



2021 AIIB ANNUAL REPORT

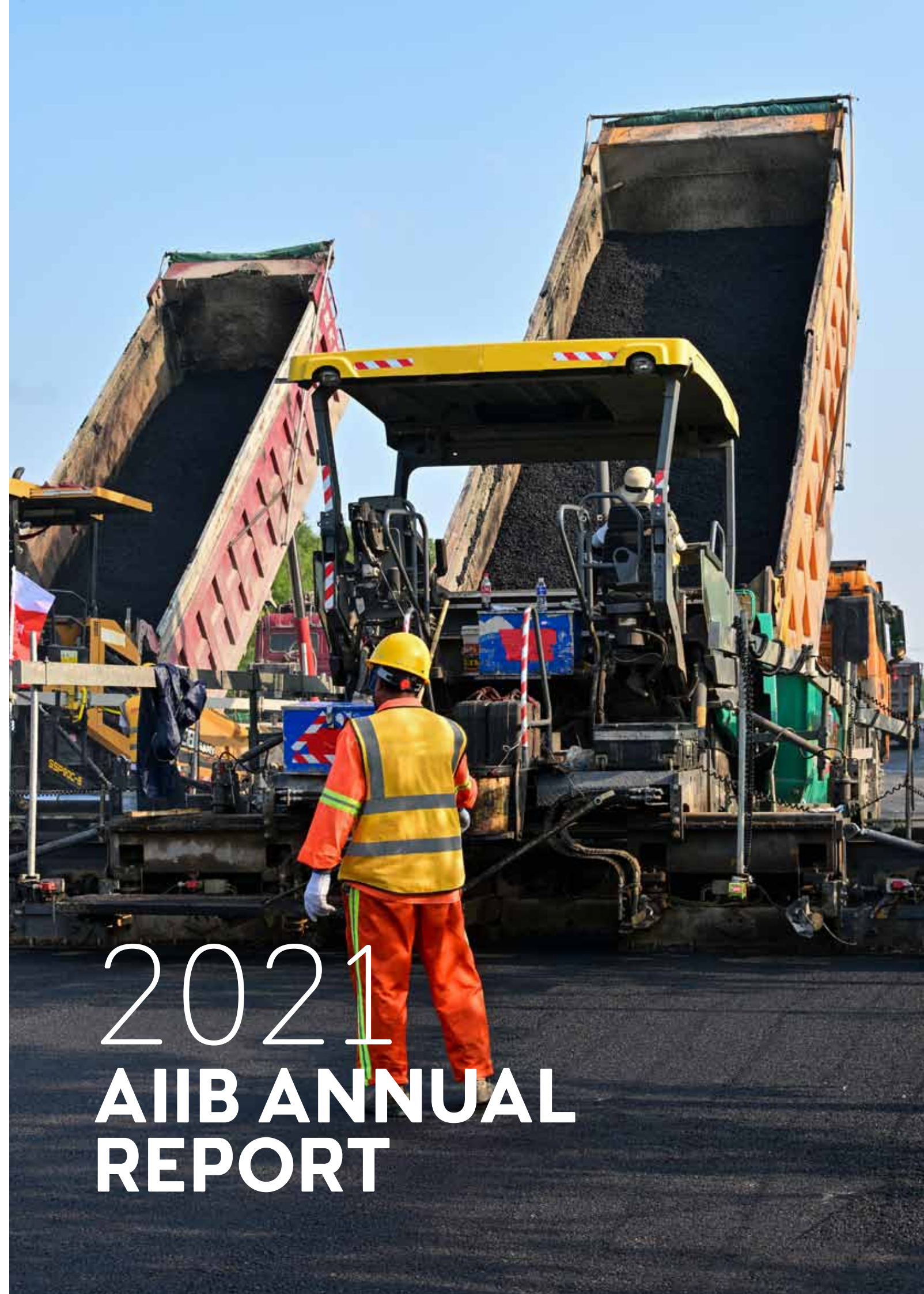


ASIAN INFRASTRUCTURE
INVESTMENT BANK

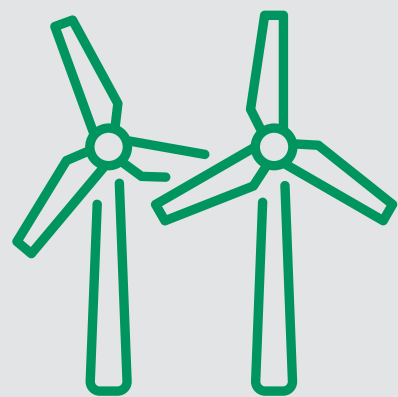
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2021 AIIB ANNUAL REPORT



Operations alignment with
the **Paris Agreement** by
July 1, 2023

50% share of **climate finance**
in actual financing approvals
by 2025

In 2021, AIIB approved 51 projects across various sectors worth USD 9.93 billion.

Energy, finance, transport and urban projects accounted for the highest shares of approved projects. We also saw private investors turn to AIIB to participate in the issuance of infrastructure asset-backed securities, with increasing interest in digital and technology-enabled projects to spur innovation in the region. Through our focused assistance and careful shepherding of limited resources, we are able to help our Members find ways to meet their growing and changing infrastructure needs under ever more challenging conditions.

Jin Liqun
AIIB President
and Chair of the Board



In projects that involve the rehabilitation and reconstruction of damaged infrastructure, AIIB takes into account long-term sustainability and climate resilience.

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FROM OUR PRESIDENT



2021 marks the first year implementing the Corporate Strategy of the Asian Infrastructure Investment Bank (AIIB). This is a landmark document for the Bank and defines its direction for the next ten years. It is rooted in our understanding of the key dynamics in the Asian infrastructure market and will guide the Bank's staff in their efforts to provide support to our Members. It strongly reaffirms that we will stay the course in fostering the Bank's governance, growing our business and moving towards a more mature stage built on the solid foundations that have been laid during its start-up phase. This strategy further delineates our mission for AIIB's members through our well-informed strategic choices.

Specifically, our mission is to finance Infrastructure for Tomorrow -- infrastructure that is environmentally, socially and financially sustainable. To this end, we have decided on four thematic priorities essential for the Bank's market position. We have set our targets on climate finance, cross-border connectivity and private sector financing. Our Corporate Strategy also clarifies our strategic choices for our growth phase as a project finance bank with a business model based on partnerships and mobilization.

In 2021, AIIB approved 51 projects across various sectors worth USD 9.93 billion. Energy, finance, transport and urban projects accounted for the highest shares of approved projects. We also saw private investors turn to AIIB to participate in the issuance of infrastructure asset-backed securities, with increasing interest in digital and technology-enabled projects to spur innovation in the region.

Through our focused assistance and careful shepherding of limited resources, we are able to help our Members find ways to meet their growing and changing infrastructure needs under ever more challenging conditions.

We have monitored closely the projects under implementation. As the financings and projects approved earlier are approaching their completion, we are encouraged to see their burgeoning effects generating employment; boosting growth; nourishing under-resources and neglected sectors and expanding opportunities for women, the disabled and the vulnerable groups of people across the countries for which we work. The tangible development in all these aspects is of great importance for sustainable communities. The information collected from the past five years of growth helps us make data-driven decisions so that we can serve our clients and communities better. We see to it that development projects financed by this Bank will be able to sustain growth and promote broad-based economic and social development in our client members. Above all, Infrastructure for Tomorrow must contribute to environmental protection and climate change mitigation and adaptation.

As more client members are looking forward to an economic rebound, the Bank is duty bound to contribute in this process. A heightened sense of urgency to address the forceful impact of climate change emerged from discussions among the world's leaders and thinkers at COP26. The world is now on the cusp of a situation where failure to attain to the goals of the Paris Agreement will spell grave disasters for the human society. Now is the time to galvanize our collective ambition to tackle the climate crisis and smoothen our transition to a low-carbon and, eventually, a net-zero future.

These are not challenges facing individual countries or companies. Instead, these are global issues where borders are hopelessly irrelevant. Prevailing over these challenges requires a multilateral response, which is why the MDBs are working together in a joint effort against climate change.

2021 marked AIIB's commitment to align its investment operations with the goals of the Paris Agreement by July 2023. Our aspirations to quickly align our investments are seeded in AIIB's steadfast commitment to supporting the green economy and a resilient recovery. Based on current estimations, our cumulative climate finance approvals will reach USD50 billion by 2030. These numbers, though ambitious, are within reach.

AIIB and other MDBs must stand as beacons for sustainable growth. As President of AIIB, I had the honor to chair the 2021 meetings of the Heads of the Multilateral Development Banks and it was a valuable opportunity for us to discuss pressing issues affecting development, with pandemic recovery and climate change as two items on the top of our agenda. We discussed strengthening long-term health systems in the context of the global vaccine effort and the importance of continuing their complementary efforts to support countries in combating COVID-19. To address the climate emergency, we are currently working together on a framework of methodologies to implement our collective climate commitments. For MDBs, climate change mitigation and adaptation constitute the essential part of their development mission. This is a formidable challenge. We cannot afford to lose the battle. MDBs will work in close collaboration, and have our collective experience gained in this process inform the strategies to effectively integrate Paris Alignment targets into our respective investment portfolios. This is another value-add of the multilateral system because we have a unique mandate that looks beyond financial performance and considers environmental and social factors.

For all the efforts to wipe it out, COVID-19 is far from being spent. It is gratifying that vaccinations were extended to reach more people across the world in 2021, but there is still a large population in low-income and marginal areas in some countries who have not been serviced. The World Health Organization has not ceased to sound the alarm on the worrying inequality in vaccine access. Furthermore, the new variants of COVID-19 continue to pose threats to the people around the world. With guarded optimism, we expect that the new defenses against the virus will be strengthened, and that disruptions to the global value chain will be checked and the normal pattern of global economic activities will be restored. The world has to continue to grapple with COVID-19 in the foreseeable future.

As long as the pandemic continues, the international community has a moral responsibility to sustain support for countries struggling to distribute vaccines and kickstart broad economic recovery. In this respect, the multilateral development banks have a special role to play. They have taken on a new relevance in stepping up over the past two years to direct funding toward the urgent health and economic issues caused by COVID-19. In 2021, AIIB continued lending for pandemic relief under its COVID-19 Crisis Recovery Facility. As of Dec. 31, 2021, AIIB has approved 45 Facility projects amounting to USD11.1 billion.

Many of our Members still require financial assistance to address their emergency pandemic response and recovery. MDBs remain an important source of countercyclical financing at a time when few options remain. With a mandate that combines social,

economic, financial and environmental goals, AIIB is proud to be part of this international coordinated response to support governments and businesses during these uncertain times. Moving forward, financing healthcare will remain an integral component of the mandate of our Bank in the years to come.

While the fight against COVID-19 pandemic is going on and economic recovery is not synchronized across the world, we do not think that our prognosis should be too negative. Some AIIB Members have already begun to shift from emergency response to economic recovery and infrastructure financing. There is huge growth potential in the green economy and green technology. Crowding in more capital to fund these measures will be necessary to fill the financing gap. At the crux of AIIB's investment strategy is the creation of a financial ecosystem to encourage more private financing for AIIB Members to build resilient infrastructure so they can capitalize on these opportunities as part of their return to growth strategies.

Throughout a very challenging year, our staff continued to operate by high standards, despite many professional and personal challenges. To pay heed to the voices of AIIB staff, we initiated the Staff Consultative Mechanism in 2021, as a constructive platform to facilitate an open dialogue between management and staff on a range of issues from working conditions, interactions between the staff and their supervisors, incentives and recognition of their performance to general wellbeing. A new Diversity and Inclusion Action Plan was also approved by the Executive Committee to support a working environment where all employees feel empowered and are able to bring their talent into full play. These are two essential elements of culture-building among many initiatives, such as a new Ombudsperson's Office underway at AIIB as we transition from a start-up to a more mature and growth-oriented organization.

Under the guidance of the Board, the management and the staff have worked hard to meet the expectations of our shareholders and a diverse set of stakeholders from around the world. We still have much to learn and an incredible amount of work to do in our efforts to support our members in achieving a prosperous and sustainable Asia. I am pleased with our 2021 Annual Report as it demonstrates what we delivered under challenging circumstances. In this report, we share information about the impacts the Bank exerted on development in the region, the tangible benefits brought to the people, and the contributions we are making to economic recovery and climate change mitigation and adaptation, vaccine access and sustainable infrastructure.

In closing, I would like to extend my thanks to our shareholders, our Board of Directors, our staff and investment partners for their support in 2021 and collectively over the past six years as we continue to invest in Infrastructure for Tomorrow.

FROM OUR BOARD OF DIRECTORS

From its inception, AIIB established itself as a modern institution for the 21st century where technology would be integrated into its operations and processes. Even before the outbreak of COVID-19, our Board of Directors was meeting virtually to discuss matters of importance around policy, strategy and project approvals. Now, two years later, this early adoption of technology strengthened the Bank's resilience to the complications imposed by travel restrictions around the world. The seamless transition to a virtual modality over the past two years did present challenges. However, this did not stop us from upholding the Bank's requirements to provide oversight and guidance to our management and staff, including the consideration of a significant increase in projects throughout 2021.

The Corporate Strategy, approved by the Board in 2020 and implemented in 2021, provides us with a guide by which we can chart the course of the Bank for the next ten years. It stresses the importance of client responsiveness and client orientation in the AIIB business model. The thematic priority areas remain the core of our work and value-addition of the Bank, but we recognize there are situations where we need to respond to urgent client needs beyond direct priority areas. This has been the case with the pandemic. With COVID-19 bringing lots of challenges and uncertainties, we were able to respond quickly to our Members through the flexibility of the COVID-19 Crisis Recovery Facility while continuing our efforts to pursue our goals under the Corporate Strategy. Now, as more countries return to growth and seek funding for their infrastructure plans, we are working on finding the balance between returning to our core lending program and maintaining a level of support for AIIB Members still implementing emergency pandemic measures.

While there are undoubtedly positive signs of economic recovery, its unevenness means many countries are still in need of funding to support their vaccine and other COVID-19 response programs. As a victory over the pandemic cannot yet be claimed, in 2021 we extended support to AIIB Members under the Crisis Recovery Facility as a temporary source of COVID-19 emergency funding.

For governments able to transition their focus toward economic recovery, the need for investment

in infrastructure, which is at the core of our mandate, grew. Progress is still needed to address the infrastructure gap, which is only growing larger over time. For stretched public budgets, sourcing low-cost capital to fund these investments can be difficult, especially for emerging economies that do not yet have a developed capital market. Securing this funding is not easy for many countries, but this is exactly where an institution like AIIB can be a catalyst for change.

In 2021, USD1,332.6 million of private capital was mobilized by AIIB to support investments in green infrastructure. Throughout the year, the Board supported proposals to crowd-in private capital that delivers risk-adjusted returns for investors and a positive economic, social and environmental impact on local communities. Looking forward, ramping up our ability to carry out more innovative financing solutions will be necessary. Therefore, the Board is placing priority on recruiting the talent and capabilities to bolster AIIB's capacity to design and deliver more projects that raise private capital for emerging market infrastructure.

The growing interest in the investor community for ESG investing makes AIIB a natural partner. We are already paving the way to entrench ESG principles in Asia's corporate bond market. Under the Sustainable Capital Markets Initiative, USD1 billion has been earmarked to build an evidence-based proof of concept and to act as a test bed for future sustainable investments.

Disruptions in global value chains over the past two years have also reinforced the importance of trade infrastructure and its role in global recovery. For emerging and developing economies, these types of investments have proven to play a meaningful role in bridging the prosperity gap. Continued investments by the Bank in this sector to strengthen trade and regional connectivity within Asia and between regions will remain an essential element of our strategy in the coming years. However, as AIIB's research has demonstrated, this critical connectivity infrastructure must be inclusive and climate resilient. Countries that take sustainability and climate concerns into consideration will be more competitive in the global marketplace as more companies and countries announce net-zero commitments.

DIRECTORS



PRESIDENT AND CHAIR OF THE BOARD OF DIRECTORS



Jin Liqun

ALTERNATE DIRECTORS



VICE PRESIDENT AND CORPORATE SECRETARY



Ludger Schuknecht

(FIRST ROW FROM THE TOP, LEFT TO RIGHT)

Abdulaziz M. Alrasheed (Saudi Arabia) M. Aslam Chaudhary (Pakistan), Zhijun Cheng (China), Jacek Dominik (Poland), Khuong Thanh Ha (Viet Nam), Ahmed Kouhouk (Egypt)

(SECOND ROW FROM THE TOP, LEFT TO RIGHT)

Chong Hwa Lee (Korea), Rajat Kumar Mishra (India), Wempi Saputra (Indonesia), Md. Shahriar Kader Siddiky (Bangladesh), Pavel Snisorenko (Russia), Ana Sobrino (Spain)

(THIRD ROW FROM THE TOP, LEFT TO RIGHT)

Mohammed Abdullah Al Hashimi (Qatar), Adel Al Hosani (UAE), Idesh Batkhoo (Mongolia), Mehmet Alper Batur (Turkey), Sukmeena Bhasavanich (Thailand), Jesper Von Carnap-Nielsen (Denmark), Mark COLLINS (United Kingdom)

(FOURTH ROW FROM THE TOP, LEFT TO RIGHT)

Madara Sevrandi De Silva (Sri Lanka), Nikoloz Gagaa (Georgia), Enrique Galán (Portugal), Bin Han (China), Mark Dennis Joven (Philippines), Camillo von Müller (Germany), Katharine Rechico (Canada)

(FIFTH ROW FROM THE TOP, LEFT TO RIGHT)

Nurlan Shokbarbayev (Kazakhstan), Manisha Sinha (India), Abebe Tadesse (Ethiopia), Kourosh Taherfar (Iran), Pen Thirong (Cambodia), Rachel Thompson (Australia), Yehonatan Reznick (Israel)

AIIB as a green bank continues to focus on investing in green infrastructure solutions, as climate change remains a challenge that is facing us all. With the new commitment to be 'Paris Aligned' by July 2023, the Board reiterates the importance scaling up action and climate finance to contribute to transformations and energy transition to achieve low emissions and climate-resilient societies. Approving the new Environmental and Social Framework in 2021 also strengthens AIIB's safeguards and demonstrates the responsiveness of the Bank to reflect project-level feedback and its own operational experience.

This commitment to continuous learning is an important aspect of our corporate culture. The Board believes in creating a work environment where management and staff are empowered to pursue new ideas, grow as professionals and find the best solutions to achieve the Bank's mission.

Recruiting the right people and giving them the tools to deliver their best work will be at the core of AIIB's winning strategy. The evolution of the Bank's corporate culture is on track, with extra attention needed for building a diverse workforce that is fully representative of the Bank's membership and the people it serves.

The world is changing and the lending environment within which AIIB was born has also evolved. The year 2021 marked the first year of implementation of AIIB's Corporate Strategy. Looking back, the Board believes AIIB's pipeline growth and institutional development indicate a very positive outlook for what is yet to come. Maintaining AIIB's current trajectory will be the highest priority for the Board because the need for infrastructure funding has never been greater.



WHO WE ARE AND WHAT WE DO

We are a multilateral development bank (MDB) based in Asia, with an international membership. We began operations on Jan. 16, 2016, with 57 founding Members (37 regional and 20 nonregional). As of Dec. 31, 2021, we have 105 approved Members (88 ratified and 17 prospective) representing approximately 81 percent of the global population and 65 percent of global GDP. We are self-governing, rules- and treaty-based, and Triple-A-rated with preferred creditor status.



AIIB Headquarters

OUR MANDATE

Our VISION is a prosperous Asia based on sustainable economic development and regional cooperation.

Our MISSION is Financing Infrastructure for Tomorrow. By investing in sustainable infrastructure, we unlock new capital, new technologies and new ways in which to address climate change and connect Asia and the world. We will achieve this by working in partnership. By being agile and adaptable, AIIB will meet client needs and operate to the highest standards.

2021 AT A GLANCE

The COVID-19 pandemic and its ensuing crisis are still evolving. Recovery remains highly fragile and uneven. The number of new cases has continued to increase rapidly in some regions and has resurged in some countries, resulting in the reintroduction of containment measures. While the global vaccination effort has allowed a gradual easing of restrictions in some countries, the challenge now is how to equitably deploy vaccines and boosters, particularly to developing countries, to reach herd immunity, protect lives, and reopen the global economy.

2021 was a year fraught with uncertainties and challenges, particularly regarding the: (i) course of the pandemic; (ii) the speed and efficacy of vaccine development; (iii) the extent and duration of containment measures; (iv) medium-term effects of continued reductions in mobility and social distancing on economic activity; and (v) the depth and breadth of damage to supply chains due to prolonged firm closures and economic dislocations. In particular, the strength and

sustainability of economic recovery depended critically on the widespread deployment of vaccines across and within countries.

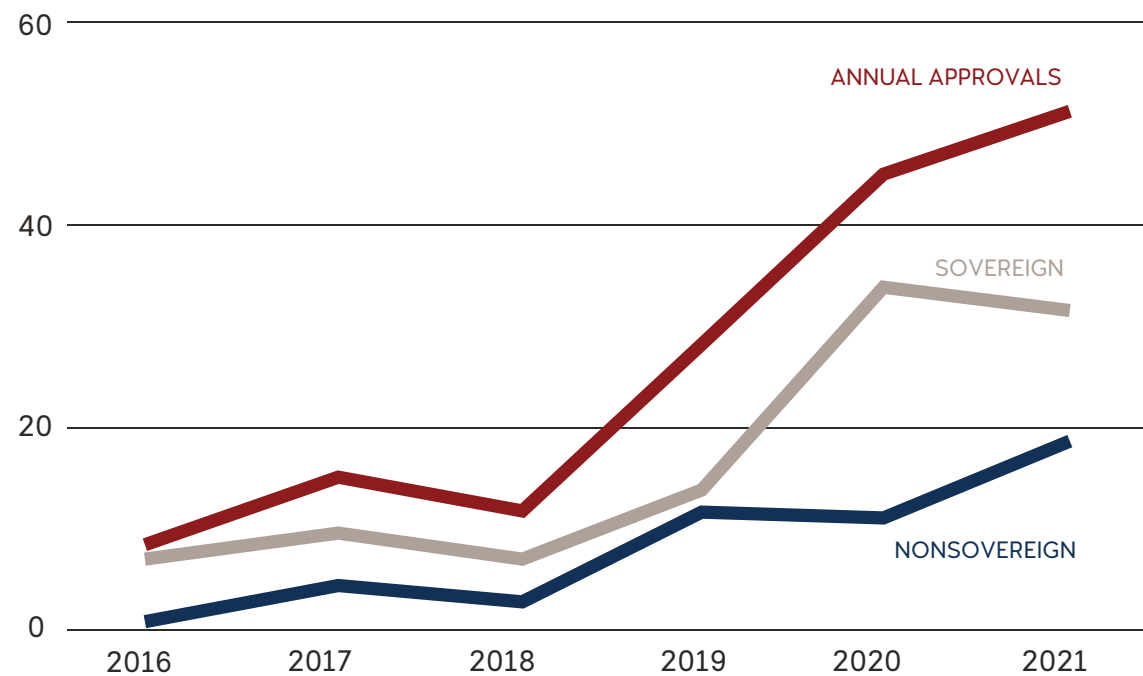
Considering this dynamic and the uncertain outlook, there remained a strong need for a coordinated global response to support sustainable economic recovery and for AIIB to remain agile, adaptive and responsive to a diverse and potentially changing range of client needs. We expected the COVID-19 crisis to present both challenges and opportunities for our operations in 2021 and responded accordingly.

