

### Considered universally non-aligned list

- Non-aligned regardless of the national context:
- Mining of thermal coal
  - Electric power generation from coal
  - Extraction of peat
  - Electricity from peat

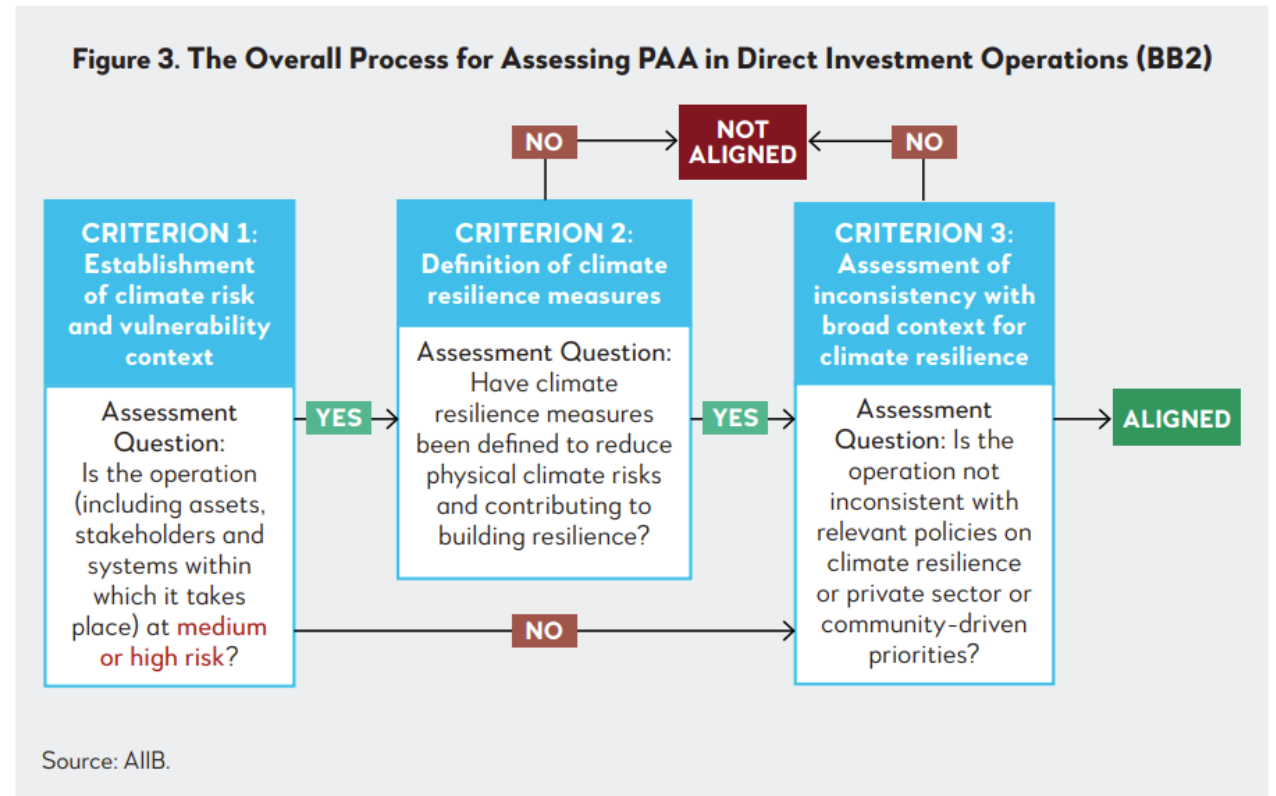
If a project is not included in the lists it will go through the 5-step assessment

# BB2 Assessment Framework - Adaptation

Adaptation related assessment under BB2 is largely based on the core steps of the Joint MDB Adaptation Finance Tracking Methodology.

