



ENVIRONMENTAL AND SOCIAL FRAMEWORK

May 2021



Overview

The Asian Infrastructure Investment Bank's (AIIB) Environmental and Social Framework (ESF) supports the Bank's clients in achieving environmentally and socially sustainable development outcomes. It does so by integrating the management of environmental and social risks and impacts into decision-making on, and preparation and implementation of, AIIB-financed projects.

The ESF includes an introductory overview, an aspirational Vision Statement, a mandatory Environmental and Social Policy (ESP), accompanied by three mandatory Environmental and Social Standards (ESSs) and an Environmental and Social Exclusion List (ESEL). The three ESSs comprise: ESS 1: Environmental and Social Assessment and Management, ESS 2: Land Acquisition and Involuntary Resettlement and ESS 3: Indigenous Peoples. The ESF also includes a Glossary of terms used in the ESP and ESSs.

AIIB's ESF was approved in February 2016 and amended in February 2019. Revisions to the ESF were approved by AIIB's Board of Directors in May 2021.

Why revise the Environmental and Social Framework?

The revision follows on AIIB's commitment made in 2016 to review the ESF after a three-year implementation period. It is intended to enhance operational effectiveness and outcomes by reflecting the experience gained in the relatively short time that AIIB has been financing operations and the recent trends in development policies and practices.

What are the key changes?

Stronger Climate Change Provisions. The revised ESF strengthens the provisions on climate change, reflecting AIIB's commitment to achieve its climate financing target of 50 percent of total approved financing by 2025 as indicated in AIIB's [Corporate Strategy](#).

Use of ESG Approaches to Capital Market Operations. The revised ESF reflects the new and dynamic trend of development finance institutions using environmental, social and governance (ESG) approaches to capital market operations.

Clarity on Document Disclosure Standards. The revised ESF enhances transparency, adding deadlines for AIIB's disclosure of clients' draft environmental and social documentation. More clarity is provided on the disclosure of environmental and social information of Financial Intermediary (FI) projects.

Gender Equality and Disability. The revised ESF enhances AIIB's commitment to gender equality by expanding references to gender throughout the framework. It also stresses AIIB's commitment to the provision of equal opportunities for persons with disabilities.

Other Changes. The revised ESF also highlights the issues of retaliation and dam safety. It strengthens commitment to biodiversity and ecosystem services.

More details can be found on the next page.

When will the revised ESF take effect?

The revised ESF will enter into effect on Oct. 1, 2021.

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Highlights of Changes to the ESF

Topics	Revisions
Grievance Redress Mechanisms (GRMs)	The sections on GRMs have been reorganized so that the details of project-level GRMs are covered in one place in ESS 1 and the details of project worker GRMs are addressed under Labor and Working Conditions in ESS 1.
Climate Change	The ESF's coverage of climate change has been strengthened by reflecting the relevant text from the Corporate Strategy.
Gender	The ESF has been revised to expand references to gender throughout the ESF with respect to mitigation of disproportionate impacts, collection of data and gender-based violence.
Retaliation	The ESF has been revised to clarify AIIB's commitment to address this issue in a meaningful manner within the constraints in which it is operating.
Labor Management Relations (LMR)	The ESS 1 LMR provisions have been revised, consistent with current AIIB practice, to cover contractors of both public and private sector projects, while excluding civil servants from these provisions.
ESEL	The existing exclusion in the ESEL regarding asbestos has been expanded to cover all forms of asbestos.
Financial Intermediaries (FI)	<p>The ESP has been revised to reflect current AIIB practice of requiring prior AIIB review of Category A subprojects.</p> <p>The ESS1 provides for disclosure of ES information under Category A subprojects 60 calendar days prior to finalization of the subproject.</p> <p>The ESP provides for prior AIIB review of all Category A Activities, without delegation to the FI. Only Category B Higher Risk Activities may be delegated to the FI after Bank confirmation of the FI's capacity and track record.</p>
Environmental, Social and Governance (ESG) Approaches to Capital Markets	A new section on Environmental, Social and Governance (ESG) Approaches to Capital Markets has been added to both the Vision Statement and the ESP.
Disclosure	<p>The revised ESF includes deadlines for AIIB's disclosure of clients' draft environmental and social documentation.</p> <p>For Category A projects: 60 calendar days prior to consideration of the Bank's financing for approval.</p> <p>For Category B projects: 30 calendar days prior to consideration of AIIB's financing for approval.</p>
Greenhouse Gas (GHG) Reporting	New text has been included in ESS 1 on GHG reporting requirements and provides as follows: if AIIB determines that the project is expected to or currently produces significant levels of GHG emissions annually, that an accounting of these emissions is feasible and that the client has the capacity to do such accounting, then the client conducts an ex-ante GHG accounting assessment for the project before its approval, based on internationally recognized methodologies and good practice acceptable to AIIB. The client reports to AIIB on the results of these assessments. AIIB discloses gross emissions following consultation with the client.
Biodiversity and Ecosystem Services	The ESS1's biodiversity provisions have been strengthened by providing that biodiversity offsets are to be designed and implemented to achieve outcomes that can reasonably be expected to result in no net loss and preferably a net gain of biodiversity. A net gain of biodiversity would be required in the case of critical habitats. In addition, new text has been added to the Vision Statement and ESS1 on ecosystem services.
Dam Safety	Provisions on dam safety have been added to ESS1.
Land Acquisition and Involuntary Resettlement (LAIR)	<p>An introduction has been added to ESS2 to clarify: (i) the definition of LAIR; (ii) the fact that LAIR may involve land acquisition without physical displacement; and (iii) the various names by which the plans to address ESS 2 issues are called.</p> <p>Text has also been added in ESS 2 to clarify that in some cases, AIIB would have to assess LAIR that occurred even earlier.</p>
Technical Assistance (TA)	<p>Text has been added in the Introduction, noting that AIIB would, where feasible and appropriate, work with clients to mobilize resources for TA for environmental and social documentation preparation and capacity enhancement.</p> <p>Text has also been added to the Vision Statement to clarify AIIB's willingness to provide such TA as an element of its financing.</p>