We remained agile and flexible in our operations and responded quickly to the needs of our clients and stakeholders; addressing the needs of our Members here in Asia even as we further expanded our financing to support our nonregional Members. We implemented measures to address the business needs of a young, multinational development bank established to finance infrastructure for tomorrow (i4t). We adopted processes to improve our systems and introduced digital solutions to remain efficient and connected regardless of where our workforce may be.

In 2021, we implemented our Corporate Strategy, which defines the way we do things and marks a new development stage for us as we mature

Our VISION is a prosperous Asia based on sustainable economic development and regional cooperation.

APPROVED PROJECTS (2016–2021)



as we leave our startup phase and mature as an institution. Our Corporate Strategy reflects the lessons we learned from the challenges of the previous years and codifies our priorities and values.

Guided by our Corporate Strategy, in 2021, we focused on financing projects that are aligned to our thematic priorities and improving our efforts to track our impact across our projects. In 2021, we approved a total of 51 projects. 33 of these projects fell under one or more of our thematic priorities: Green Infrastructure (29), Connectivity and Regional Cooperation (8), Technology-enabled Infrastructure (13) and Private Capital Mobilization (16). An additional 18 projects were under the COVID-19 Crisis Recovery Facility, or six each in the areas of public health emergency responses, financial liquidity support, and strengthening economic resilience. Five of these Facility projects were in vaccine financing.

We doubled our efforts to mobilize private capital through our anchor investments in funds and securities identified for their potential to promote green infrastructure and contribute to asset creation. Our partnerships with other multilateral development banks (MDBs), investors, clients and stakeholders enabled us to leverage our resources, increase our reach and maximize our impact.

We took steps toward achieving our 50 percent share of climate finance in actual financing approvals by 2025 and aligning our operations with the goals of the Paris Agreement by July 1, 2023.

We approved an extension to the duration of the COVID-19 Crisis Recovery Facility (Facility) until April 16, 2022.¹ We replenished the Special Fund

¹ In 2022, the Facility was further expanded to a total of USD20 billion, with its duration extended until end-2023.

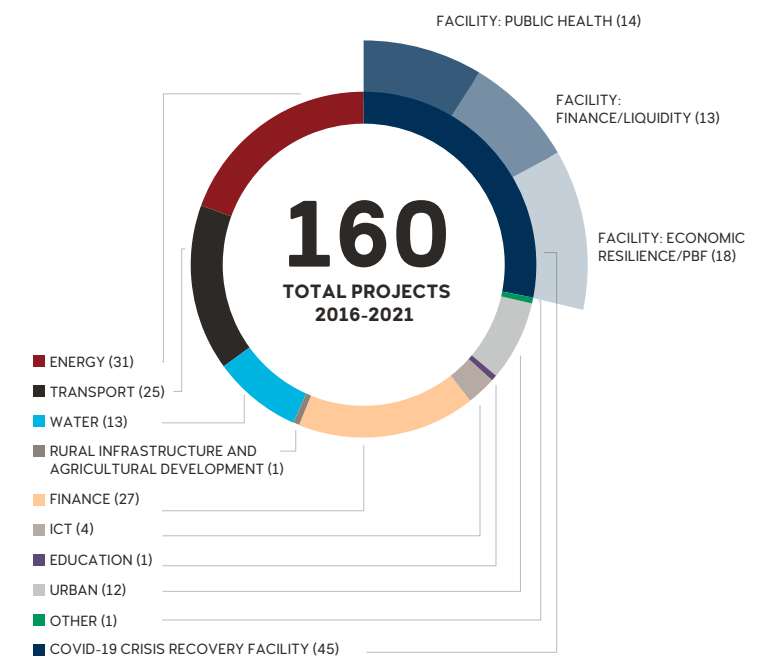
Window under the Facility by up to USD25 million to support vaccine financing in AIIB Members with IDA-only status. We became an Implementing Partner for the Global Infrastructure Facility and the Multilateral Cooperation Center for Development Finance. Our Special Funds enabled us to support the identification and preparation of high quality bankable projects, capacity building, information sharing, and making AIIB loans more affordable through interest rate buy-down.

We strengthened our commitment to environmentally and socially sustainable development outcomes with a review and amendment of our Environmental and Social Framework to integrate the management of environmental and social risks and impacts in the deliberation, preparation and implementation of AIIB-financed projects. The revised ESF strengthened language on climate change reflecting AIIB's climate change financing target of 50 percent of approved financing; enhances transparency by adding deadlines for the disclosure of environmental and social documentation and adding more clarity on the disclosure of financial intermediary operations; reflects the use of new measures to address environmental, social and governance approaches to our capital market operations; elevates the importance of gender equality and our commitment to addressing gender-based-violence; and enhanced language to protect biodiversity and to exclude asbestos from AIIB-financed projects.

We also adopted a Sustainable Development Bonds Framework to govern our commitment to sustainable financing activities within its purpose and committed to tracking the environmental and social benefits of our financing through an annual impact report, the first of which we published this year. We adopt a Learning and Evaluation Policy to provide a robust structure for evaluation of AIIB's operations.

For the fourth consecutive year since 2017, our Triple-A rating was affirmed by three rating agencies, Moody's, Fitch and S&P. We continued to develop the AIIB brand as a premier issuer in international markets and successfully issued our debut sustainable development Kangaroo bond in the Australian market, among other transactions.

PROJECTS BY SECTOR (2016–2021)



HIGHLIGHTS

Cumulative Data from 2016-2021

TABLE 1: APPROVED PROJECTS (2016–2021)					
YEAR	ANNUAL APPROVALS	SOVEREIGN**	NONSOVEREIGN**	MEMBERS IN WHICH AIIB INVESTS	MEMBERS WHO RECEIVED AIIB FINANCING FOR THE FIRST TIME
TOTAL (as of Dec. 31, 2021)	160	106	54	31	
2021	51	32	19	31	3
2020	45	33	12	28	7
2019	28	15	13	21	8
2018	12	8	4	13	1
2017	15	10	5	12	5
2016*	9	8	1	7	7
* = Updated to reflect latest information.					

TABLE 2: PROJECTS BY THEMATIC PRIORITY (2016–2021)				
With the implementation of our Corporate Strategy in 2021, all our investments across infrastructure and other productive sectors are now required to add value through one or more of the four cross-cutting themes of our strategy to finance Infrastructure for Tomorrow. In 2021, AIIB realigned its reporting to reflect this and reclassified its projects under these thematic priorities going forward. The figures below represent the distribution of regular projects (excluding projects approved under the COVID-19 Crisis Recovery Facility).				
YEAR	GREEN INFRASTRUCTURE	CONNECTIVITY AND REGIONAL COOPERATION	TECHNOLOGY- ENABLED INFRASTRUCTURE	PRIVATE CAPITAL MOBILIZATION
TOTAL	92 (80.00%)	23 (20.00%)	21 (18.26%)	52 (45.22%)
2021	29 (87.88%)	8 (24.24%)	13 (39.39%)	16 (48.48%)
2020	15 (83.33%)	5 (27.78%)	5 (27.78%)	8 (44.44%)
2019	24 (85.71%)	4 (14.29%)	3 (10.71%)	15 (53.57%)
2018	9 (75.00%)	–	–	6 (50.00%)
2017	11 (73.33%)	2 (13.33%)	–	5 (33.33%)
2016	4 (44.44%)	4 (44.44%)	–	2 (22.22%)
Note: Some projects may fall within one or more priority areas.				

TABLE 3: PROJECTS BY SECTOR (2016–2021)													
YEAR	TOTAL	ENERGY	TRANSPORT	WATER	FINANCE	URBAN	ICT	RURAL INFRASTRUCTURE AND AGRICULTURAL DEVELOPMENT	EDUCATION*	OTHERS	COVID-19 CRISIS RECOVERY FACILITY		
											PUBLIC HEALTH	FINANCE/ LIQUIDITY	ECONOMIC RESILIENCE / POLICY-BASED FINANCING
TOTAL (as of Dec. 31, 2021)	160	31	25	13	27	12	4	1	1	1	14	13	18
2021	51	9	6	2	8	6	1	–	1	–	6	6	6
2020	45	3	5	3	5	1	1	0	–	–	8	7	12
2019	28	7	4	3	9	2	1	1	–	1	–	–	–
2018	12	2	3	3	3	1	0	0	–	–	–	–	–
2017**	15	6	3	2	2	1	1	0	–	–	–	–	–
2016***	9	4	4	0	0	1	0	0	–	–	–	–	–
* = New sector in 2021.													
** = Updated to reflect the recategorization of a project (Regional Infrastructure Development Fund) from Finance to Urban.													
*** = Updated to reflect latest information.													

TABLE 4: COVID-19 CRISIS RECOVERY FACILITY PROJECTS (2020–2021)					
YEAR	TOTAL	PUBLIC HEALTH	FINANCE / LIQUIDITY	ECONOMIC RESILIENCE / POLICY-BASED FINANCING	MEMBERS WHO AVAILED OF THE FACILITY
TOTAL (as of Dec. 31, 2021)	45	14	13	18	25
2021	18	6	6	6	14
2020	27	8	7	12	19
Note: The COVID-19 Crisis Recovery Facility was created in April 2020 to help AIIB Members address their diverse emergency health care, liquidity and economic needs. In June 2021, the Board approved an extension to the duration of the Facility until April 16, 2022. See Section 15.5 for more information.					

TABLE 5: US DOLLAR INVESTMENTS (2016–2021)

YEAR	ANNUAL APPROVALS	DISBURSED
TOTAL (as of Dec. 31, 2021)	USD31.92 billion	USD13.76 billion
2021	USD9.93 billion	USD4.62 billion
2020	USD9.98 billion	USD6.23 billion
2019	USD4.54 billion	USD1.48 billion
2018	USD3.31 billion	USD0.62 billion
2017	USD2.50 billion	USD0.79 billion
2016	USD1.69 billion	USD0.01 billion

Notes: 'Approved' investment figures reflect the maximum amount approved. 'Net Committed' equals committed amount less canceled amount. 'Disbursed' refers to the amount of cash disbursement and capitalized charges.

TABLE 6: MEMBERS (2016–2021)

YEAR	TOTAL APPROVED	REGIONAL	NONREGIONAL
End-2021	105	51	54
End-2020	103	50	53
End-2019	102	50	52
End-2018	93	50	43
End-2017	84	48	36
End-2016	57	37	20

Notes: Figures are aggregated and include AIIB Members and approved AIIB Members. As of end-2021, AIIB full membership totaled 88 with 17 more that have either signed the AIIB Articles of Agreement (pending ratification), or whose membership applications have been approved by the Board of Governors, pending their ratification of the AIIB Articles of Agreement or required payment for their subscribed capital stock of the Bank (commonly known as Prospective AIIB Members).

TABLE 7: STAFF (2016–2021)

YEAR	PROFESSIONAL STAFF	WOMEN PROFESSIONAL STAFF	NATIONALITIES REPRESENTED
End-2021	359	141 (39% of total)	51
End-2020	316	121 (38% of total)	54
End-2019	279	108 (39% of total)	50
End-2018	186	59 (32% of total)	44
End-2017	131	42 (32% of total)	36
End-2016	79	18 (23% of total)	23

TABLE 8: PROJECT PREPARATION SPECIAL FUND (2016–2021)

YEAR	COMMITMENT CONTRIBUTIONS	PREPARATION GRANTS APPROVED
End-2021	USD128 million	USD33.64 million
End-2020	USD128 million	USD25.44 million
End-2019	USD128 million	USD11.31 million
End-2018	USD128 million	USD7.18 million
End-2017	USD108 million	USD1.70 million
End-2016	USD58 million	–

Note: These figures refer to grants provided by AIIB through its Project Preparation Fund to support the preparation of projects to be financed by AIIB. See Sections 1.3.3.1 and 16.3.1 for more information.

TABLE 9: PRIVATE CAPITAL MOBILIZED (2016–2021)

YEAR	COMMITMENT CONTRIBUTIONS	TOTAL
2021	USD1,332.6 million	USD4,677.06 million
2020	USD1,450.1 million	USD3,344.46 million
2019	USD1,178.4 million	USD1,894.36 million
2018	USD150 million	USD715.96 million
2017	USD561 million	USD565.96 million
2016	USD4.96 million	USD4.96 million

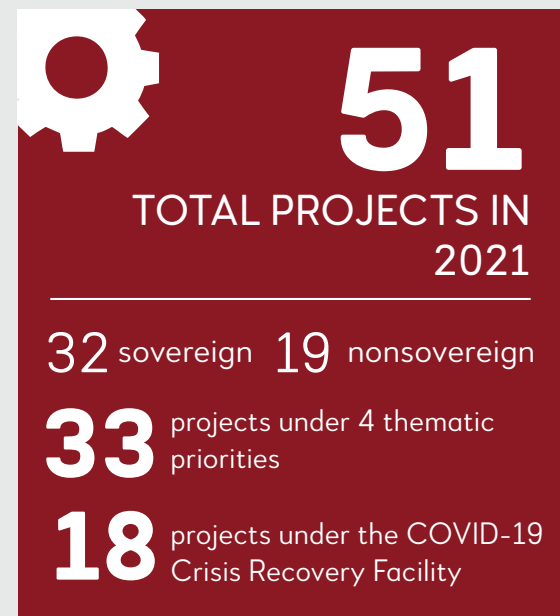
Notes: Private capital mobilized includes direct and indirect involvement of AIIB that led to the commitment of private entities' financing.

TABLE 10: INTERNATIONAL OPEN COMPETITIVE TENDERING & SELECTION PROCUREMENT (2016–2021)

YEAR	ANNUAL CONTRACT AWARD	TOTAL
2021	USD2,621.1 million	USD6,418.8 million
2020	USD1,336.8 million	USD3,797.7 million
2019	USD1,410.4 million	USD2,460.9 million
2018	USD165.5 million	USD1,050.5 million
2017	USD396 million	USD885 million
2016	USD489 million	

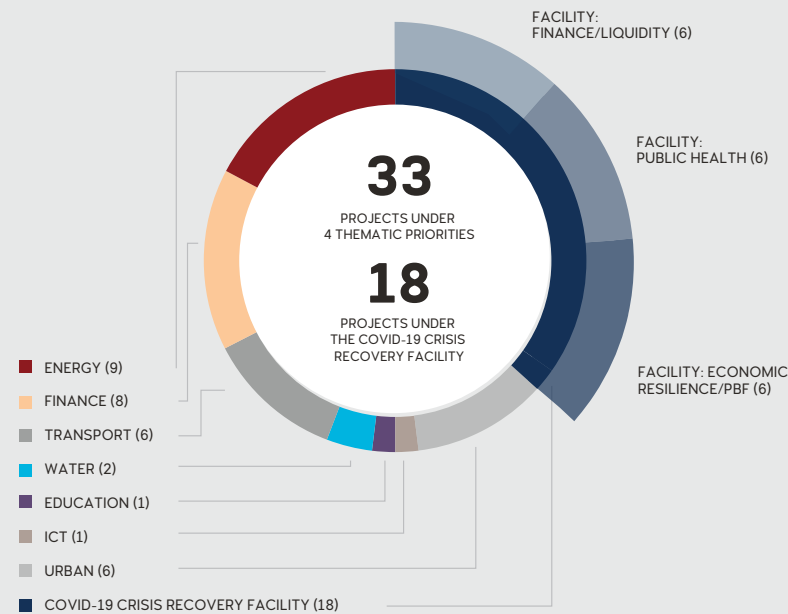
Note: Contract award amounts are based on (i) International Open Competitive Tendering method for goods, works and nonconsulting services contracts, and (ii) International Open Competitive Selection method for consulting services under approved sovereign-backed financings and Project Preparation Special Fund. The title of the table has been updated to reflect such coverage.

TOTAL PROJECTS (2021)

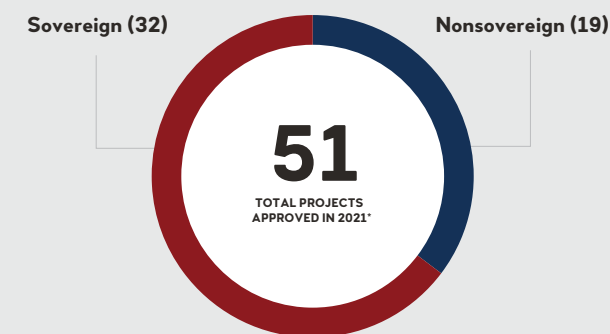


Note: Some projects may fall within one or more thematic priorities.

TOTAL PROJECT DISTRIBUTION (I4T AND FACILITY PROJECTS) BY SECTOR (2021)



TOTAL PROJECT DISTRIBUTION (I4T AND FACILITY PROJECTS) BY FINANCING TYPE (2021)



* Some projects may fall within one or more thematic priorities

TOTAL PROJECT DISTRIBUTION FOR FIRST TIME ACCESSORS OF AIIB FINANCING (2021)



USD **666** Million

Projects (4)
Members (3)
(Rwanda, Jordan, Hungary)

INFRASTRUCTURE FOR TOMORROW (I4T) PROJECTS

I4T PROJECTS BY THEMATIC PRIORITY

YEAR	GREEN INFRASTRUCTURE	CONNECTIVITY AND REGIONAL COOPERATION	TECHNOLOGY-ENABLED INFRASTRUCTURE	PRIVATE CAPITAL MOBILIZATION
TOTAL (2016-2021)	92 (80.00%)	23 (20.00%)	21 (18.26%)	52 (45.22%)
2021	29 (87.88%)	8 (24.24%)	13 (39.39%)	16 (48.48%)

I4T PROJECT DISTRIBUTION BY THEMATIC PRIORITIES (2021)

Green Infrastructure

MEMBERS	GREEN INFRASTRUCTURE
Bangladesh	1
China	3
India	9
Indonesia	1
Maldives	1
Multicountry	5
Pakistan	2
Russia*	1
Singapore	1
Türkiye	2
Uzbekistan	2
Viet Nam	1
Total	29

*On hold and under review

Connectivity and Regional Cooperation

MEMBERS	CONNECTIVITY AND REGIONAL COOPERATION
Bangladesh	1
China	1
India	1
Multicountry	3
Oman	1
Türkiye	1
Total	8

Technology-Enabled Infrastructure

MEMBERS	TECHNOLOGY-ENABLED INFRASTRUCTURE
China	4
India	3
Maldives	1
Multicountry	2
Oman	1
Türkiye	1
Uzbekistan	1
Total	13

Private Capital Mobilization

MEMBERS	PRIVATE CAPITAL MOBILIZATION
China	2
India	1
Maldives	1
Multicountry	6
Oman	1
Russia*	1
Singapore	1
Türkiye	1
Uzbekistan	1
Viet Nam	1
Total	16

*On hold and under review

I4T PROJECT DISTRIBUTION BY REGION AND SECTOR (2021)

Region 1: Total of USD2218.17 million approved

MEMBER	ENERGY	FINANCE	ICT	TRANSPORT	URBAN	WATER	EDUCATION	TOTAL
Bangladesh				1	3			4
India	3			1		1	1	6
Indonesia	1							1
Singapore		1						1
Viet Nam	1							1
Total	5	1	0	2	3	1	1	13

Region 2: Total of USD2893.6 million approved

MEMBER	ENERGY	FINANCE	ICT	TRANSPORT	URBAN	WATER	TOTAL
China		1		2		1	4
Maldives	1						1
Oman			1				1
Pakistan	1				1		2
Russia*				1			1
Türkiye	1			1	1		3
Uzbekistan	1				1		2
Total	4	1	1	4	3	1	14

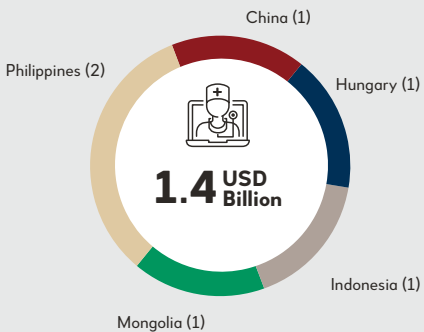
Multicountry: 6 Projects, all in Finance, Total of USD750 million approved

MEMBER	ENERGY	FINANCE	ICT	TRANSPORT	URBAN	WATER	TOTAL
Multicountry		6					6

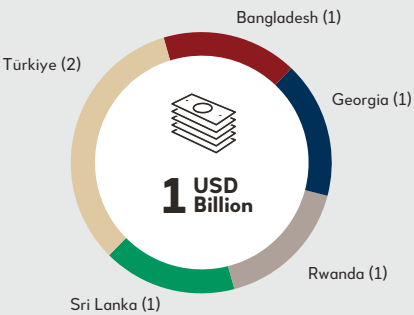
COVID-19 CRISIS RECOVERY FACILITY (2021)

FACILITY PROJECT DISTRIBUTION BY FACILITY SECTOR (2021)

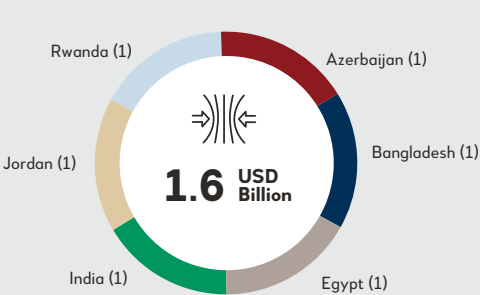
Public Health (USD1.4 billion)



Finance/Liquidity (USD1.0 billion)



Economic Resilience (USD1.6 billion)

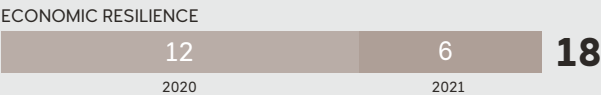


SPECIAL FUND WINDOW UNDER THE COVID-19 CRISIS RECOVERY FACILITY (2021)

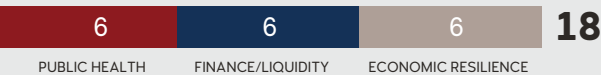


29.74 USD Million
in interest rate buy down
grants approved

Total Projects by Facility Sector = 18



2021
TOTAL



Special Funds

PROJECT PREPARATION SPECIAL FUND (2021)



USD
33.64 Million
in preparation grants
approved

MULTILATERAL COOPERATION CENTER FOR
DEVELOPMENT FINANCE SPECIAL FUND (2021)



1.82 USD Million
in grants approved

2021 TIMELINE

JANUARY

4 Liberia becomes a full member on fulfilling the terms and conditions set out in the Board of Governors Resolution No. 96.