The key **assessment criteria** include:

- Physical climate risk identified and assessed;
- Identified material physical risk addressed through climate resilience measures; and
- Proposed investments not inconsistent with national policies/priorities for climate resilience or private sector or community driven priorities of the country



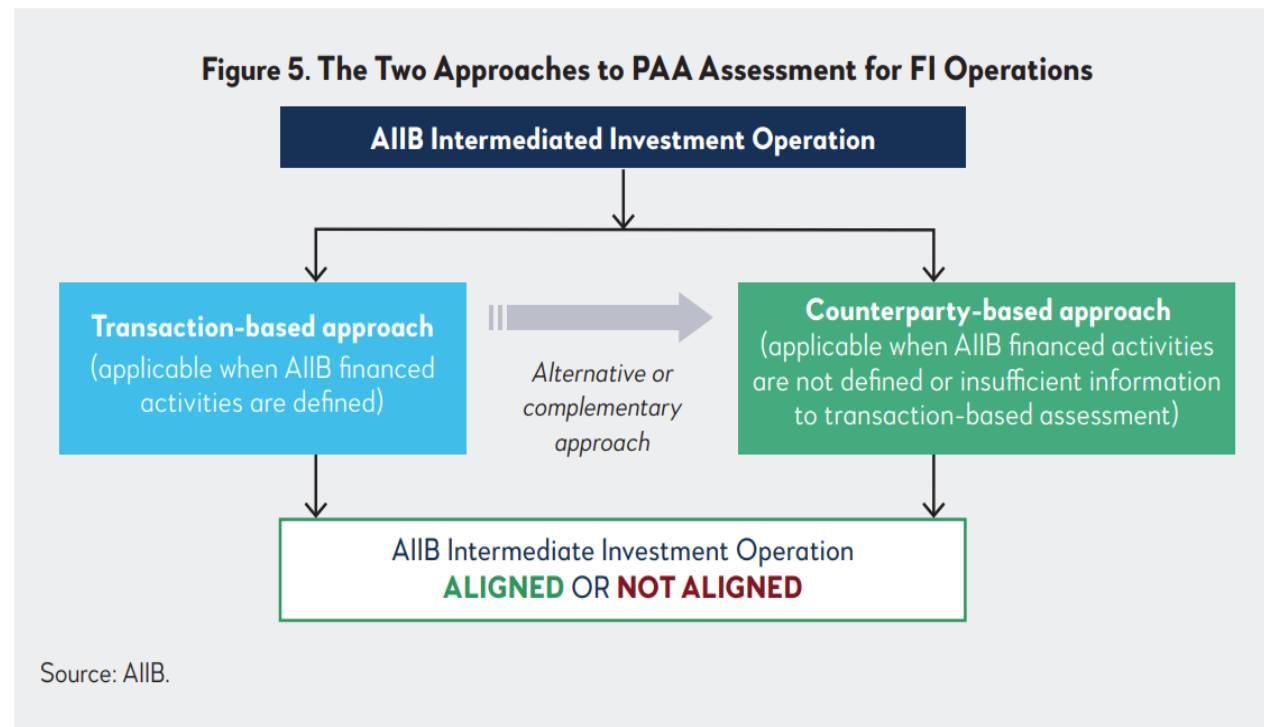
# Paris Alignment For Intermediated Investment Operations

Two alternative approaches: project level (transaction-based) or institutional level (counterparty-based)

This part of the methodology focuses on assessing the PAA of investment delivered through banks, non-banking financial institutions, leasing companies, funds, and other financial intermediaries (FI).

The methodology is designed to support and enable FI clients to:

- Improve their systems and processes for the management of transition and material physical climate risks; and
- Adopt policies and strategies that will enable them to be consistent with the objectives of the PA within the jurisdiction where they operate.





## Thank You



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YouTube: [@AIIB](https://www.youtube.com/@AIIB)

LinkedIn: [Asian Infrastructure Investment Bank](https://www.linkedin.com/company/Asian-Infrastructure-Investment-Bank)

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### **ASIAN INFRASTRUCTURE INVESTMENT BANK** **AIIB Treasury**

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