5 Tonga becomes a full member on fulfilling the terms and conditions set out in the Board of Governors Resolution No. 48.

16 The fifth anniversary of AIIB's commencement of operations.



At the start of our sixth year, we set targets for our mission of Financing Infrastructure for Tomorrow. We aimed that (i) by 2025 our climate finance would represent 50 percent of all financing approvals, (ii) by 2030, 50 percent of our projects would be led by the private sector and (iii) cross-border connectivity projects should be 25-30 percent of what we deliver.

The beginning of Jin Liqun's second five-year term as President of AIIB.



FEBRUARY

26 President Jin Liqun attended a virtual ceremony to witness the completion of financing documents for the SMF Multifunctional Satellite Project, which was held in the Presidential Palace of Indonesia. President Joko Widodo of Indonesia also attended the ceremony.



MARCH

25 Our Board of Directors approved AIIB's first vaccine financing project, a loan of USD300 million to support the Philippines in the rapid procurement of eligible COVID-19 vaccines.



26 We held our second Inspire Day at our permanent headquarters and continued to encourage each other to spark and share ideas.



30 Argentina becomes a full member on fulfilling the terms and conditions set out in the Board of Governors Resolution No. 46.

APRIL

1 We opened our Tianjin Backup Office to serve as our alternative for business continuity, IT disaster recovery, backup center for archives, and venue for training, retreats, meetings, workshops and other group activities.



We streamline our co-financing procedures with the European Bank for Reconstruction and Development.

21 President Jin Chairs First Meeting of the Heads of MDBs. The Heads of the MDBs discussed pressing issues affecting development, with pandemic recovery and climate change the principal topics of discussion.



We launched our Sustainable Development Bond Framework that outlines how AIIB adheres to the principles in its Environmental and Social Framework that guides project selection, and how AIIB helps its Members meet their commitments under the Paris Agreement and the UN SDGs.

22 Moody's Investors Service affirms our Aaa/Prime-1 (stable) rating.

23 We establish the Respectful Workplace Advisors Program (RWA) to foster a Respectful Workplace environment for AIIB staff. Advisors provide support for staff who face workplace issues.

28 We successfully priced our debut sustainable development Kangaroo bond. The five-year AUD500 million transaction saw strong uptake both in Australia (32 percent) and across the Asian region (55 percent), demonstrating the continued growth of AIIB's footprint across capital markets.

MAY

19 Our first Learning and Evaluation Policy was approved by our Board of Directors, defining the purpose of learning and evaluation in AIIB and providing a robust structure for the evaluation of AIIB's operations by its independent Complaint-resolution, Evaluation and Integrity Unit.

21 We amend our Environmental and Social Framework to strengthen language on climate change, enhance transparency, address ESG approaches in capital market operations, elevate the importance of gender equality and commitment to addressing gender-based violence, and enhanced language to protect biodiversity and exclude asbestos from AIIB-financed projects.

25 We approved a USD260 million loan to Bangladesh for the construction of the Kewatkhali Bridge, the first steel arch bridge in Bangladesh that will use the latest advances in technology to improve safety and promote early detection of structural damage.

28 The Directive on the Learning and Evaluation Policy was approved, further elaborating on the role of Management with regard to the Learning and Evaluation Policy.

We committed USD50 million to the SUSI Asia Energy Transition Fund which targets sustainable energy infrastructure investments across the energy transition spectrum, from renewable energy generation to energy-efficient measures, and those that enable clean energy solutions, such as energy storage and microgrids.

JUNE

11 We committed USD60 million to Bayfront Infrastructure Management's debut issuance of infrastructure asset-backed securities. AIIB's anchor investment set an important benchmark for future infrastructure asset-backed securities.

30 We joined other MDBs in enhancing cooperation on reporting climate finance as we published the 2020 Joint Report on Multilateral Development Banks' Climate Finance. The annual report is a key indicator of the progress MDBs are making in accelerating the delivery of climate finance, for which demand will clearly grow.

On this day, Fitch Ratings affirmed our AAA/F1 (stable) rating.

JULY

2 Chile became a full AIIB Member on fulfilling the terms and conditions set out in the Board of Governors Resolution No. 37

7 We approved a USD21 million loan to support Mongolia's roll-out of its COVID-19 vaccine delivery plan. The project gives the Government of Mongolia immediate financing support to purchase safe and effective vaccines against COVID-19.

8 We become an Accredited Technical Partner of the Global Infrastructure Facility (GIF), AIIB's first accreditation with a global partnership facility. AIIB and GIF will leverage their respective resources to more effectively mobilize private capital to develop and finance sustainable infrastructure projects



15 We approved a USD100 million loan to support efforts by the Government of Rwanda to increase access to finance for businesses affected by COVID-19 and build post-pandemic economic resilience. The project is AIIB's first investment in Rwanda and the Bank's first investment in Sub-Saharan Africa.

We extended a USD500 million loan to the Government of Indonesia to help prevent, detect and respond to the threat posed by COVID-19, strengthen national systems for public health preparedness and strengthen the health system to support the safe and effective deployment of vaccines.

AUGUST

9 We approved USD125 million to help the State Government of Kerala in India better prepare for natural disasters, the impact of climate change and the outbreak of disease and pandemics.

25 We become the first Implementing Partner of the Multilateral Cooperation Center for Development Finance. The partnership seeks to leverage resources to support the preparation of high- quality connectivity infrastructure projects to facilitate resilient and inclusive economic growth.

SEPTEMBER

1 Our Board of Directors approved a USD250-million investment in Jordan, our first in the country, to accelerate economic recovery from COVID-19 and create more jobs by capitalizing on the economy's potential and green growth opportunities.

15 The Office of the Ombudsperson was established to facilitate informal resolution of workplace conflicts and problematic staff issues and concerns, identify and analyze systemic issues of AIIB policies, and recommend or alert senior management on such issues to improve the working environment and administer the Respectful Workplace Advisors Program.

20 AIIB and the International Renewable Energy Agency signed an MOU committing to work together to support energy transition and promote renewable energy.

22 Our International Advisory Panel (IAP) gained six new AIIB Members, vice the former six IAP members, with the total number of panelists remaining at 12. The IAP was established to advise the President and senior management on the development of AIIB's strategies, policies and operational approach.



AIIB was awarded the 2021 Duty of Care Award in the Communications Category of the International SOS Foundation, which honors organizations that protect their employees. The award was given for AIIB's efforts to ensure staff security and safety during COVID-19. Entries from 24 industries across 29 countries were reviewed.

27 We announced that we would anchor the Aberdeen Standard Investcorp Infrastructure Partners' new regional fund by committing USD90 million to its first close.

28 We launched the Customer Relationship Management system. This Bank-wide platform providing information on our customers, counterparties, investors and other external entities constitutes an important milestone toward the digital transformation of AIIB.

OCTOBER

20 President Jin Liqun chaired the Second 2021 Meeting of the Heads of the Multilateral Development Banks. Heads of MDBs discussed issues affecting global development, with MDBs' ongoing response to climate change and the importance of digital infrastructure the principal discussion topics.



26 We held our Sixth Annual Meeting, hosted virtually by UAE

President Jin Liqun announced the alignment of AIIB operations with the goals of the Paris Agreement by July 1, 2023. At that time, we estimated our cumulative climate finance approvals to be USD50 billion by 2030. This amount represented a fourfold increase in annual climate finance commitments since we began publicly reporting our climate investment numbers in 2019.



We approved the application of Nigeria to join AIIB, bringing to 20 our approved Members from Africa, including 11 full AIIB Members and nine Prospective Members as of this date.

28 We launched the 2021 edition of the Asian Infrastructure Finance report entitled "Sustaining Global Value Chains," highlighting the role and evolution of Global Value Chains (GVC) and the urgent shifts necessary to decarbonize along the supply chain or risk GVCs becoming unsustainable.

We launched our inaugural Sustainable Development Bonds Impact Report that presents data on AIIB's portfolio volume, alignment with thematic priorities and portfolio performance during the Bank's first five years of operation from 2016 to 2020.

NOVEMBER

2 At COP26, AIIB joined the Collective Climate Ambition, a joint statement by multilateral development banks to contribute more broadly through joint and individual efforts to align financing flows with the Paris Agreement and support clients to develop ambitious long-term strategies.



15 We launched our Investment Management Information System (IMIS). By providing a 'golden source' of information throughout the project cycle, IMIS supports decision management at the project level, supports information disclosures and contributes to enhancing project and portfolio reporting.

27 Our permanent HQ at the Olympic Park won the China Luban Award (National Quality Project) for 2020-2021.

29 We approved USD1 billion for the Henan Flood Emergency Rehabilitation and Recovery Project in China. The project will support post-disaster recovery in three municipalities in Henan Province that were severely affected by flooding due to days of record-breaking heavy rainfall.

DECEMBER

9 We commemorated International Anti-corruption Day with a Bank staff address by President Jin and Gerard Ryle, Director of the International Consortium of Investigative Journalists.



27 Our Board of Governors approved Iraq's application to join AIIB. Iraq became AIIB's 51st regional member, bringing the Bank's approved membership to 105.

29 On this day, S&P Global Ratings affirmed our AAA/A-1+ (stable) rating.

31 After completing six fiscal years of operation, we crossed the USD31 billion investment mark and approved 160 projects. By end-2021, we had invested in 31 Members, with three receiving funding for the first time (Hungary, Jordan and Rwanda). The number of AIIB Members (88) and prospective Members (17) reached 105 by end-2021.



OUR GROWTH

At the start of our sixth year, we set targets for our mission of Financing Infrastructure for Tomorrow. We aimed that (i) by 2025, our climate finance would represent 50 percent of all financing approvals, (ii) by 2030, 50 percent of our projects would be led by the private sector and (iii) cross-border connectivity projects should be 25-30 percent of what we deliver.

BUILDING ON OUR FOUNDATIONS

OUR GOVERNANCE IN 2021

Board of Governors

All our powers are vested in the **Board of Governors**, where each AIIB Member is represented by a Governor and an Alternate Governor, both of whom serve at the pleasure of the appointing AIIB Member. At each of its annual meetings, the Board elects a Governor as Chair, who holds office until the election of the next Chair.

The Board of Governors has the power to, among others, admit new AIIB Members and determine the conditions of their admission, suspend Members, increase or decrease the Bank's authorized capital stock, elect Directors and elect

or suspend the President or remove the President from office.

Sixth Annual Meeting

As our annual flagship event since 2016, the Annual Meeting continues to facilitate discussions among the Board of Governors and produce strategic guidance on our way forward. Hosted by the United Arab Emirates, the Sixth Annual Meeting of the Board of Governors took place on Oct. 26-28, 2021 by electronic means. It was the first time the Annual Meeting was hosted by a Member from the Middle East.

During this Annual Meeting, AIIB publicly committed to aligning its operations with the goals of the Paris Agreement by July 1, 2023. Meanwhile, with the theme 'Investing Today,



Hosted by the United Arab Emirates, the Sixth Annual Meeting of the Board of Governors took place on Oct. 26-28, 2021 by electronic means.

Transforming Tomorrow', some 20 public engagement sessions were held during the Annual Meeting, including two sessions to engage with CSO/NGO groups and over six lead-up events. Those seminars deliberated on climate financing, connectivity and sustainable infrastructure in the post-COVID-19 era among other topics. Over 40 speakers participated as panelists, including 9 at the Governor level and 11 at the Ministerial level. The AIIB publication *Asian Infrastructure Finance 2021 Sustaining Global Value Chains* was also released during the Annual Meeting.

Delegation of Oversight Functions

The Board of Governors delegate a broad range of operational oversight functions to the Board of Directors.

Board of Directors

The 12-member Board of Directors, elected by the Governors, is responsible for the strategic direction of our general operations, including

setting our policies and strategies and overseeing their implementation.

The Board of Directors is nonresident in line with our lean culture, exercising all powers delegated to it by the Board of Governors. The Board of Directors meets regularly and frequently, as often as business requires, in physical meetings and through video conferences, and maintains regular communication with Bank Management between meetings. Under the direction of the Board of Directors and as its Chair, the President conducts the Bank's business and is held accountable for efficient day-to-day operations.

Prevented by COVID-19 from holding in-person meetings, the Board of Directors held more frequent virtual meetings, ensuring that it could continue to guide AIIB in deliberations over policies and strategies. AIIB was thus able to rapidly bring projects forward, particularly those under the COVID-19 Crisis Recovery Facility, for Board approval. The Board of Directors held 14 meetings



The Sixth AIIB Annual Meeting was the first time to be hosted by a Member from the Middle East.

in 2021, all electronic. In 2020, it held 19 meetings and in 2019 it held nine meetings, of which four were physical and five electronic.

As part of its agile response to COVID-19, the Board of Directors continued to hold many virtual engagements with AIIB Members.

Accountability Framework

In 2018, the Board of Directors approved the Accountability Framework. The document clarifies the division of responsibility between the Board of Directors and Management, in respect of policy and strategy and the financing operations of the Bank. The framework provides additional tools for the Board of Directors to hold the President and Management accountable.

Following a transparent process, the President may approve projects that fulfil predefined requirements and submits summaries of projects based on predetermined criteria to the Board of Directors. As an important safeguard, any Director can call any of these projects before the Board of Directors if deemed necessary.

In 2021, the President approved four projects: (i) India: Punjab Municipal Services Improvement Project, (ii) China: Liaoning Green Smart Public Transport Demonstration Project, (iii) Oman: Oman Broadband Company Tranche 2 and (iv) Türkiye: Osmangazi Electricity Distribution Network Modernization and Expansion Project.

In April 2021, the Board held that the scope of the performance review of the President in 2021 should be focused on the Bank's response to the COVID-19 pandemic and consideration of the Board's effectiveness should also be included in the review.

In the context of volatile challenges related to COVID-19, the Board, President, and the management team have worked as one team to meet the needs of the Bank's Members and to operate the Bank in a safe and sound manner in unprecedented circumstances. The President, specifically, has demonstrated strategic vision, strong leadership, and robust performance across his key competency areas throughout his leadership of the Bank's COVID-19 response. Meanwhile, the Board demonstrated its unending commitment to the Bank during a difficult time. The review showed a maturation of the Board, as it continues to refine and embed its systems, processes and practices while successfully fulfilling its duty to monitor the Bank's activities and provide strategic direction to the Bank.

As part of the decision to establish the Accountability Framework, Management is required to conduct a comprehensive review of this Framework within three years from its adoption, and to give an annual report on the implementation of this Decision to the Board of Directors. As the Bank did not begin operating under the Framework until January 2019, the first steps for undertaking the review were implemented in 2021, allowing time for a number of crucial components of the Bank's governance and strategic framework to come into place, including approval of the terms of reference for the review, two sector strategies and, most importantly, the accountability-related Oversight Mechanism, which was established for the purpose of overseeing the management and operation of the Bank, as required by Article 26(iv) of AIIB's Articles of Agreement. A comprehensive review of the Accountability Framework is scheduled in 2022.

The President and the management team will continue to strategize how they can best support AIIB's low-income Members and make great efforts to build and retain an international staff team during the pandemic, with guidance and support from the Board. The President and management will also facilitate more informal engagement and broader participation among the Board, as well as further enhance the governance efficiency of the Bank.

Board Committees

To ensure that we perform our mandate based on sound strategies and practices, **three committees under the Board of Directors** give us guidance: (i) the Audit and Risk Committee reviews financial statements, reporting practices, the Bank's financial and risk policies, the effectiveness of internal controls and the internal audit plan as well as reports from the external auditors. (ii) the Budget and Human Resources Committee assesses the proposed annual budget and implementation of our compensation and benefits policies and considers any other aspects of the budget and human resources as the Board of Directors may request. (iii) the Policy and Strategy Committee reviews the operational policies (such as environmental, social and procurement policies) and advises on strategy development.

International Advisory Panel

The International Advisory Panel (IAP) supports the President and senior management on the Bank's strategies, policies and general operational issues. It comprises world-leading experts drawn from the highest levels of economics, finance, environmental sustainability, international relations and development. The panel meets at least twice a

HIGHLIGHTS OF IAP ACTIVITIES IN 2021

- On Jan. 22, 2021, in a dialogue for Forbes Magazine, Lord Nicholas Stern, chairman of the Grantham Research Institute on Climate Change at London School of Economics and AIIB President Jin Liqun discussed efforts to address climate change and the role of AIIB in stimulating socio-economic growth through sustainable infrastructure, both in the Asia Pacific region and worldwide.
- On May 7, 2021, AIIB Chief Economist Erik Berglof and WTO Director General Dr. Ngozi Okonjo-Iweala discussed at an AIIB Fireside chat the opportunities for strengthening global health systems and developing sustainable, inclusive and resilient health infrastructure.
- On Oct. 27, 2021, Omobola Johnson, former Minister of Communication Technology of Nigeria took part in the Sixth Annual Meeting Flagship Seminar on Connected Infrastructure Transformations and Trends, which saw speakers from governments, private sector investors discuss infrastructure transformation driven by technology. This is in response to the need to strengthen resilience and increase digital connectivity in the face of the pandemic so that remote work, distance learning and provision of social services could develop and continue.

year (physically or virtually), including one meeting held in parallel with the Bank's Annual Meeting of the Board of Governors.

The President selects and appoints IAP Members to an initial two-year term renewable on completion. Six new AIIB Members of the panel were appointed in 2021, vice six former members who stepped down, and the total number of panelists remains at 12. The full list of IAP panelists is available [here](#).

Senior Management

The staff is headed by the President, who is elected by AIIB shareholders for a five-year term and is eligible for reelection once. AIIB's **Senior Management** is led by the President, who is supported by five Vice Presidents responsible for policy and strategy, investment operations, administration and the corporate secretariat and the General Counsel, Chief Risk Officer, Chief Financial Officer and Chief Economist.

In 2021, we saw the appointment of new personnel for key positions, including the appointment of Sir Danny Alexander from Vice President and Corporate Secretary to Vice President, Policy and Strategy; Ludger Schuknecht as Vice President and Corporate Secretary; Alberto Ninio as General Counsel; Man Shing Tse as Director General for the Human Resources Department; Hun Kim as Director General for the new Social Infrastructure Department; Ke Fang as Director General for the Implementation Monitoring Department; Rajat Misra as Director General for the Infrastructure Investment Department Region 1; Jianping Huang as Director General for the Information Technology Department; Suthasinee Nimitkul as Chief Ethics Officer; Huan Chen as Ombudsperson for the new Office of the Ombudsperson; Yanning Wang as Director General for the Operational Services Department and Yong Zhou as Chief Officer.

Sanctions Panel

Functioning independently within the Bank, the Sanctions Panel reviews appeals of **sanctions imposed** by the Sanctions Officer pursuant to the **Policy on Prohibited Practices**. Decisions of the panel are final and cannot be appealed.

Complaints-resolution, Evaluation and Integrity

AIIB's **Complaints-resolution, Evaluation and Integrity Unit** (CEIU) was established in 2016 in accordance with AIIB's **Articles of Agreement** as an independent unit with functions further defined in the Bank's **Oversight Mechanism**. The provision empowers the Board of Directors to regularly supervise the management and operation of the Bank and establish an oversight mechanism for that purpose in line with the principles of transparency, openness, independence and accountability. CEIU has three main functions for complaints resolution, integrity and evaluation. CEIU is led by a Managing Director, and reports directly to the Board every quarter. Managing Director, CEIU is an observer on the Executive Committee. Management can invite CEIU to bring its independent but engaged perspective and experience to the creation or review of Bank policies and strategies. For example, CEIU took part in discussions on updating the Bank's Environment and Social Framework in 2021. It also formalized its Learning and Evaluation function in the same year, completing its policy framework.

Complaints-resolution

CEIU also serves as the focal point for external requests or complaints regarding compliance with AIIB's Environmental and Social Policy (ESP) under the **Project-affected People's Mechanism Policy (PPM)**. CEIU PPM staff responded to the second

year of COVID-19 conditions by convening virtual outreach sessions with civil society organizations in Viet Nam, Cambodia, Uzbekistan and Türkiye, together with colleagues from other participating MDB Independent Accountability Mechanisms. PPM staff also took part in developing and updating existing financing agreements with peer MDBs to ensure that project-affected people have access to a complaint mechanism.

Integrity

CEIU staff working in its integrity function maintains the Bank's sanctions and **debarment** system and can investigate **project-related fraud and corruption** cases under AIIB's **Policy on Prohibited Practices**. In 2021, CEIU signed Memoranda of Understanding with the investigation functions of the European Bank for Reconstruction and Development (EBRD) and the African Development Bank (AfDB) to facilitate this work. The staff of the integrity function also joined numerous virtual meetings of international entities engaged in anti-corruption work to enhance cooperation with AIIB, including this **podcast event**.


Learning and Evaluation Policy

In 2021, CEIU's policy framework was completed and the Bank's efforts for continuous improvement were enhanced when the Board approved a **Learning and Evaluation Policy**. Together with a **Directive** and a new series of **Guides**, these learning and evaluation documents structure the selected independent assessment of AIIB's ongoing and completed investment portfolio. They also commit the Bank to learn through its investments and experiences, a task supported by three

CEIU Early Learning Assessments of projects in implementation during 2021.

The Board of Directors approved the proposed Learning and Evaluation Policy (LEP) in May 2021. Board members noted that the Policy institutionalized early learning assessments and maintained a strong learning dimension through project learning reviews following project completion. This provided a clear and innovative approach to learning and evaluation based on defined roles and responsibilities and the use of international evaluation criteria and lessons from projects. It also contributes toward the robust corporate culture of continuous learning envisioned in AIIB's Corporate Strategy.

Directors also noted the link between the LEP, project evaluability and management tools and frameworks for Project Prioritization and Quality (PPQ) at entry and identification and tracking results. PPQ guidance for nonsovereign-backed financings is also in preparation. Management noted that AIIB tools and frameworks for PPQ at entry and identification and tracking results are 'living documents', detailing requirements in the Operational Policy on Financing that will continue to evolve and improve. Early learning assessments and project learning reviews could contribute information and insights to this updating process. For its part, CEIU will continue to encourage learning and accountability for results within the Bank and share findings and lessons from early learning assessments and project learning reviews with the Board so they can hold management accountable for results and learning toward continuous improvement.



Our commitment to being Green includes an Institutional Carbon Emission Management Plan to monitor, manage and reduce our institutional carbon footprint.

OUR ORGANIZATION IN 2021

Our commitment to our Lean, Clean and Green core values are reflected in the work that we did as an organization with headquarters in Beijing, China. We aligned our institutional operations with our mission to creating a clean energy future. We created green spaces within our work place. We took measures to keep our people and our operations safe and secure. We made efforts to make a positive contribution to our local community.

Institutional Carbon Emission Management Plan

In line with the AIIB's Corporate Strategy of embracing its Green core value in its corporate practices and taking concrete action to manage its carbon footprint, AIIB developed its Institutional Carbon Emission Management (ICEM) Plan in 2021 and will be implemented in 2022. This plan provides a roadmap for the Bank to align our internal operations with the Paris Agreement goals. More specifically, it identifies 10 action areas and 31 actions for AIIB to monitor, manage and reduce our institutional carbon footprint.

Building Improvements

In 2021, the Facilities and Administration Services Department (FAS) started workplace improvement projects to ensure that the Bank's office environment is fit for purpose and supportive of staff wellbeing. The three major improvements are: (i) improving lighting in individual offices and third-floor conference rooms; (ii) improving acoustics and noise management between meeting rooms and offices, and (iii) transforming one of the Sky Gardens into a new multifunctional space to accommodate various cultural events and cross-team collaboration activities. These projects are scheduled to be completed by June 2022.

On Nov. 24, 2021, the AIIB Headquarters in Beijing was selected for the China Luban Award National Quality Project for 2020-2021.

Tianjin Backup Office

In March 2021, AIIB officially opened its backup office in Tianjin, China, provided by the Tianjin Municipal Government. Equipped with workstations, conference rooms, archive repositories, and IT facilities for business activities, it serves as the Bank's backup office for business continuity. It also functions as a disaster recovery center for IT, a backup center for archives, a venue for trainings, meetings and other group activities, and an alternate office to supplement the headquarters space.

During its first four months in operation beginning in April 2021, it hosted over 20 assignments, including various retreats and conferences required by different departments and business units.

Fulfilling AIIB's Social Responsibilities

As an international organization with headquarters in Beijing, China, AIIB has taken the initiative to participate in local charity events to fulfill the Bank's social responsibilities. For three consecutive years since 2018, AIIB has been among the top 10 participants in the international charity sale, Love Knows No Borders, which is an annual activity initiated and organized by China's Ministry of Foreign Affairs. Diplomatic missions and international organizations in Beijing actively participate in the sale. The funds raised by the event will be used to support poverty reduction activities, building school playgrounds and cochlear implants for poor children in the Yunnan Province of China.

We are committed to our Lean, Clean and Green core values and have aligned our institutional operations with our mission to creating a clean energy future.

Investing in Technology

To support AIIB in becoming a 21st century digital-first multilateral development bank, the IT Department is dedicated to enhancing the Bank's digital foundation by providing reliable, innovative and efficient digital solutions. It promoted digital and data culture in close alignment with the Corporate Strategy and ensured the security and smoothness of the Bank's daily operations.

In 2021, the IT department focused on the following core areas:

- **Digital Services.** In digital program delivery, we focused on business applications supporting core business functions, enabling digital capability supporting the investment management and servicing, treasury and risk management.
- **Cyber Security.** The three-year cyber security roadmap was completed in end-2021, which put in place comprehensive and effective cyber protections to safeguard Bank assets in the digital world and enable the Bank to navigate the unprecedented IT challenges brought about

IT Department on retreat at the AIIB backup office in Tianjin, China.



by the COVID-19 situation where cyber-attacks surged with the increasing reliance on digital working channels.

- **IT Risk and Resilience.** To consistently improve the Bank's IT operations and resilience capability, ensure a stable digital landscape, and enhance our response to the impact of the prolonged pandemic, we expanded the IT Risk function to IT Risk and Resilience. This function now covers IT service operations management and IT resilience management in addition to IT risk management tasks.
- **Data Management.** We adopted a Data Management Roadmap which outlines a three-stage approach of Enable, Enhance and Explore to establish a Bank-wide data ecosystem. Since we successfully enabled

our data foundation last year, we have been enhancing our data capability in 2021, mainly focusing on data governance, data standards, data platforms and data culture.

- **Digital Learning.** As the Bank develops its digital landscape, user capability across the Bank also needs to be enhanced to improve operational efficiency and user experience and to maximize the value of digitalization. To help improve workspace efficiency and to echo the core competency model, ITD offered training opportunities for different groups.
- **Digital Transformation.** ITD has been actively engaged as part of the dedicated task force of the Digital Transformation Working Group, from proposing the vision to identifying potential digital transformation opportunities.

Current business challenges and potential opportunities were explored in collaboration with various business departments.

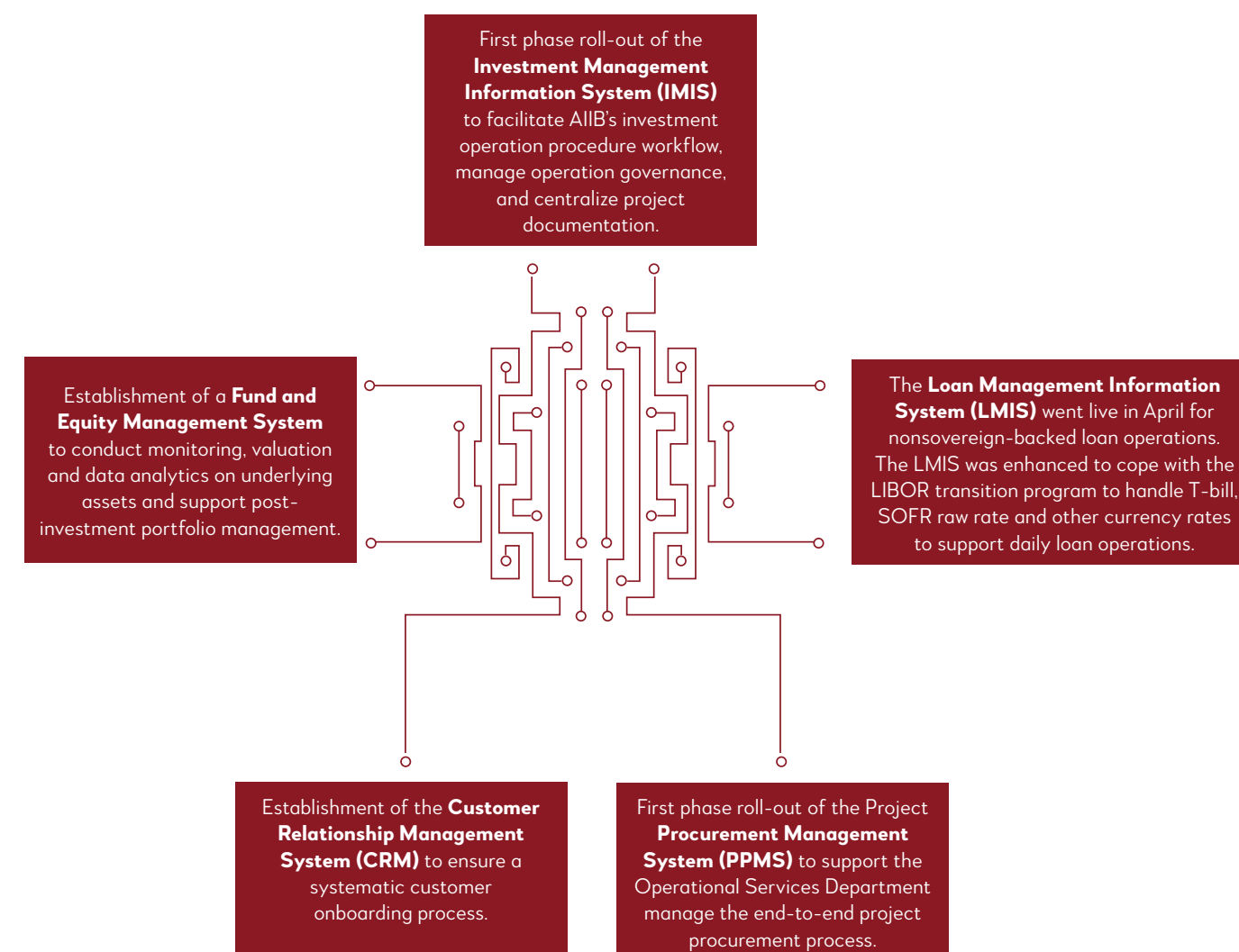
Duty of Care Awards 2021

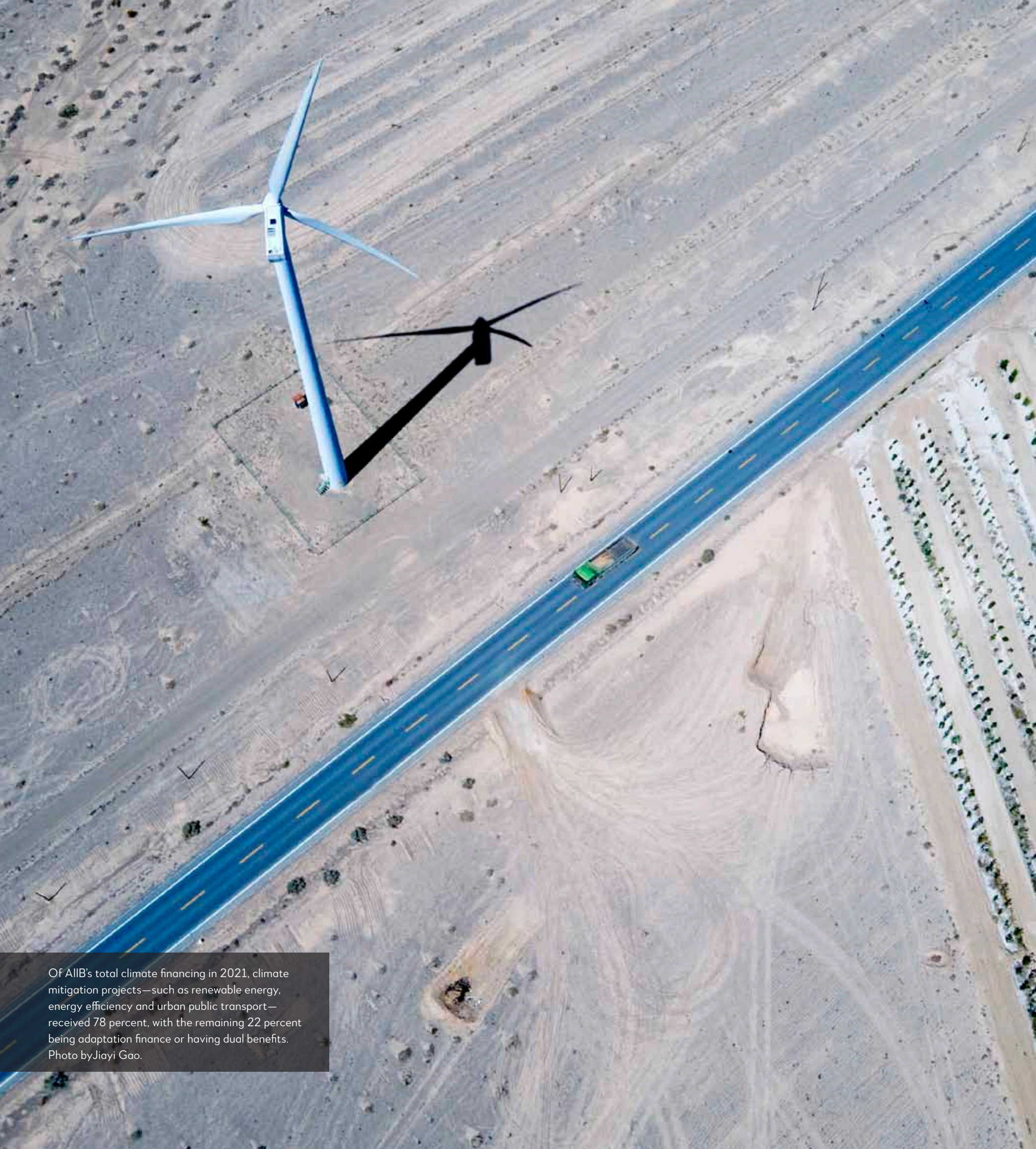
AIIB was awarded an Honorable Mention in the Communications Category in the International SOS Foundation 2021 Duty of Care Awards, announced at the Duty of Care Summit on Sep. 22, 2021. The award was to recognize

organizations making a significant contribution to protecting their employees at home or away.

The award was given in recognition of AIIB's efforts to ensure staff security and safety, especially during the pandemic period, by enhancing efficient communications with all parties. The judging panel included internationally recognized leaders in fields related to Duty of Care. The judges reviewed entries from 24 industries across 29 countries.

Major ITD Projects, 2021





OUR INVESTMENT FOR STRATEGIC VISION

2021 was the first year our operations were guided by our Corporate Strategy, which was approved by the Board in 2020. We continued developing our capabilities and strengthening the foundations laid during our start-up phase.

Of AIIB's total climate financing in 2021, climate mitigation projects—such as renewable energy, energy efficiency and urban public transport—received 78 percent, with the remaining 22 percent being adaptation finance or having dual benefits. Photo by Jiayi Gao.



Our mission is financing Infrastructure for Tomorrow (i4t)—infrastructure that is green, technology-enabled and promotes regional connectivity.

We generated strong growth with a portfolio of more diversified products and locations. Our investment portfolio growth jumped 48 percent for outstanding loan investments and 104.5 percent for equity investments compared with end-2020. We increased the number of distinct obligors in the Investment Operations portfolio from 103 to 160. We expanded our sovereign lending to three new Members, bringing the total of sovereign borrowers to 28. The number of currencies increased for borrowings rose from 9 to 13 in domestic and international capital markets. We widened offerings of financial and credit products by AIIB to meet increased client demand and aid risk diversification.

Our commitments reflect our Corporate Strategy by focusing on our thematic priorities of Green Infrastructure, Connectivity and Regional Cooperation, Technology-enabled Infrastructure,

and Private Capital Mobilization. Our impact ranged from projects that address the effects of climate change as we partnered with private entities to provide communities with renewable power and clean water; help people and goods reach their destinations as we helped finance the building of roads, electric railways, and ports; and bridge the digital divide by providing broadband internet access, among others. In doing so, our projects helped create employment and livelihood opportunities, especially for women and women entrepreneurs; allowed communities to build liquidity and resilience especially during the pandemic crisis; facilitated the transfer of skills to build a pipeline of diverse talent; and enabled people to stay connected, remain in the workforce, continue their schooling online, and gain access to health care. We tracked our impact from 2016-2020 through our inaugural **Sustainable Development Bonds Impact Report** and will continue to do so as the ensuring information will help us to make data-driven decisions for best results.

We continued to maintain our high standards that are anchored in our key operational policies. In particular, in 2021, we updated our Environmental and Social Policy, following a commitment made in 2016 to review the Environmental and Social Framework 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.

In the coming years, we will continue to bolster our culture, expand our capacity and increase the rigor with which we manage the Bank's funds.

WHAT IS INFRASTRUCTURE FOR TOMORROW

Infrastructure for Tomorrow sets a mission for the Bank by requiring all investments across infrastructure and other productive sectors to add value through one or more of these four thematic priorities:

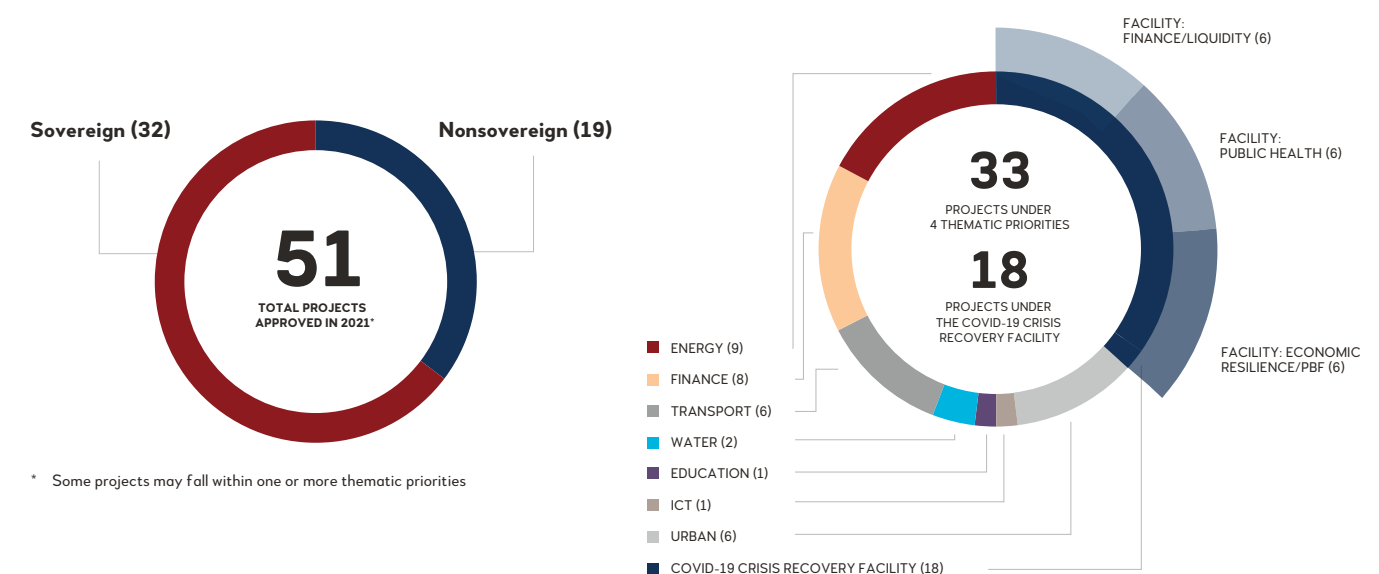
- Green Infrastructure
- Connectivity and Regional Cooperation
- Technology Enabled Infrastructure
- Private Capital Mobilization

Our Corporate Strategy outlines how AIIB will realize its mission through five pillars: (i) establishing market position; (ii) achieving impact at scale; (iii) adding value along the project cycle; (iv) serving a broad range of clients; and (v) building the corporate culture. These pillars are complemented by our core principles: (i) high project standards; (ii) financial sustainability and sound banking; and (iii) strong multilateral governance and oversight. We monitor progress through our annual business indicators, which comprise the Corporate Scorecard indicators as set out in the Strategy and several additional

indicators corresponding to focus areas highlighted for the year.

Learning from the experience of 2020, we continued to be agile, adaptive and responsive to unexpected changes that arose due to extraordinary external circumstances, in particular, the COVID-19 pandemic and its ensuing crisis and recovery. In 2021, we supported clients with our COVID-19 Crisis Recovery Facility in parallel with our regular investments in line with our Corporate Strategy and Thematic Priorities.

In 2021, AIIB focused on the intersections between COVID-19 crisis needs and Corporate Strategy objectives while remaining responsive to evolving client demand. Five focus areas for AIIB's business in 2021 were identified to address the COVID-19 crisis while remaining aligned to the Bank's Strategy objectives: green infrastructure financing, technology-enabled infrastructure financing, private sector infrastructure financing, broadening client reach, and maintaining high project standards. To support a more balanced implementation of our Strategy, the Bank also advanced other areas across the five pillars in the



Corporate Strategy, particularly building staffing capacity, foundational expertise and operational readiness to better enable progress, as well as investing in connectivity and regional cooperation, social infrastructure, upstream project support and corporate culture.

We strengthened our operations and put resources toward building green infrastructure and technology-enabled infrastructure investment pipelines, particularly through strategy development, partnerships and project financing. The emphasis on green and technology-enabled infrastructure financing allowed the Bank to support AIIB Members' efforts to catalyze a green infrastructure-driven recovery and accelerate the adoption of digital technologies, especially for digital connectivity, which became more important during the pandemic.

In line with our Corporate Strategy, we worked with a larger set of clients and AIIB Members across the income spectrum while maintaining a strong focus on Asia. We also broadened our impact by gradually increasing operations with nonregional Members. Three members (Rwanda, Jordan and Hungary) availed of AIIB financing for the first time under the Facility for a total financing of USD666 million. As the COVID-19 crisis has disproportionately affected low- and middle-income economies, we increased our efforts to broaden client reach, particularly those in Asia. We had five vaccine financing projects in China, Indonesia, Mongolia and the Philippines.

Green Infrastructure

In 2021, AIIB continued to originate and structure green infrastructure projects with climate adaptation, climate mitigation and other

environmental benefits to support Members' low-carbon, climate-resilient transition and environmental sustainability and, as the crisis subsides, their pursuit of a sustainable economic recovery and development. We engaged with clients to identify climate and green financing opportunities across key infrastructure sectors and work in close coordination with other multilateral development banks and partners to support a green recovery. Ongoing collaborations with multilateral and bilateral partners and international concessional and grant facilities such as the GIF and Multilateral Cooperation Center for Development Finance (MCDF) would enhance the Bank's expertise and capacity to support blended financing in climate-positive and green infrastructure projects going forward. In 2021, 29 approved green infrastructure projects accounted for 88 percent of the total number of approved regular infrastructure projects.

For more information about AIIB's climate financing, see [Climate Financing](#).

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Connectivity and Regional Cooperation

Improving infrastructure connectivity in Asia and promoting regional cooperation and partnership is part of the Bank's mandate. In our Corporate Strategy, we introduced Connectivity and Regional Cooperation as a thematic priority for financing and set a target to achieve 25-30 percent cross-border connectivity (CBC) projects in actual financing approvals by 2030.

In 2021, the Bank continued to invest in connectivity infrastructure in various sectors and achieved a 20 percent share of CBC financing compared to 26 percent in 2020. The transport sector provided the largest contribution to both the connectivity and regional cooperation thematic priority and the CBC target out of all the sectors financed by the Bank. At the same time, the growth in digital infrastructure and financial intermediary projects contributing to the thematic priority and CBC target also signaled an increasing diversification of our connectivity investments beyond traditional infrastructure.

The COVID-19 pandemic revealed the fragility of mobility and connectivity networks around the globe as transport and supply chain disruptions persisted with no end in sight. 2021 saw a huge drop in demand for passenger transport infrastructure and services amid public health concerns, while demand for logistics, freight and e-commerce surged as people turned to door-to-door goods and services delivery. Across the globe, the massive shift to remote work exposed vast discrepancies in digital access and connectivity between and within countries. The Bank's financing in connectivity infrastructure aimed to improve the resilience, flexibility, efficiency and accessibility of both physical and digital connectivity infrastructure.

In 2021, eight approved connectivity and regional cooperation thematic priority projects accounted for 24 percent of the total number of approved regular infrastructure projects.

Technology-Enabled Infrastructure

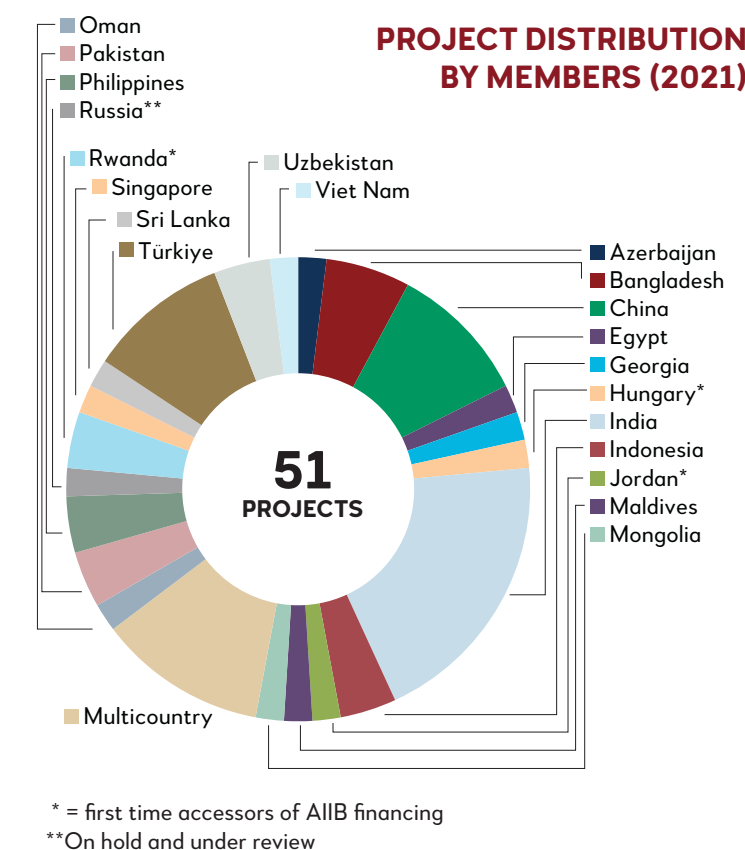
The COVID-19 crisis has demonstrated both the importance of digital connectivity and infrastructure and the significant and diversified investments required to reap the benefits of technology. Drawing on lessons learned from the crisis, we supported Members investing in hard infrastructure (e.g., towers, cable, data centers) to strengthen digital connectivity, and, where feasible, soft infrastructure to increase the efficiency and resilience of infrastructure (e.g. digitalization of public transportation, electric vehicles and applications of artificial intelligence). This approach is in line with our Digital Infrastructure Sector Strategy and Corporate Strategy and will further contribute to supporting Members' efforts to harness digital infrastructure and technology for economic recovery and longer-term sustainable growth. The Bank also worked closely with reputable market players, including leading fund managers focusing on digital infrastructure and technology in Asia, to invest in several innovative technology-enabled infrastructures that demonstrate the Bank's market positioning. In 2021, 13 approved technology-enabled infrastructure projects accounted for 39 percent of the total number of approved regular infrastructure projects.

Private Capital Mobilization

AIIB aims to support private capital mobilization for infrastructure financing by leveraging our balance sheet and promoting infrastructure as an asset class. According to our Corporate Strategy, the Bank

supports projects that directly or indirectly mobilize private financing in sectors within our mandate.

In 2021, the pandemic continued to dampen investor and financier confidence, including in emerging market infrastructure, as government debt levels continued to surge and policymakers shifted to prioritizing health and social welfare with little remaining public funding for infrastructure development or renewal. We therefore doubled down on our efforts to attract the private sector into infrastructure financing and mobilized USD1.3 billion of provisional private capital over the year. We deployed a range of financing instruments to meet client needs, including project financing, syndications, guarantees, structured financing, financing through financial intermediaries, capital market development projects (bond portfolios) that highlight the Bank's strengths, as well as equity investments (funds and direct equity).



Over the year, we continued to strengthen our reputation as a sustainable investor under our Sustainable Capital Markets Initiative. In March 2021, our Asia ESG Enhanced Credit Managed Portfolio won the Investor of the Year (fund) category of Environmental Finance's 2021 Bond Awards. This was in recognition of our achievements in innovating and developing the Asian ESG market. In April, we launched our Sustainable Development Bond Framework to facilitate bond investors' assessments of the Bank's commitment to sustainable development. The framework outlined how we are adhering to the principles set out in our Environmental and Social Framework and helping Members meet their commitments under the Paris Agreement and the UN Sustainable Development Goals. In the same month, we successfully priced our debut AUD500 million sustainable development Kangaroo Bond, which saw strong uptake in Australia (32 percent) and across the Asian region (55 percent). In 2021, 16 approved private capital mobilization projects accounted for 48 percent of the total number of approved regular infrastructure projects.

CLIMATE FINANCING

In 2021, the Bank received accreditation to the United Nations Framework Convention on Climate Change (UNFCCC) as an observer intergovernmental organization (IGO) and was represented for the first time at the UNFCCC 26th Conference of the Parties (COP26) in Glasgow, Scotland in November 2021.

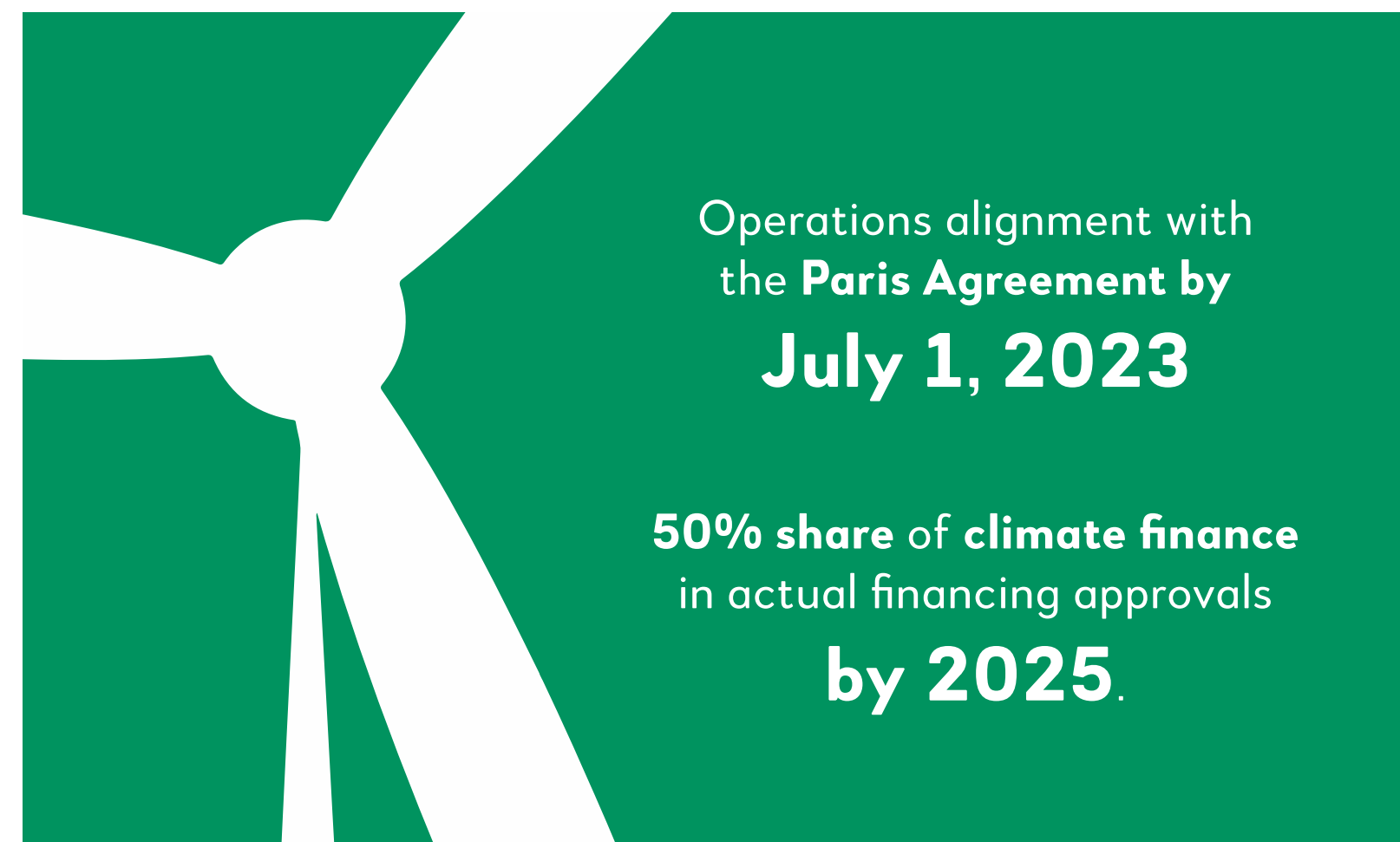
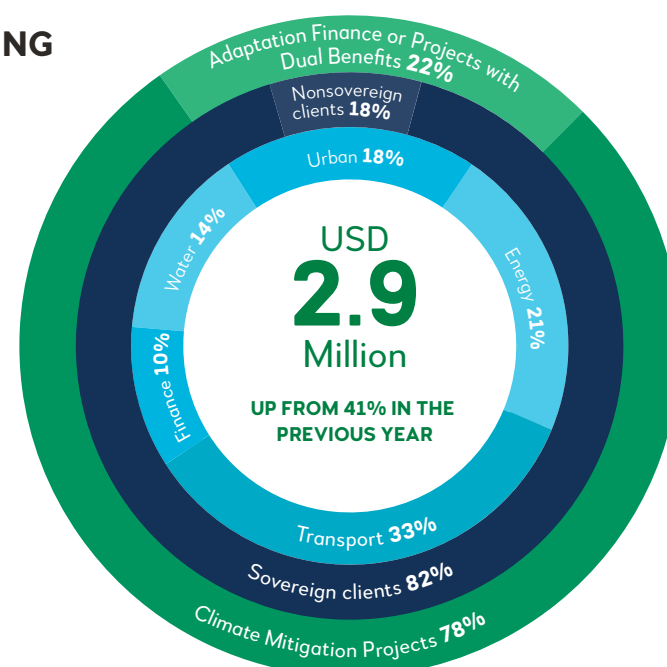
At COP26, AIIB's Vice President for Policy and Strategy, Sir Danny Alexander, as well as Chief Financial Officer, Andrew Cross, engaged with Members, financial institutions, business partners, academia and NGOs and co-hosted side-events with EBRD on *Mobilising the Private Sector for Climate-Friendly Infrastructure* and with ADB on *Scaling up Adaptation Finance in Asia and the Pacific Region*. Together with peer MDBs, we also participated in the launch of a series of joint deliverables by MDBs, including the *Joint MDB Statement on Nature, People and Planet*, the *MDB Joint Climate Statement at COP26* and *Progress Report: MDBs Working Together for Paris Alignment*.

CLIMATE FINANCING PROJECT 2021



In 2021, AIIB's climate finance amounted to **48%** of total approved financing, up from 41 percent in the previous year.

- By sector
- By financing
- By type of project



AIIB's participation at the COP26 concluded a year of close collaboration with peer MDBs on fostering climate action through multilateral collaboration and leadership. In his capacity as Chair of the MDB Heads in 2021, President Jin Liqun ensured the MDB group had a common voice and expressed their commitments to addressing the climate crisis.

These actions reinforced the Bank's existing climate commitments to scaling up annual climate finance approvals to at least 50 percent by 2025 as outlined in the Corporate Strategy, the USD50 billion cumulative climate finance projection by

2030 and to align all of its operations with the goals of the Paris Agreement by July 1, 2023, as announced by President Jin at AIIB's 2021 Annual Meeting.

In 2021, AIIB's climate finance amounted to USD2.9 billion, or 48 percent of total approved financing,¹ up from 41 percent in the previous year. Of the total climate financing, climate mitigation projects—such as renewable energy, energy efficiency and urban public transport—received 78 percent, with the remaining 22 percent being adaptation finance or having dual benefits.² The vast majority (82 percent) of climate financing was

¹ AIIB calculated its 2021 and 2020 climate financing share excluding financing approved through the COVID-19 Crisis Recovery Facility.

² AIIB tracks its climate finance using the joint MDB climate mitigation and adaptation finance tracking methodologies.

approved to sovereign clients, while the balance was approved to private sector and municipal government clients. Transport sector projects contributed the highest share (33 percent), followed by energy (21 percent), urban (18 percent), water (14 percent) and finance (10 percent).

In late 2021, AIIB started the process of updating its energy sector strategy to reflect the elevated international commitments to address climate change and to align the strategy with AIIB's own commitments on climate finance and Paris Alignment as well as directions set forth by our Corporate Strategy.

In October, the Economics department co-hosted a workshop in Shaxi, Yunnan, in advance of the UN Biodiversity Conference (COP 15) in Kunming to discuss the relationship between climate, biodiversity and One Health. The workshop focused on; developing a holistic narrative without losing actionable policy, creating coherent policies across disciplines, and how to finance interventions

on the scale and timeline needed. The workshop was attended by thought leaders and policymakers active in biodiversity and One Health and included speakers from the Asian Development Bank and the World Bank.

FINANCING TO ACHIEVE THE SUSTAINABLE DEVELOPMENT GOALS

As AIIB was established after the adoption of the Sustainable Development Goals (SDGs), it subscribes to the principles of sustainable development in the identification, preparation and implementation of projects and contributes to its Members' efforts to achieve the 17 SDGs. Thus, AIIB's financing contributes to higher level development outcomes and goals pursued by its members.

Sustainable infrastructure is integral to the SDGs and is critical to achieving development outcomes. The Addis Ababa Action Agenda on Financing for Development sets out an explicit role for MDBs in steering finance toward sustainable infrastructure.

AIIB's investments in energy, transport, sustainable cities, digital infrastructure, water, and social infrastructure sectors are directly aligned with the following seven SDGs:

- SDG 3: Good health and well-being
- SDG 4: Quality education
- SDG 6: Clean water and sanitation.
- SDG 7: Affordable and clean energy.
- SDG 9: Industry, innovation and infrastructure.
- SDG 11: Sustainable cities and communities.
- SDG 12: Responsible consumption and production

In 2020 and 2021, many of AIIB's investments also contributed to SDG 8: Decent work and economic growth due to the operations under the COVID-19 Crisis Recovery Facility that support maintaining the economic resilience of our members.

AIIB's investments also contribute to other SDGs. For example:

- AIIB's commitment to climate finance can be mapped against SDG 13: Climate action.
- AIIB's Environmental and Social Framework aligns with a broad range of SDGs, including SDG 5: Gender Equality, SDG 8: Decent Work and Economic Growth, SDG 10: Reduced Inequalities, SDG 12: Responsible Consumption and Production, SDG 13: Climate Action, SDG 14: Life Below Water and SDG 15: Life on Land. Therefore, AIIB investments, by following the ESF, contribute to these SDGs through safeguard actions.
- AIIB work in cooperation with our partners (SDG 17) to jointly contribute towards the SDGs in each of our respective domains. These partners include governments, other MDBs, the private sector and civil society organizations.
- We also ensure "clean" operations (SDG 16), that is, we contribute to building strong governance and institutions by starting with our own institution.
- AIIB's efforts to increasingly incorporating gender considerations into projects can contribute to SDG 5: Gender equality.

Additional information on AIIB's alignment with the SDGs can be found in the annual Sustainable Development Bonds Impact Report.

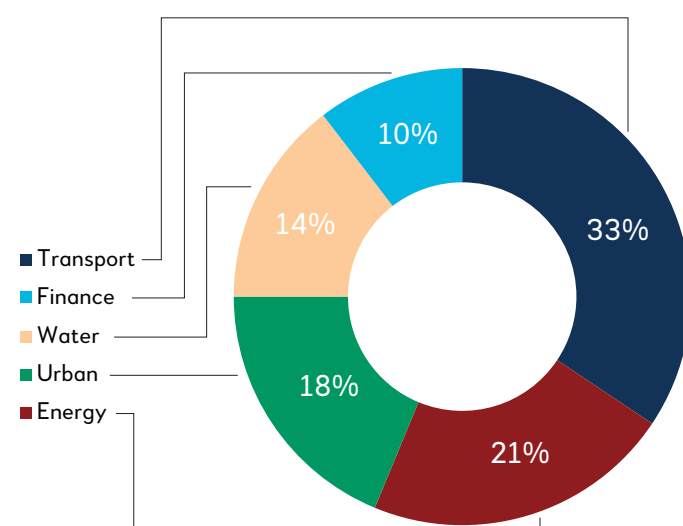
SOCIAL INFRASTRUCTURE

The Social Infrastructure Department (SID) was created amid the COVID-19 pandemic to promote human capital development in developing members by investing in social infrastructure and related productive sectors. In its first year of operations, SID quickly formed a lean and agile team and successfully processed three high-quality loans, two in the health sector and one in the education sector. The projects were well received by the Board of Directors and have successfully positioned the Bank in these new sectors.

Realizing the critical role of modern health and education in achieving sustainable development goals (SDGs), i.e., SDG3 Good Health and Well-being and SDG4 Quality Education, the Bank's Corporate Strategy (CS, 2020-2030) made a strategic choice that "While focusing on core infrastructure, AIIB, as it matures, will gradually



2021 CLIMATE FINANCE PROJECTS, BY SECTOR



expand its capacity, role and value-add in social infrastructure and other productive sectors." Further, the CS identifies important megatrends, such as urbanization, changing demographics, sustainability, technological innovation, and regionalization. These will have significant implications for social infrastructure provisions, as well as for more inclusive and accessible social services.

Considering the high level of uncertainty in the global health and economic situations, AIIB remains open to the existing and emerging challenges in social infrastructure and productive sectors. AIIB will carry out extensive consultations with all stakeholders including our AIIB Members, peer MDBs and international and bilateral agencies, as it continues to develop and refine its focus.



ENVIRONMENTAL AND SOCIAL FRAMEWORK

The Board of Directors approved the revised Environmental and Social Policy, including the accompanying three Environmental and Social Standards and the Environmental and Social Exclusion List (ESP).

Environmental and Social Framework Update.

To facilitate better understanding of the Bank's revised Environmental and Social Framework (ESF), we held a series of targeted training sessions for staff, and ESF briefings for CSOs and NGOs from June to August 2021.

The main revisions to the ESP include clarifying the timeframes for disclosure by the Bank on environmental and social documentation; information disclosure requirements for financial intermediary projects; providing for the use of the environmental, social and governance (ESG) approach in operations involving capital market transactions; further strengthening biodiversity protection, and excluding the use of asbestos from AIIB's financing.

The revised ESF also provides for increased attention to gender equality, including gender-based violence; and stresses AIIB's commitment to the provision of equal opportunities for persons with disabilities.

The revised ESP took effect on Oct. 1, 2021.

PORTFOLIO MANAGEMENT

AIIB's portfolio is growing at a rapid pace. Exponential volume growth is expected to continue in the short to medium term as annual approvals increase year by year. However, our operations

have expanded not only in volume. Over time, our portfolio has integrated new and innovative financial instruments, enabling us to diversify our engagement and be more responsive to the demands of our clients, but unavoidably adding complexity to the portfolio. These developments call for robust, active portfolio management functions to ensure that the Bank's investments achieve appropriate financial returns as well as tangible development impacts, including the achievement of social and environmental targets.

In line with its mission, AIIB supports a diverse pool of clients to achieve development results and financial performance. AIIB manages the Bank's portfolio of projects and investments through continuous implementation monitoring and supervision, complemented by regular in-person missions and site visits (or virtual missions when physical travel is not feasible). Moreover, we closely manage client relations and any ad hoc portfolio events requiring management decisions.

Through portfolio management, we continuously assess individual project performance against the implementation and operational targets agreed upon at the time of commitment, and we analyze the risks that may affect project implementation. We also monitor progress toward the achievement of the financial and developmental objectives, as expressed in the results frameworks of the operations we finance. This enables us to provide real-time feedback on implementation progress, benefit from early warning signals, and enact timely remedial measures as needed. We also make use of internal tools and rating scorecards to assess risks and implementation performance and apply a differentiated monitoring regime for investments at risk of material

underperformance. This enables us to ensure appropriate follow-up for operations requiring focused attention or remedial action.

Proactive risk management is essential to fulfill our mission of financing Infrastructure for Tomorrow (i4t). Through portfolio management, we establish a solid first line of defense against credit, environment and social risks (E&S), fiduciary, reputational and other risks which may negatively affect our investments. As part of our risk mitigation strategy, we regularly conduct priority project reviews for all projects affected by material issues or present substantial E&S risks, as well as stress-testing exercises at the project level for nonsovereign financing operations. These are inter-departmental undertakings which enable us to find solutions to immediate problems and to anticipate the impact of external events on our portfolio—an important lesson learned during the COVID pandemic.

Proactive risk management includes responding to concerns raised by a variety of external stakeholders. For example, following receipt of a letter from the Special Rapporteur on extreme poverty and human rights of the Office of the United Nations High Commissioner for Human Rights raising concerns regarding E&S issues under the Indonesia: Mandalika Urban and Tourism Infrastructure Project, an interdepartmental team reviewed and responded to the concerns, engaged with the client on the matter, visited the project site using a local consultant, and briefed the Board on several occasions regarding the status and progress of the project.

Alongside specific projects and assets, our operations also require monitoring and reporting

at the portfolio level. We do so by holding quarterly internal portfolio review meetings and annual or semi-annual tripartite portfolio reviews with major borrowing Members involving their Ministries of Finance and implementing agencies. In these meetings, we discuss the status of all projects under implementation, including their disbursement ratios. Focused discussions are held on operations with material implementation issues. We share portfolio-level updates on an ongoing basis with Board members through a real-time, interactive AIIB Portfolio Dashboard and a portfolio briefing at the Board's quarterly meetings. As the size of the Bank's portfolio expands, we increasingly incorporate trend analysis as part of its monitoring and reporting functions.

Over the course of 2020 and 2021, we have enhanced existing portfolio monitoring functions to include newly developed financial instruments. For example, we prepared dedicated monthly updates for projects funded under the COVID-19 Crisis Recovery Facility (CRF). We also carried out quarterly valuations of the Bank's fund and equity investments and enhanced reporting on financial intermediary operations and equity investments in our Quarterly Monitoring Reports (QMR).

Throughout 2021, portfolio management at AIIB continued to be affected by the challenges imposed by the COVID-19 pandemic, such as mobility restrictions and travel disruptions. Our response included finding alternative implementation processes such as virtual missions, leveraging partners' field presence, and deployment of IT tools and innovative technologies. At the same time, we strengthened the analytical and administrative support for the Bank's client-facing investment teams

to maximize operational efficiencies. As the pandemic continues to evolve unpredictably, we are taking stock of the lessons learned from this unprecedented challenge. We do so to pursue good practices for future replication and to ensure that our project and portfolio management processes remain fit for purpose.

In carrying out portfolio management, we not only strive to ensure successful delivery for our existing operations, but we also seek to foster a culture of learning for informed decision-making and enhanced performance through continuous early learning and by creating active feedback loops from project implementation monitoring to the preparation of new projects. We understand success not only as compliance but also as an evidence-backed process focused on results. As the size of our portfolio expands, we are increasingly incorporating trend analysis as part of our monitoring functions.

We are aware of the key role IT tools can play in supporting the Bank's investments across the project cycle and facilitating access to information and analysis. In 2021, AIIB invested extensively in developing IT systems and introduced the Investment Management Information System (IMIS) and the Equity Investment Management System (EIMS). IMIS will facilitate procedural workflows, operational governance, and document



management for all Bank projects while generating project- and portfolio-level data analytics and reporting. EIMS will enable close monitoring of the Bank's equity portfolio, including client reporting, and preparing valuation memos and equity performance reports. Last, 2021 saw the launch of the Client Relationship Management (CRM) system covering AIIB's relationships with external partners and entities, including assessments of aggregate counterparty exposure, which is essential for effective cross-portfolio risk management.



Oman: Ibri II 500 MW Solar PV Independent Power Plant Project (c) ACWA Power 2021

CASE STUDIES

GREEN INFRASTRUCTURE: IBRI II 500 MW SOLAR PV INDEPENDENT POWER PLANT PROJECT

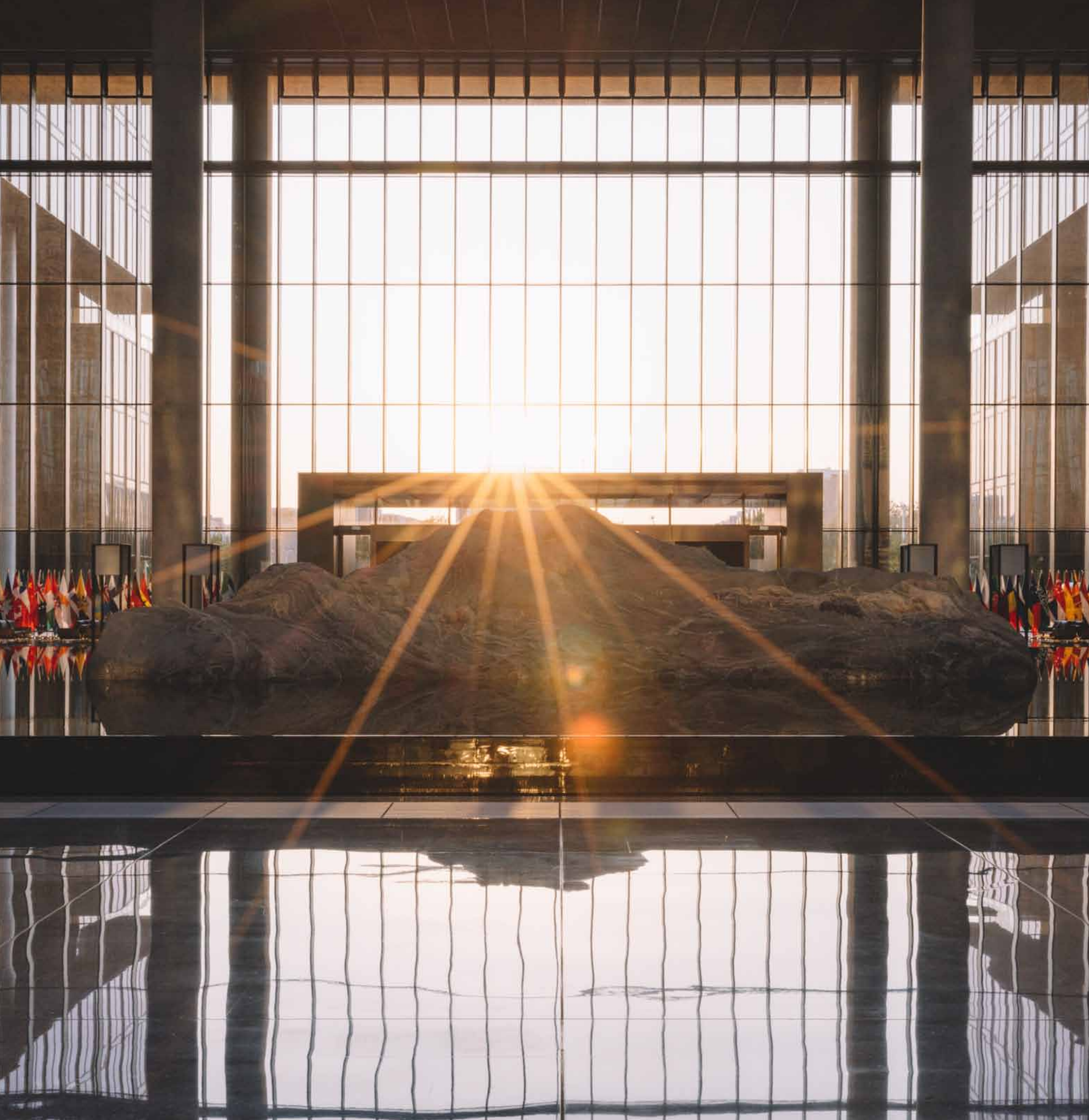
While Oman's solar energy resources rank among the largest in the world, the country has traditionally depended heavily on nonrenewable energy sources such as oil and gas. Approved in 2020, the Ibri II 500 MW Solar PV Independent Power Plant Project completed construction in Aug. 2021. The project has now reached the commercial operation stage and the plant has started generating power. Notwithstanding challenges posed by COVID before the commercial launch, including the availability of construction materials, the USD60 million project is now delivering a vast array of economic and environmental benefits. The project is a prime example of alignment with the Paris Agreement in AIIB operations. It sets sizable targets for GHG emission reduction and furthers Oman's ambitious agenda for a green energy transition.

NATIONAL INVESTMENT AND INFRASTRUCTURE FUND (NIIF), FUND OF FUNDS - I

The economy of India is large and fast-growing. The investment environment in the country has benefited from recent macroeconomic and policy changes. However, to support economic growth in the medium and long term, investing in infrastructure remains a priority. The government has prioritized infrastructure investment over the last decade. While the debt market has provided adequate opportunities, the identification of long-term equity capital has remained challenging. In 2018, AIIB approved an investment in the Fund of Funds (FoF) of the National Investment and Infrastructure Fund (NIIF). The NIIF was launched as a platform to attract national and global institutional investors to financing infrastructure projects in India. Besides the FoF, it includes a Master Fund and a Strategic Investment Fund. The FoF invests in portfolio and subportfolio funds in a variety of sectors, which include green infrastructure, mid-income affordable housing, infrastructure services, social infrastructure, urban infrastructure, industrials, and telecommunications. In 2021, the FoF reached its final closing. In addition to AIIB, the Asian Development Bank (ADB) and the New Development Bank (NDB) also committed resources to the FoF, for an amount of USD100 million each.

KEPPEL ASIA INFRASTRUCTURE FUND (KAIF)

In November 2021, the Keppel Asia Infrastructure Fund (KAIF) reached its final closing. KAIF is a private equity fund investing in growth capital and operating under the Keppel Corporation in Singapore. KAIF's target investments include different types of infrastructure, such as power generation, digital infrastructure, energy, and environmental waste and water assets. As part of this Fund, AIIB intends to support investments for trade and infrastructure connectivity for Asian countries, or investments seeking to support public goods such as the transition to renewable energy. AIIB has committed USD100 million to KAIF's Main Fund. Keppel has raised total capital exceeding USD660 million for fund partnership and an additional USD260 million for co-investment vehicles. A broad range of investors participated in the Fund, including sovereign wealth funds, pension funds, and commercial banks.



OUR RESPONSE TO EMERGING NEEDS

While our thematic priority areas remain the core of our work and value-addition of the Bank, we recognize there are situations where we need to respond to urgent client needs beyond direct priority areas.

COVID-19 CRISIS RECOVERY FACILITY

The COVID-19 Crisis Recovery Facility (the Facility) launched by AIIB in April 2020 has been effective in assisting Members (both sovereign and non-sovereign clients) address diverse emergency healthcare and economic needs. Some Members have utilized Facility support for health-crisis response, including vaccines and other treatments to combat high rates of infection and/or high risks of virus resurgence. Others have accessed the Facility to cover additional fiscal expenditures aimed at protecting or restoring livelihoods impacted by COVID-19. Several Members have also mobilized the Facility to boost post-pandemic recovery through investments in resilient institutions, private sector-led growth reforms, and inclusive and sustainable economic recovery programs.

Flexibility is built into the design of the Facility because each country's situation differs as they move through phases of the health and economic crisis. The Bank has demonstrated agility by responding on short notice. Cofinancing and working with other MDBs on Facility projects has enabled us to leverage synergistic gains through partnerships with the World Bank and the Asian Development Bank.

We also provided vaccine financing and liquidity support to small and medium-sized enterprises (SMEs) to AIIB Members for the first time, and streamlined internal rules to allow fast-tracking of Facility projects.

On May 7, 2020, the Board approved the carve out of USD30 million from AIIB's Project

Preparation Special Fund (PPSF) to a Special Fund Window (SFW) under the Facility. As of Dec. 31, 2021, USD29.74 million of the USD30 million SFW has been allocated to four Facility projects amounting to an AIIB financing of USD217.3 million in four Members: Bangladesh, Cambodia, Kyrgyz Republic, and Maldives. On May 20, 2021, the Board approved another carve out of up to USD25 million from PPSF to a SFW for vaccine financing under the Facility. As of Dec. 31, 2021, there are three vaccine financing projects in the pipeline in Cambodia, Côte d'Ivoire, and Bangladesh eligible for USD5 million each from the SFW for vaccine financing under the Facility.

In June 2021, the Board of Directors approved an extension to the COVID-19 Crisis Recovery Facility until April 16, 2022.

As of Dec. 31, 2021, the full amount of the Facility has already been committed, approved, or programmed. There are 53 Facility projects totalling USD13.0 billion including: (i) 45 approved projects (USD11.1 billion, of which 15 projects are PBFs for USD5.4 billion); and (ii) 8 pipeline projects (USD2.0 billion), of which 1 project is PBF for USD500 million). Thirty-three percent of the commitment (USD4.3 billion) are for the public health sector, including USD2.4 billion (18.4 percent) for vaccine financing and USD1.9 billion (14.6 percent) for non-vaccine financing, 18 percent (USD2.4 billion) are for the finance/liquidity sector, and 49 percent (USD6.3 billion) are for the economic resilience/PBF sector. Ninety-three percent of the commitment (USD12.1 billion) are for sovereign-backed financing and 7 percent (USD0.9 billion) are for non-sovereign-backed financing.

In February 2022, the Board of Directors approved further extension of the Facility until end-2023, and with the extension of the Facility, the total financial envelope was also increased up to USD20 billion.

SPECIAL FUNDS

AIIB has multiple Special Funds that are meant to support the implementation of our mandate and Corporate Strategy. Special Funds are used for different purposes, including identification and preparation of high quality bankable projects, capacity building, information sharing, and making AIIB loans more affordable through interest buy down grants.

Project Preparation Special Fund

The **Project Preparation Special Fund** (PPSF) established in June 2016 provides technical assistance grants to support lower-income AIIB members in the preparation of high quality bankable infrastructure projects that we can finance.

Status of Commitments and Payments to the PPSF (as of end-2021)

Contributor	Committed Contributions (USD)	Paid Contributions (USD)
China	50,000,000	50,000,000
United Kingdom	50,000,000	50,000,000
Korea	18,000,000	18,000,000
Hong Kong, China	10,000,000	10,000,000
Total	128,000,000	128,000,000

At end-2021, total committed contributions to PPSF stood at USD128 million, all of which have been paid to the Bank.

Two new PPSF grants amounting to USD8.2 million were approved in 2021, taking the total number of approved grants to 15 for USD33.64 million.



List of Projects Supported by the Project Preparation Special Fund (2021)			
Member	Sector	Project Name	Financing Amount (USD)
Bangladesh	Urban	Bangladesh: Bangladesh City Inclusive Sanitation Program in 25 Towns (Previously: Bangladesh Inclusive Urban Sanitation Program)	3.5 million
Cambodia	Rural Infrastructure and Agriculture Development	Cambodia: Climate-Adaptive Irrigation and Sustainable Agriculture for Resilience (CAISAR) (Previously: National Restoration of Rural Adaptive Capacity Project)	4.7 million

A total of USD2.13 million was disbursed during 2021 with a cumulative disbursement of USD6.525 million since the inception of the Fund. Similar to 2020, disbursements faced many challenges due to COVID-19 travel restrictions and lockdowns.

Special Fund Window under the COVID-19 Crisis Recovery Facility

On May 7, 2020, the Board of Directors approved the creation of a Special Fund Window (SFW) under the Bank's COVID-19 Crisis Recovery Facility (the Facility). The SFW has been instrumental for eligible debt-constrained Members to access our financing by increasing the concessional element of their loan terms.

In 2020, the Board also authorized the re-allocation of USD30 million from the PPSF to the SFW to provide lower-income AIIB Members with access to reduced interest rates. The entire amount was fully allocated in 2020.

In May 2021, the Board subsequently approved a replenishment of the SFW under the Facility by up to USD25 million to support vaccine financing in AIIB Members with IDA-only status. No vaccine project has yet utilized this replenishment as of end-December 2021.

Other Special Funds

Our participation in multilateral partnership facilities provides us with access to additional sources of special funds to support investments in the Bank's thematic priorities, particularly through our role as Implementing Partner to the Multilateral Cooperation Center for Development Finance (MCDF) Finance Facility and as Technical Partner to the Global Infrastructure Facility (GIF) .

Multilateral Cooperation Center for Development Finance Special Fund

The Board approved the Bank's role as an Implementing Partner of the Finance Facility of the MCDF on June 30, 2020. We signed the Implementing Partner Agreement in August 2021 and can now access funds from the MCDF Finance Facility (MCDF FF).

Following approval by the Bank, proposals seeking funding support from the MCDF FF shall be submitted to the MCDF Secretariat and go through the evaluation procedures defined in the Operations Manual of the MCDF FF. Eligible proposals will be approved by the Governing Committee of the MCDF FF, or, where applicable, by the Secretariat pursuant to the delegation of the approval authority.

The purpose of the MCDF FF is to increase high quality connectivity investments that follow the accredited IFI standards, through

- (i) Wider application of the accredited IFI standards by New Partners (as defined in the Governing Instrument of the MCDF FF) of the IFIs, through partnership, capacity building and information sharing by co-financing with, and technical assistance from, the accredited IFI implementing partners;
- (ii) Increased country-level application and enforcement of the accredited IFI standards through capacity building supported by the accredited IFI implementing partners; and
- (iii) Increased financing of connectivity projects from, and mobilized by, the accredited IFI implementing partners.

MCDF grants support the preparation of investment projects to be financed by AIIB, and can also support capacity building for existing or potential clients, which would lead to higher quality AIIB investments and the identification of new potential investments in the long term. At end-2021, we secured three grant approvals from the MCDF Finance Facility worth USD1.82 million to support underlying projects.

List of Projects Supported by the Multilateral Cooperation Center for Development Finance (MCDF) Special Fund (2021)

Member	Sector	Project Name	Financing Amount (USD)
Cambodia	Investment Climate, Trade	Cambodia: Capacity Development Support for Cross-Border Economic Corridor Special Economic Zone Sihanoukville Province	145,000
China	Financial Institution	China: China EXIM Bank Enhanced Environmental and Social Management Systems	680,000
Brazil	Financial Institution	Brazil: Brazil Banco de Desenvolvimento de Minas Gerais (BDMG) Enhanced Environmental and Social Framework to support BDMG Asia Connectivity Facility	1,000,000

Global Infrastructure Facility Special Fund

The Global Infrastructure Facility Special Fund was established for grants received by AIIB as a Technical Partner of the GIF. Grants from the GIF can help with the selection, design, structuring and preparation of high-quality, bankable and sustainable infrastructure programs and projects in emerging markets that are attractive to private capital. As of end 2021, we have been exploring potential opportunities to utilize funding from the GIF to support AIIB projects.



OUR CORPORATE FINANCING

Our corporate financing activities, which falls under Treasury's mandate, involve funding investment operations, managing capital and debt-funded liquidity, offering financing solutions to clients, as well as overseeing the general banking and treasury risk management operations for AIIB. The Bank's funding program is used to support the general operations of AIIB, which are to foster sustainable economic development, create wealth and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors. Such investments are subject to AIIB's operational and financial policies, including policies addressing environmental and social sustainability, as documented in AIIB's Environmental and Social Framework.

AIIB'S FUNDING PROGRAM AND LIBOR TRANSITION EFFORTS

This year, we made further strides in applying our Green principle to our financing. In April 2021, we officially launched our Sustainable Development Bond Framework, to help the investor community better assess how the Bank is meeting its sustainability commitments as set out in our Environmental and Social Framework. There we outline our guidance for project selection and how we are helping AIIB Members meet their commitments under the Paris Agreement and the UN Sustainable Development Goals. The Sustainable Development Bond Framework applies to all debt issued by AIIB in all markets and currencies, thus making all AIIB bonds Sustainable Development Bonds.

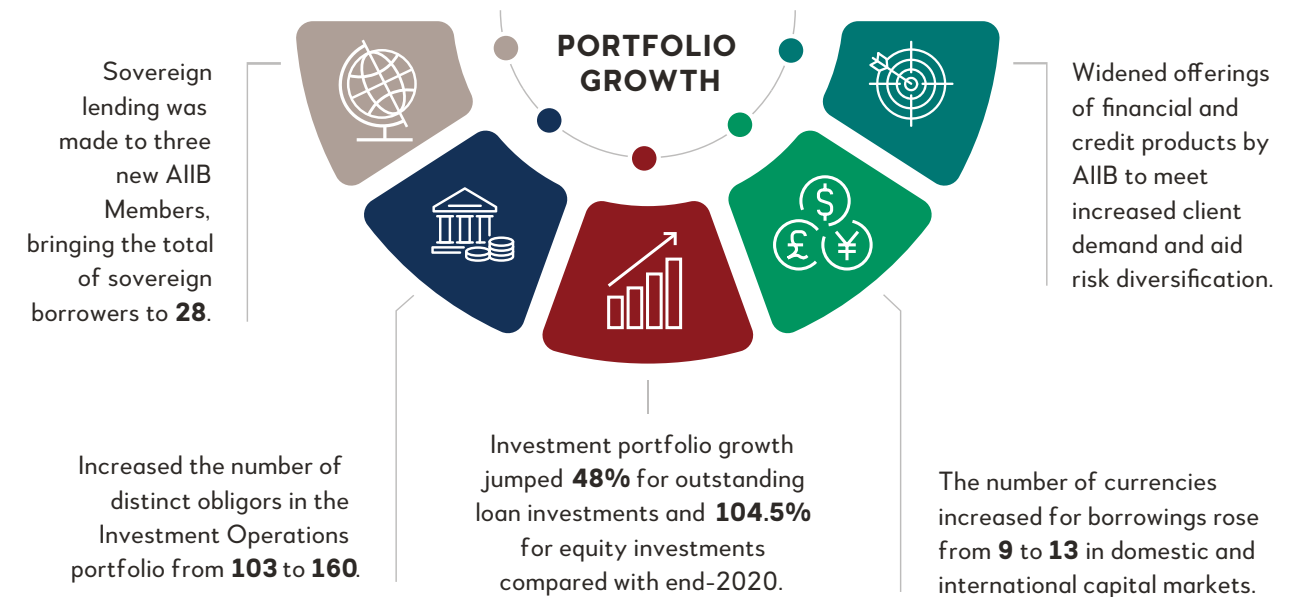
In support of this, AIIB committed to annual impact reporting on the Bank's overall portfolio and project-level results reflecting environmental and social benefits generated by its financing. [See AIIB Knowledge Products.]

In 2021 we continued to develop the AIIB brand as a premier issuer in international markets. As with 2020, investor marketing in 2021 remained mostly virtual and our experienced funding team was able to achieve much success. We issued our debut sustainable development Kangaroo bond in the Australian market. The five-year, AUD500-million benchmark transaction saw strong uptake both in Australia (32 percent) and across the Asian region (55 percent), demonstrating the continued growth of AIIB's footprint across capital markets with a number of investors participating in an AIIB transaction for the first time. An inaugural issuance in New Zealand, called a Kauri, was also made.

Other benchmark transactions included two of the United States Securities and Exchange Commission registered Global Program totaling USD5.5 billion and three of the Luxembourg registered Global Middle Term Note (GMTN) program for GBP200 million and USD700 million. Just over USD8.5 billion equivalent was issued under the 2021 Global Borrowing Authority of USD10 billion.

One of the GMTN benchmarks was another first for AIIB as we debuted our SOFR issuance in April. This is a part of AIIB's preparation for the market's transition away from Interbank Offered Rates (IBORs), including the London Interbank Offered Rate (LIBOR), which were deemed by market participants to have fundamental weaknesses. In response, market participants are preparing for a shift to alternative reference rates such as the

In April 2021, we officially launched our Sustainable Development Bond Framework, to help the investor community better assess how the Bank is meeting its sustainability commitments as set out in our Environmental and Social Framework.



Secured Overnight Financing Rate (SOFR) for US Dollar products. AIIB's USD200 million SOFR issuance is one of several steps AIIB is taking to transition its balance sheet off LIBOR. AIIB has established a LIBOR Transition Steering Group led by the Bank's Chief Financial Officer to oversee the implementation of transitional arrangements with the Bank's sovereign and nonsovereign clients as soon as this is deemed practical to facilitate the smooth transition to the replacement rate. Part of the work involves preparing the Bank's internal operations for the change, with primary emphasis on its IT systems and treasury operations. Throughout the process, AIIB will assist borrowers during the LIBOR transition and help them navigate the transition.

INTERNAL CONTROL OVER FINANCIAL REPORTING

External Auditor

The Bank's external auditor is PricewaterhouseCoopers (PwC), which has held the role for six years. The external auditor performs an annual audit to enable them to express an

opinion on whether the financial statements of the Bank present fairly the financial position and results of the Bank's operations. In addition, the external auditor carries out an independent review of the effectiveness of the Bank's internal control over financial reporting. After the annual audit, the external auditor prepares a letter for management, which sets out their observations and recommendations for improvements to internal controls and other matters.

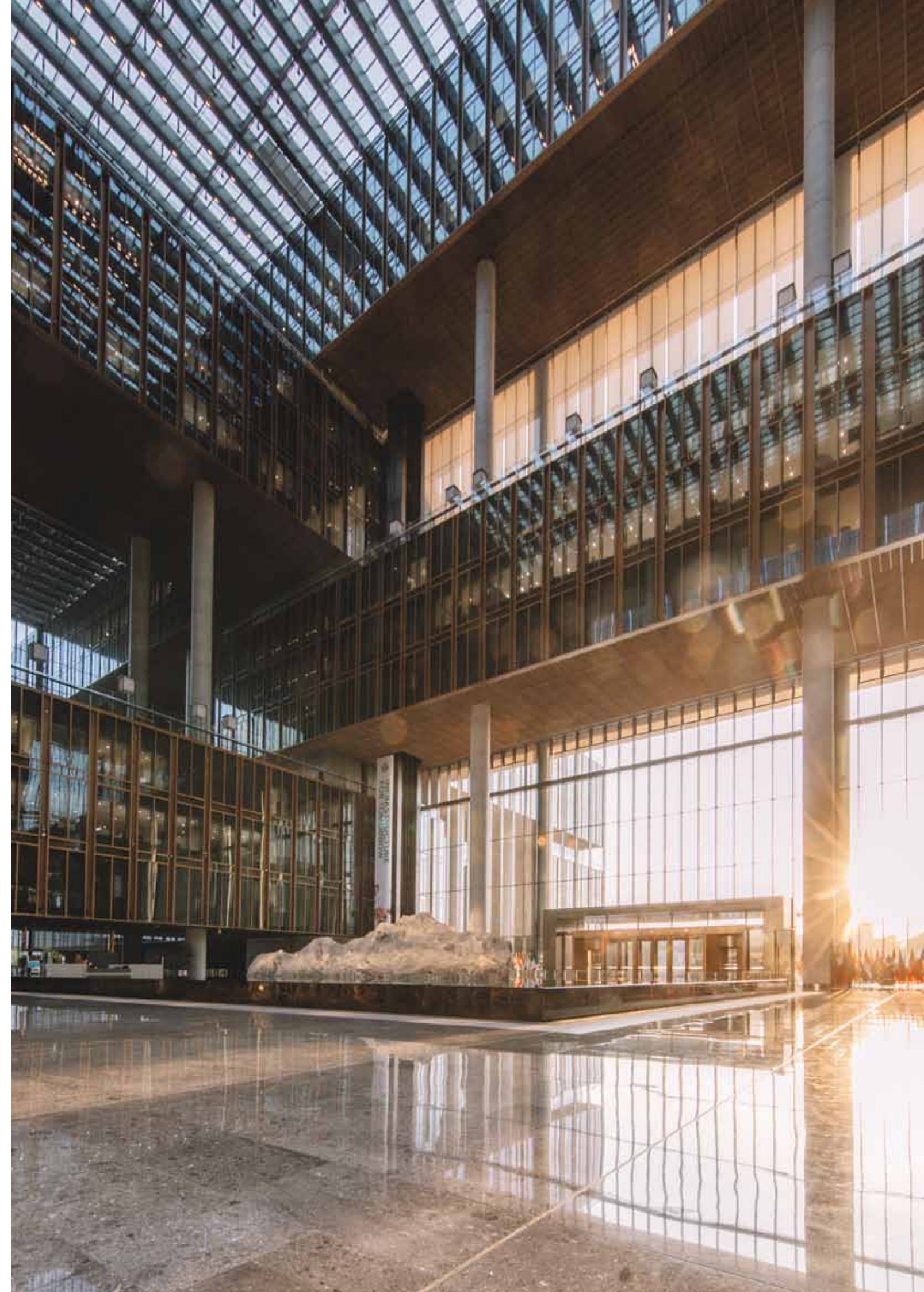
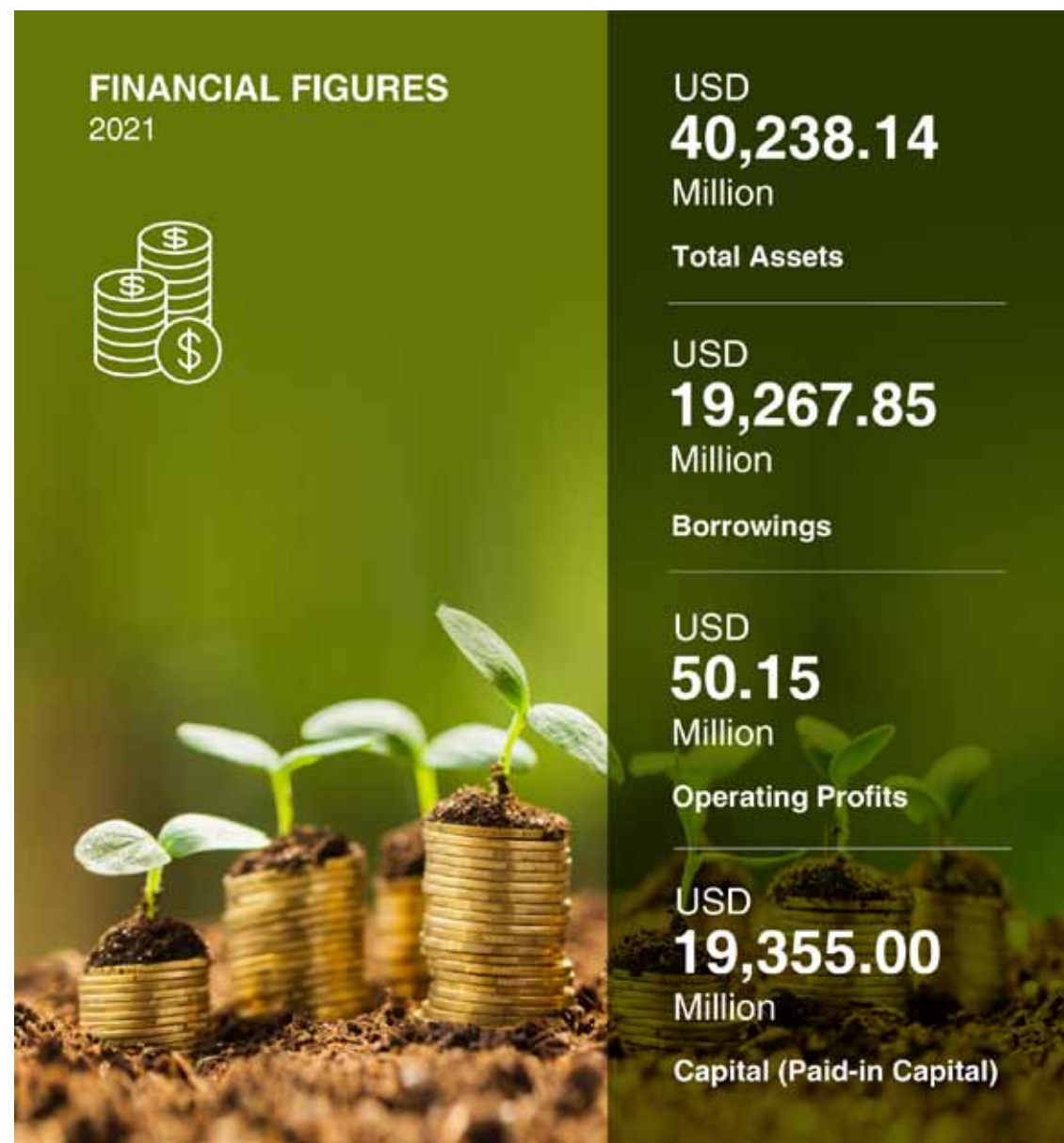
The Audit and Risk Committee meets periodically with the external auditor and individual Committee Members have independent access to the external auditor. The Committee reviews the external auditor's approach and strategy for the annual audit and receives regular updates from the auditor on the Bank's financial reporting and internal controls.

The external auditor is not allowed to carry out any work of an advisory nature or act in any other capacity that might compromise the independence of their audit.

Internal Control Framework

AIIB uses the internal control framework promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, 'Internal Control-Integrated Framework (2013)' (2013 COSO Framework) in assessing the effectiveness of the Bank's internal controls over financial reporting. Based on the 2013 COSO Framework, Management has put in place robust systems and controls to ensure the integrity of financial reporting.

Management assesses the effectiveness of the internal controls over financial reporting and issues an annual certification statement signed by the President, Chief Financial Officer and the Controller. A separate attestation is provided by the Bank's external auditor, PwC. The external auditor's report expresses an unqualified opinion on the effectiveness of AIIB's internal control over financial reporting for the financial year ended Dec. 31, 2021.





OUR RISK MANAGEMENT

We have been following best risk governance practices since 2016. Our Risk Management Framework (RMF) has supported diversified and overall healthy portfolio growth since operations started five years ago. The RMF follows the “three lines of defense” model and is anchored on the Risk Appetite Statement, which has been approved by the Board of Directors. We continued to implement risk identification, mitigation and management measures while identifying opportunities to improve risk management practices, particularly those related to climate change mitigation.

HOW WE MANAGE RISK

2021 was a dynamic year as the world rebounded from the initial shock of COVID-19 and adjusted to the evolving spread of new variants. The Bank’s three lines of defense and well-established risk management framework enabled us to continue to meet our AIIB Member and client needs. Even in this uncertain context, we expanded our financial and credit products to meet client demand and improve risk diversification.

A COORDINATED, CROSS-FUNCTIONAL, BANK-WIDE RESPONSE TO RISK

In 2021, the global economy responded positively, although growth was uneven as economies reopened with the help of increased vaccination programs but had to adapt to the spread of new variants, ultimately hindering a return to normality for AIIB Members.

Despite the adverse circumstances and increased lending, we maintained a strong capital base. This enabled the Bank to continue to provide countercyclical support to AIIB Members and provide additional resources under additional lending under the COVID-19 Crisis Recovery Facility, which was extended into 2022.

THREE LINES OF DEFENSE AND A WELL-ESTABLISHED RISK MANAGEMENT FRAMEWORK

AIIB has been following best risk governance practices since 2016. Our Risk Management Framework (RMF) has supported diversified and overall healthy portfolio growth since operations started six years ago.

Our Risk Management Framework is comprehensive, covering Credit Risk, Market

Risk, Liquidity Risk, Counterparty Credit Risk, Operational Risk, Compliance and Model Risk.

The RMF follows the three lines of defense model with a clear separation of duties to identify, measure, monitor and control risks. It has resulted in positive feedback from the three main rating agencies, which noted our commitment and capability to diligently implement the RMF.

WELL REGARDED BY EXTERNAL RATING AGENCIES

For the fourth consecutive year since 2017, Fitch, Moody’s and S&P have reaffirmed our AAA rating.

Within S&P’s assessment, AIIB was assigned a ‘very strong’ enterprise risk profile, with solid liquidity ratios and capital buffers which underpin its financial risk profile and which S&P deemed to be ‘extremely strong’. They noted that AIIB has established a comprehensive risk management framework and that AIIB’s financial strength remains unparalleled among multilateral lending institutions.

Fitch noted that AIIB has ‘excellent’ capitalization and low risk profile, stating that AIIB’s risk profile is driven by its low credit risk. They noted that AIIB’s risk management rules and objectives are in line with AAA rated peers. In addition, it was noted that AIIB continues to benefit from strong preferred creditor status. With the liquidity assessment, Fitch awarded AIIB their highest score of ‘AAA’.

Moody’s rating evaluation noted that AIIB’s intrinsic financial strength over the development phase has been in line with Moody’s expectations for strong capitalization, solid asset performance and good credit quality.

RATINGS	FITCH RATINGS	MOODY’S	STANDARD & POOR’S
LONG-TERM	AAA	Aaa	AAA
SHORT-TERM	F1+	Prime-1	A-1+
OUTLOOK	Stable	Stable	Stable

RISK APPETITE STATEMENT

The keystone of the RMF is the Bank’s Risk Appetite Statement, which has been approved by the Board of Directors. The statement promotes active involvement by the Board of Directors and its Audit and Risk Committee in strategic risk consideration.

The Risk Appetite Statement defines our level of appetite for core and noncore risks but also confirms there is no appetite for risks such as reputational or compliance-related risks that could threaten the institution or jeopardize the Bank’s mandate. The statement describes and sets thresholds for key risk indicators in several tiers, which are reported to management and the Board of Directors. Any breaches or deviations require an action plan to steer either or both investment and treasury operations. The statement is supported by our risk culture and strengthened by training and increasing awareness of the risk environment.

Management continued to implement risk identification, mitigation and management measures while identifying opportunities to improve risk management practices, particularly those related to climate change mitigation.

Our Risk Management Framework is comprehensive, covering Credit Risk, Market Risk, Liquidity Risk, Counterparty Credit Risk, Operational Risk, Compliance and Model Risk.

PORTFOLIO DIVERSIFICATION AND CAPITAL ADEQUACY

As AIIB has widened its membership base, we have increased the diversification of our products and geographic footprint. Given our mandate to finance long-term and large infrastructure investments and multiple projects with the same sovereign borrower, however, we remain relatively concentrated.

The concentration risk metrics are linked to portfolio risk concentration limits that are part of the key risk indicators as per the Risk Appetite Statement. These concentration limits target the top-three and top-five concentrations on a portfolio basis rather than single name and member

limits, giving us more flexibility to maneuver and operate where there is demand for our involvement.

Stress testing capital adequacy is used to monitor limits and manage capital adequacy and efficient use of capital. The capital adequacy and economic capital framework capture key portfolio risk attributes, including exposure size, correlation, concentration and credit quality.

The stress testing on capital adequacy analyzed in 2021 included scenarios with one-in-25-year shock events, such as a pandemic, trade tensions or cyber disruption. Even in the extreme scenarios (low likelihood, high impact), AIIB would still maintain extraordinarily strong capital adequacy ratios and withstand the crisis, although profitability ratios would be affected.

In 2021, the **G20 commissioned** an independent review of MDB capital adequacy frameworks (CAF). AIIB will participate in the review to aid the identification of potential credible and transparent benchmarks on how to evaluate MDBs' CAFs, as well as consider potential adaptations to current frameworks.

CREDIT RISK

Despite the challenging economic landscape and the growth in operations, AIIB had very few nonperforming loans as of end-2021, largely because of the prudent risk management approach, close oversight, frequent monitoring and in-depth due diligence and origination process, resulting in strong counterparty selection.

The Bank was an early adopter of the forward-looking **International Financial Reporting**

Standards [IFRS] 9. Changes in loan loss provisioning over the year were commensurate with the growth of the committed loans.

COMPLIANCE AND INTEGRITY RISK

Compliance and integrity are a core part of the Bank's culture and the responsibility of all Bank personnel. The AIIB Compliance and Integrity Risk function is responsible for the management and oversight of the Bank's exposure to compliance and integrity risks and provides advice to the Chief Risk Officer and management on how to effectively manage such risks.

In 2021, the Compliance and Risk function delivered several enhancements to the Bank's Compliance & Integrity Risk Framework and delivered the Financial Crime Review (FCR). The FCR provided a comprehensive risk assessment of the Bank's compliance and integrity risks.

With the tender process completed in 2021, a new Know Your Counterparty (KYC) tool is to be put in place at the AIIB in 2022 to automate the Bank's KYC process. The year also saw further development of management reporting and increased focus on compliance and integrity risk training.

INDUSTRY CHANGE

Following the **UK Financial Conduct Authority's announcement** to cease the panel submission of LIBOR, the USA Federal Reserve convened an **Alternative Reference Rate Committee**, which recommended the Secured Overnight Financing Rate (SOFR) as a replacement for the USD LIBOR. In 2021, we adapted our systems and processes ahead of the deadline for cessation of new USD LIBOR-linked loans from Dec. 31, 2021.

To accomplish this, in 2021 we also amended our **Pricing Policy, Operational Policy on Financing and General Conditions of Sovereign-backed Loans** to enable us to offer loans on risk-free-rate terms. Sovereign USD variable spread sovereign loan terms were adjusted in 2021 to ensure their interest rate fixings in H1 2022 would be made against SOFR. In addition, in April 2021, we issued our first USD SOFR-linked bond.

INTERNAL AUDIT

The purpose of the Internal Audit Office (IAO) is to provide professional and objective assurance and advisory services designed to add value and improve the Bank's operations. This is achieved by following the Institute of Internal Auditors (IIA) International Professional Practices Framework and key messages received during the yearly IIA International Conference. In 2021, IAO took the opportunity during the conference to share a presentation on "Building an Internal Audit Function for an Innovative 21st Century Organization". The objective is to solicit feedback from the profession for continuous improvement. The presentation included a section on IAO's Agile Audit Methodology which led to a **video** of general interest on this topic.

We also learned that one of the internal audit imperatives and true value proposition is on 'connecting the dots' and holistically viewing the information gathered across the organization

COMPLIANCE AND INTEGRITY RISKS

- Compliance and integrity risks can be broadly grouped into:
- Anti-money laundering
- Counter financing of terrorism
- Integrity due diligence
- Economic and trade sanctions
- Export control
- Tax crimes

through various internal audit engagements. IAO introduced the Lean Team Audit (LTA) in the second half of 2021 to 'connect the dots', and align itself to the Bank's 'Lean' corporate value and Corporate Strategy. As part of IAO's innovation, it also uses Process Mining Technology, a data-driven technique that enabled IAO to get an evidence-based view on which investment operation process steps are being executed by which project team at what time. It also helped identify issues and visualize and compare all variants of the actual investment processes. This significantly reduced the level of subjectivity in understanding the process and helped internal auditors identify pain points that might be missed through traditional interviews and flowcharting.

IAO will continue to look for innovative approaches to 'do more with less' for greater impact.



INTEGRITY

We are committed to the highest standards of integrity in our operations. High project standards and good governance principles constitute an integral part of our Clean core value. Our governance structure underpins an unwavering commitment to integrity, accountability and ethical standards in our projects and the way we work with clients and partners.

THREE-YEAR ETHICS STRATEGIC PLAN 2020–2023:

Pillar I: Policy Development

Pillar II: Awareness and Outreach

Pillar II: Advisory and Prevention

Pillar IV: Policy Compliance and

Pillar V: Partnerships.

ETHICS OFFICE

AIIB is consistently building our Clean value by implementing the Three-Year Ethics Strategic Plan (2020-2023). The Strategic plan consists of 5 pillars:

- Pillar I: Policy Development
- Pillar II: Awareness and Outreach
- Pillar II: Advisory and Prevention
- Pillar IV: Policy Compliance and
- Pillar V: Partnerships.

As AIIB's business and operation continues to grow, so does the number of bank personnel. In 2021, awareness building was the focus pillar. To build awareness for all AIIB personnel, Ethics 101 training courses were conducted throughout the year, and integrated as part of the induction training for new staff. Tailor-made Ethics Principal Trainings were conducted for focus functions such as Procurement and the Information Technology Department. The first Ethics 101 mandatory e-Learning module for Bank personnel was developed for remote onboarding in response to the pandemic and to provide a refresher course for current personnel.

Since Oct. 2019, the Bank has set up infrastructure to facilitate compliance with the Codes of Conduct for Board members and for Bank personnel, respectively, and developed online systems for declaring conflicts of interest, gifts, and external activities. In 2021, all newly appointed Board officials submitted a Statement on Financial or Business Interests and a Statement on Other Employment and Activities. All required Bank personnel from manager level and above also file an annual conflict of interest declaration. Bank personnel use an online Gift Portal to help the Bank keep track of all gifts from external sources and make a declaration where necessary.

The Ethics Office provided advisory services and responded to queries. The prevalence of topics remained with external activities and employment and conflicts of interest.

There were no outstanding misconduct complaints as at end-2021.

AIIB continued to strive for the highest standard of ethical conduct through partnership with the Ethics Network of Multilateral Organizations (ENMO) with other multilateral organizations to exchange views and experiences for the best practices in the areas of external activities, gender equality and social network conduct for Bank personnel.

Inclusivity and diversity continued to be our focus. New mandatory training to build on our Clean Value will be introduced in 2022 on Respectful Workplace. The training will be in the form of e-learning and workshop discussion to disseminate a common understanding of respectful behavior and professional practices based upon the standard of conduct identified by AIIB Code of Conduct for Bank personnel.

OFFICE OF THE OMBUDSPERSON

Functions

The Office of the Ombudsperson (OMB) was established on Sept. 15, 2021, to perform three main functions. First, The OMB serves as an informal resource to facilitate resolution of workplace conflicts independently, confidentially and impartially. Second, the OMB identifies and analyzes trends and broad systemic issues relating to AIIB's Internal Legal Framework as well as related systems and structures, and make recommendations or alerts the Management of AIIB on issues that should be addressed to improve the working environment. Third, the OMB helps promote respectful workplace culture and administers the Respectful Workplace Advisors Program.

Ethical Principles

The OMB observes the guiding principles of independence, impartiality, confidentiality and informality in delivering its services. The OMB also follows the AIIB mandate, Staff Rules and Administrative Guidance, and international standards of practice to ensure justice and fairness in delivering services. To ensure the OMB's autonomy, the Ombudsperson reports directly to the President.

OMB Services

The Ombudsperson arranges confidential meetings, either physical or virtual, which are convenient and safe for those concerned. Appointments can be scheduled by phone, in-person, or by any electronic means. The OMB will not turn anyone away and will treat everyone with the same level of respect.

OMB's Outreach Efforts

The Ombudsperson has done internal outreach efforts to ensure staff are aware of the role of the office and the channels available to them. Externally, the Ombudsperson has interfaced with its peer MDBs and other international organizations (including the United Nations, and ombudsman associations) to draw from their experiences and to align the standard of AIIB's OMB services with those of internationally reputable organizations.

Respectful Workplace Advisors

The Respectful Workplace Advisors (RWA) Program was launched in April 2021 as an informal service to foster a respectful workplace environment for all AIIB staff. RWAs initially reported to the President directly but RWA functions are now administered by the OMB. The role of RWAs is to provide an informal, confidential, trustworthy, and readily accessible source for early assistance for staff who have concerns about a respectful workplace or who need information on how to seek assistance. RWAs provide support for staff who face workplace issues. Currently, there are six RWAs. All were provided with training on their roles and responsibilities to help them gain confidence and skills to empower others and encourage a more respectful workplace.



OUR CULTURE AND PEOPLE

Underpinned by our values of Lean, Clean and Green, the AIIB Way is about who we want to be as a Bank and as a team. This is aligned with our Corporate Strategy and defines how we serve our clients and how we work with and treat each other.

THE AIB WAY

OUR CULTURE

AIIB launched the AIIB Way in 2021. Underpinned by our values of Lean, Clean and Green, the AIIB Way is about who we want to be as a Bank and as a team. This is aligned with our Corporate Strategy and defines how we serve our clients and how we work with and treat each other. At AIIB, this means we act with integrity and respect. We welcome diversity, and we create an inclusive environment where everyone can thrive. This is how we will be an 'employer of choice'. Our commitment to diversity and equity is reflected in our participation in the EDGE survey where we have been certified as an EDGE ASSESS Organization.

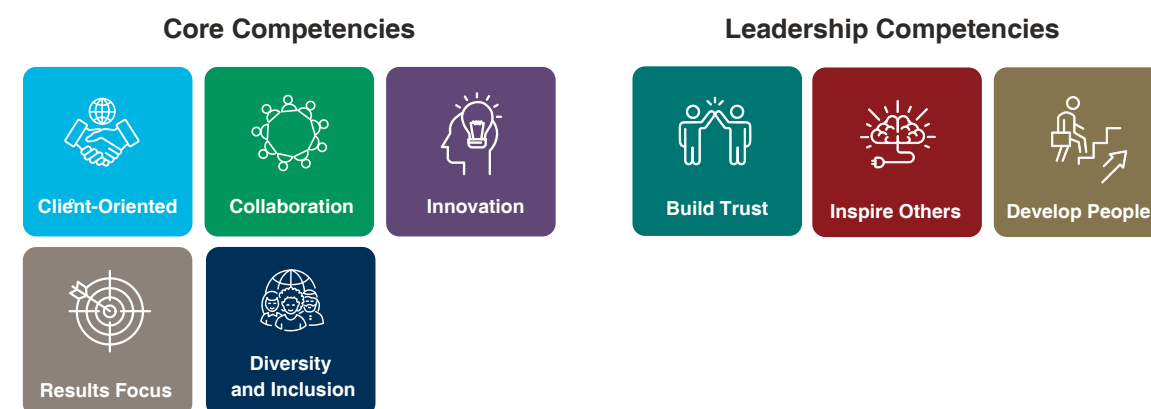
To embed this in our day-to-day work, we defined a set of competencies (five core and three leadership competencies) that apply to all Bank staff. These align with the culture we want to build and how we want to grow as a team and a Bank.

To track our progress toward becoming an employer of choice, we conduct engagement surveys every two years. This gives us insights into our ways of working and how we might further strengthen and accelerate our culture-building journey.

COMPETENCY FRAMEWORK

A critical step forward in our culture-building journey is institutionalizing and embedding the AIIB Way in our day-to-day work environment. To create a common understanding and shared language through a participatory process, we have defined a set of competencies (behaviors) that are important for all Bank staff, regardless of their function or level. These competencies will help us clarify expectations, define future development needs, and do more focused recruitment and development planning. Competencies provide a sound basis for consistent and objective performance standards by creating a shared language about what is needed and expected within AIIB.

COMPETENCY FRAMEWORK



POLICY ON PERSONAL DATA PRIVACY

On Oct. 13, 2021, the Board of Directors approved the Policy on Personal Data Privacy (PPDP). This policy aims at strengthening the regulatory environment by protecting personal data within the Bank. It is fully aligned with the policies of peer IFIs and MDBs which will enable closer collaboration and more streamlined cofinancing with these institutions. It will also help mitigate reputational risks associated with managing personal data, protect immunities and privileges, safeguard IT infrastructure and facilitate international procurement.

The effective date for the PPDP is set to July 1, 2022, because the Bank requires nine months to undertake several necessary steps to operationalize the policy. Specifically, the Bank needs to draft and put in place the requisite resources and systems to implement the directive, and develop and implement methods for ensuring compliance with the policy (e.g., setting up an appeal mechanism for data subjects who believe their rights have been violated), prepare key documents, including procedures for requesting personal data, privacy notices, contracting clauses,

data breach response procedure, personal impact assessments and personal information bank and assess the Bank's IT system functions to maintain personal data with the necessary controls. These implementing measures and mechanisms must be in place by the time the policy takes effect.

Now that the PPDP has been approved by the Board, as a first step, the President will issue a directive with further details on the implementation arrangements and define the key roles and responsibilities in connection with this policy.

OUR PEOPLE

As of Dec. 31, 2021, the Bank had 370 staff members onboard, including 359 professional staff and 11 support staff. There are 141 women professional staff and overall representation remains at 39 percent. AIIB comprises staff from 51 economies, and the percentage of regional nationals is at 69 percent. We are committed to a gender balanced workforce at all levels. In addition to its staff members, the Bank also engages individual consultants and secondees working in different business areas as well as outsourced staff providing general support.

We thrive to attract global talents who are committed to AIIB's development mission to improve social and economic outcomes in Asia and beyond. To promote our employer brand, in 2021 we hosted virtual recruitment roadshows and participated in many virtual career events targeting talents at various locations worldwide. To improve candidate experience, Artificial Intelligence (AI) screening was introduced in the application process. Our interview panel members are well trained and fully equipped with skills to conduct effective interviews with candidates.

The health, safety and wellbeing of our staff remain the top priorities of concern. In response to the unprecedented challenges due to the pandemic, we enhanced the remote and flexible working and implement support measures for home travel. The support measures alleviated the financial burden on our staff for visiting families internationally or domestically and provide additional flexibility on work and leave arrangements. The regular three-year review on the Policy on Compensation and Benefits was conducted in 2021 and enhancements in benefits are introduced in 2022.

LEARNING AND DEVELOPMENT

AIIB enjoyed a remarkable journey in 2021 in terms of learning and development among our staff.

We embraced change and continue to deliver innovative training solutions despite the pandemic. We launched a Learning Development Platform and continued working with digital learning providers to strengthen resilience and continue providing high-quality training.

Throughout 2021, 252 Bank personnel accessed external e-learning courses and logged 392 hours

of learning. We also adjusted our learning to virtual delivery starting in 2020 without losing quality or the level of interaction between participants and facilitators. Notwithstanding, face-to-face trainings were organized when situations allowed and staff were and are encouraged to attend to foster a more interactive learning culture, for example, the Operational Training Program and New Staff Induction Program.

The Bank's internal training offerings, including the technical learning paths, were further developed to support AIIB Corporate Strategy. Thirty-three technical trainings, including training series, were organized for Bank personnel in 2021. While pivoting operational training to a higher level, we also introduced 12 soft skill trainings. Despite the current difficult situation, it was encouraging to see that over 616 hours of Bank-wide trainings were organized and a dozen tailored solutions for intact teams were delivered.

AIIB provides training sponsorship policies which aim to help staff continuously upskill with learning options that may not be internally available. With these policies in place, over 106 personnel and teams benefited from financial training support.

YOUNG TALENT PROGRAMS

The Bank launched its first Legal Associate Program (LAP) and the Graduate Program in 2021. Both Programs aim to engage talents who wish to develop careers in multilateral organizations and grow with the institution. Our Internship Program continued which serves as a window for graduates who want first-hand experience in multilateral organizations. Our communication and connection with academia have also been strengthened.

STAFF CONSULTATIVE MECHANISM

The Staff Consultative Mechanism (SCM) was established after elections between July 21 and Aug 3 where five staff representatives were elected. The SCM conducted an all-staff survey to establish staff priorities. These are grouped under five themes: (i) providing compensation and benefits to attract, nurture and retain talent; (ii) making AIIB a great place to work; (iii) building a working environment where staff are empowered and supported; (iv) build strong multilateral governance and oversight by establishing strong institutional safeguards for staff; and (v) ensure the effectiveness of SCM by putting it on a solid institutional footing.

There was an inaugural discussion between the Board's Budget and Human Resources Committee (BHRC) and the Staff Consultative Mechanism. In December, the SCM presented to the Board's BHRC on 2021 Compensation and Benefits Review proposals.

WELL HEALTH-SAFETY RATING

In 2021, the AIIB Headquarters (HQ) passed the WELL Health Safety Rating (HSR) and obtained a certificate from the International WELL Building Institute. The WELL HSR is a comprehensive, evidence-based, third-party verified rating focusing on operational policies, maintenance protocols, stakeholder engagement and emergency plans to address a post-COVID-19 environment now and into the future. The certificate verifies that the AIIB HQ building is managed under safe and high-quality conditions, even during the epidemic period. It is a significant recognition of AIIB's efforts to ensure the wellness of employees and a safe working environment.

STAFF TRAVEL FACILITATION

To help staff with their official and home travel, FAS arranged for Bank-wide vaccinations, testing and issuance of vaccine certificates, as well as coordinated over 200 trips related to onboarding, returning to headquarters, and domestic and local overseas. It also helped coordinate with national governments, local authorities, airlines, airports, hospitals, and hotels. The team was on call 24-7 and handled over 100 emergency cases.





OUR PARTNERSHIPS

2021 remained a challenging year in terms of COVID-19 recovery, particularly green recovery. In response, the focus of the partnership approach has been developing a network of partners that can help the Bank achieve its ambitions in the four thematic areas in the post-COVID-19 era. AIIB has been innovating in the partnership process and management, aiming at moving AIIB from being reactive to proactive and adding value to enhance the Bank's capacity for business development and external resource mobilization.



LED JOINT MDBS COOPERATION

As Chair of the Heads of Multilateral Development Banks in 2021, AIIB hosted two Heads of the MDBs meetings and participated in the G20 Finance Ministers and Central Bank Governors and Finance Deputies meetings. As Chair, AIIB's President Jin elevated the importance of health financing, climate change and digital infrastructure as core enablers for COVID-19 recovery and sustainable development.

CONTRIBUTED TO GLOBAL COOPERATION ON GREEN RECOVERY

The 2021 United Nations Framework Convention on Climate Change Conference of the Parties (COP26) was hosted by the United Kingdom in Glasgow. As part of our coordinating role as Head of the MDBs, AIIB facilitated the drafting

process for a Joint Statement for COP26. AIIB announced in October it would align its operations with the goals of the Paris Agreement by July 1, 2023. AIIB also signed an MOU with International Renewable Energy Agency (IRENA), the global intergovernmental organization mandated to promote the widespread and increased adoption and sustainable use of all forms of renewable energy and to support countries in their transition to a sustainable energy future.

ADDED VALUE TO REGIONAL COOPERATION AND CONNECTIVITY

AIIB became the first implementing partner of the Multilateral Cooperation Center for Development Finance (MCDF) in August 2021. This partnership enables us to leverage resources to support the preparation of high-quality connectivity infrastructure projects to facilitate resilient and

inclusive economic growth. It also complements the Bank's engagement with regional cooperation platforms and initiatives by sustaining technical assistance grants in project preparation, capacity building and information sharing. By working with the MCDF and other partners, AIIB co-organized a series of regional and sector workshops and seminars followed by technical discussions on project activities. The partnership approach with regional cooperation platforms and initiatives has also helped link the Bank to regional and cross-border connective projects.

ENHANCED FINANCING COOPERATION WITH MDBS

In April 2021, the AIIB and the European Bank for Reconstruction and Development (EBRD) enhanced our cooperation to promote economic development and investment across countries by signing a new cofinancing framework agreement. This will harmonize operational policies and procedures and contribute to achieving the highest social, environmental and legal standards.

ENGAGED GLOBAL PARTNERSHIP FACILITY TO INCREASED PRIVATE SECTOR INFRASTRUCTURE FINANCING

AIIB has been a technical partner of the Global Infrastructure Facility (GIF) since signing the Financial Procedures Agreement with the World Bank (the GIF Trustee) in June 2021. This is our first accreditation with a global partnership facility and allows us to enhance our collaboration with other MDBs to support major infrastructure projects and enables us to expand our resources to serve a broader range of AIIB Members and further our role in private capital mobilization.

DEVELOPING OPERATIONAL PARTNERSHIP TO SUPPORT INVESTMENT OPERATIONS

The Bank has been engaging with bilateral and multilateral development organizations and philanthropic foundations to mobilize concessional resources for investment operations. These operational partnerships have demonstrated initial success through close collaboration across teams on developing internal tools and conducting external partnership engagements.

CSO/NGO ENGAGEMENT

We value input from civil society organizations (CSOs) and nongovernmental organizations (NGOs) on our strategies, policies and operations. We enhanced our engagement in 2021.

Information Sharing. Through our website, quarterly newsletters and other means, we provided focused news on Bank activities of interest to the CSO and NGO community. We kept CSOs/NGOs informed of AIIB-organized events with topics of interests to them.

Policy Consultations: We consulted with a wide range of stakeholders, including organizing briefing sessions specifically for CSOs and NGOs, on the revised Environmental and Social Framework (ESF).

Project-level Engagement: We met with CSOs and NGOs on specific projects and kept the communication lines open for project-related queries.

AIIB Management Dialogue. We held the AIIB Management Dialogue with CSOs and NGOs virtually during the 2021 AIIB Annual Meeting. During the Dialogue, AIIB's management led by

President Jin addressed questions from CSO and NGO representatives on issues of mutual interest, including the revised ESF, disclosure practices, project implementation, climate finance, and AIIB's investment principles.

CEIU Outreach Activities. CEIU needed to shift its civil society and client outreach activities to virtual events in response to the COVID-19 pandemic. Instead of having a series of face-to-face meetings with CSOs and clients, CEIU held virtual meetings with national, regional and global CSOs throughout the year. A virtual meeting was held with international advocacy NGOs in April and with national and regional CSOs in June, July and August. The aim was to raise awareness about the PPM and discuss specific COVID-19

challenges, including heightened risk of retaliation and access to the PPM. The PPM also reached out to the Independent Accountability Mechanisms (IAMs) of other MDBs to share PPM outreach experience, learn from the experiences of other IAMs and explore joint outreach opportunities.

Annual CEIU-CSO Session. In lieu of the planned CSO outreach event at the Annual Meeting, the CEIU held a virtual meeting with CSOs on Oct. 14 in an open forum format. CSOs from all over the world raised questions about CEIU's role in the ESF review, Project-level grievance redress mechanisms, handling of complaints in cofinanced projects, potential access barriers to the PPM and broader functions of CEIU.

POLICY ON PUBLIC INFORMATION

The approval of the [Policy on Public Information](#) (PPI) by the Board of Directors in September 2018 institutionalized a strong framework for disclosure for AIIB. Under the PPI, we proactively disclose information based on event triggers tied to the Bank's project cycle and decision-making process and respond to external requests for information in line with a set timeline. 2021 marked the third year of implementation of AIIB's Policy on Public Information. An examination of the implementation of the PPI from 2018 to 2021 indicated that compliance with the PPI remains high for both proactive disclosures of information and responses to requests for information. The policy meets the transparency expectations of the public and AIIB's operational needs.

In 2021, the Bank received 331 information requests from its Public Information Request Portal, all of which were handled within 30 working days as required by the Policy on Public Information.

For more information on the PPI, visit <https://www.aiib.org/en/policies-strategies/public-information/introduction/index.html>

To submit requests for information, visit <https://www.aiib.org/en/contact/information-request/index.html>

GOVERNING PRINCIPLES OF THE POLICY ON PUBLIC INFORMATION:

Principle 1: Presumption in Favor of Disclosure. The Bank shall ensure transparency and openness by disclosing information that the Bank holds, unless such information falls within an exception stated by this Policy.

Principle 2: Duty of Proactive Disclosure. The Bank shall fulfill its public disclosure requirements by proactively disclosing information on its own initiative.

Principle 3: Non-Discrimination and Equal Treatment of Disclosure Requests. The Bank shall not discriminate or give special or privileged access when considering requests for the disclosure of information.





OUR KNOWLEDGE PRODUCTS

AIIB's publications and knowledge building activities support business development, promote awareness of environmental and social standards, stimulate discussion on project finance issues, share insights from and build awareness of AIIB's investment operations.

2020 AIIB ANNUAL REPORT

This is our story: how being born resilient and agile empowered us to help our clients at a time of great need.



ANNUAL REPORT

Every year, we publish a comprehensive report on our activities and projects, as well as selected project stories about our work with our clients in our thematic priority areas.

ASIAN INFRASTRUCTURE FINANCE REPORT

The Asian Infrastructure Finance Report, Sustaining Global Value Chains, was launched in October at the Bank's Annual Meeting and was followed by 15 events in six countries. The report examines how Asian economies have integrated global value chains (GVCs) into their growth models. It emphasizes how critical infrastructure quality and capacity are to the agility and resilience of GVCs, as examined against the backdrop of the COVID-19 pandemic, increased trade tensions, rapid technological development, environmental pressures and other factors. Using case studies and research findings, the 2021 report highlights

how green infrastructure, consistent with net-zero transition, will become a source of competitive advantage and the key to sustaining future GVCs.

Throughout 2021, our Economics Department was engaged in a dialogue coordinated by the Bank and the Boao Forum for Asia, with support from the Institute of Finance and Sustainability and China International Capital Cooperation, on China's Pathway to Net Zero. Several rounds of discussion took place between foreign and Chinese experts on green governance for net zero, including best practices in planning, markets, incentives and disincentives. The dialogue culminated in a net-zero research conference in January 2022 and the first of several papers.

SUSTAINABLE DEVELOPMENT BONDS FRAMEWORK

In April 2021, the Bank launched the Sustainable Development Bond Framework to improve bond investors' and other stakeholders' understanding and assessment of the Bank's commitment to sustainable development. The Framework presents a summary of the policies, strategies, processes and mechanisms that govern the Bank's commitments to sustainable financing activities. By doing so, it outlines how the Bank is adhering to the principles set out in our Environmental and Social Framework that guides project selection, and how we are helping AIIB Members meet their commitments under the Paris Agreement and the UN Sustainable Development Goals, inter alia. It also increases the transparency around our operations by setting out the use and management of proceeds, and how we track the impact of our financing, in particular the environmental and social impact generated by

SUSTAINABLE DEVELOPMENT BOND FRAMEWORK

April 2021



our financing. Under our mission of Financing Infrastructure for Tomorrow, AIIB will continue to scale up our sustainable and inclusive investments to meet clients' needs for low-carbon and climate-resilient infrastructure.

Under the framework, annual reporting on the Bank's overall portfolio and project level environmental and social benefits will be made available on the official AIIB website.

The framework applies to all debt issued by the Bank in all markets and currencies. All AIIB bonds are Sustainable Development Bonds, providing investors with an opportunity to improve social and economic outcomes in Asia.

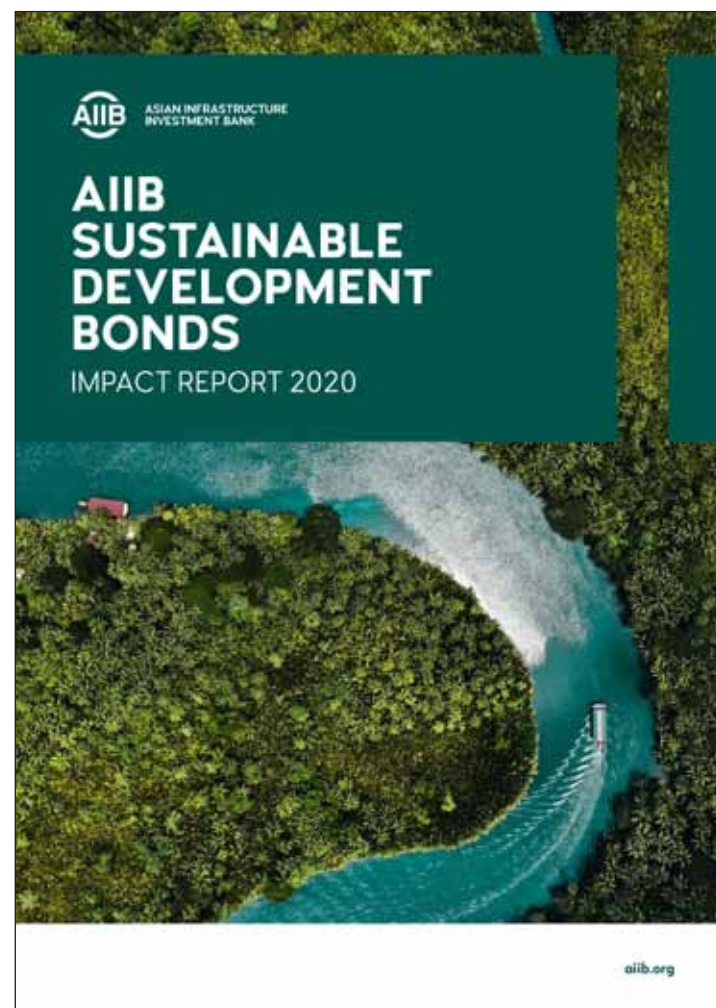


DOWNLOAD THE REPORT

SUSTAINABLE DEVELOPMENT BONDS INAUGURAL IMPACT REPORT

Under the **Sustainable Development Bond Framework**, the Bank has committed to annual impact reporting on our overall portfolio- and project-level results reflecting environmental and social benefits generated by our financing. Our inaugural Impact Report covers the first five years of operations from 2016 to 2020.

The Sustainable Development Bonds inaugural **Impact Report** presents data on the Bank's portfolio volume, alignment with thematic priorities, portfolio performance, and selected project impact stories chosen to illustrate how we are addressing clients' needs while also making an impact among our Members in Asia and beyond.



WORKING PAPERS

AIIB's Working Papers report on research work in progress by individual staff members and consultants. Research may be in collaboration with external parties and is published to share knowledge, seek feedback and encourage debate. They focus on infrastructure development and finance.

A working paper on the impact of power outages on the export competitiveness of firms was one of our knowledge products from the past year.

INVESTMENT OPERATIONS OPERATIONAL INSIGHTS

The Investment Operations Operational Insights series allow staff to share their operational insights from their project work. The emphasis is on disseminating best practices and lessons learned. Fourteen sessions were held in 2021 on topics as diverse as local currency financing, vaccine financing, financing in Europe, capacity building and the Project Insights Dashboard. In 2020, there were 11 sessions on topics including financing solar projects, challenges in supporting low-income AIIB Members and China's health tech industry.

INTERNATIONAL ANTICORRUPTION DAY

International Anti-corruption Day has been observed every Dec. 9 to raise public awareness of corruption issues, following the passage of the **United Nations Convention Against Corruption** in 2003. To mark the 2021 International Anti-Corruption Day, the Bank organized a presentation for staff by Gerard Ryle, Director of the **International Consortium of Investigative Journalists** (ICIJ), who spoke on the **Pandora Papers** that ICIJ published beginning in

October 2021. President Jin provided opening remarks for the session.

LEGAL CONFERENCE

The Bank invited Yuejiao Zhang to give the 2021 AIIB Law Lecture on International Investment Dispute Settlement on Dec. 8, 2021. This year's lecture discussed bilateral treaties for investment

protection, the role of the International Centre for Settlement of Investment Disputes, the 1965 Washington Convention, the Multilateral Investment Guarantee Agency MFN, and dispute settlement between an investor and a host state and between two investors and two states. The law lecture was moderated by General Counsel Alberto Ninio.



OUR CLIENTS

All AIIB projects must meet the Bank’s standards, be financially viable and achieve environmentally and socially sustainable development outcomes. Following is a small sample of AIIB projects in 2021 that represent the Bank’s work across its four thematic priorities.

INDIA: BOOSTING GREEN RAIL TRANSPORT IN CHENNAI



As the fourth largest city in India faced with large scale urbanization, Chennai's urban transport system has been put under severe stress. Through the Asian Infrastructure Investment Bank and other development partners, Chennai's metro rail system is being expanded for a safer, more convenient, and greener mode of public transport.

The city of Chennai, the capital of the state of Tamil Nadu, is home to over 8.65 million people. As one of the biggest cities in India, it plays a vital role in the country's economy. Rapid population growth and expansion along with increased economic activity have strained Chennai's urban transport system. Meanwhile, the growth in the use of private vehicles has remained unabated due to an inadequate public transport system. The travel speed of traffic in Chennai during the morning peak hours slowed to less than 30 km per

India: Chennai Metro Rail Phase 2 Project - Corridor 4
Member: India
Sector: Transport
Approved funding: USD356.67 million
Financing Type: Sovereign

To develop effective and efficient mass transit in addition to the existing road-based bus transport system, the Government of Tamil Nadu is expanding the Chennai Metro Rail system spanning 54 km. AIIB is financing Corridor 4 covering 26.8 km with 30 stations and one maintenance depot. The new corridor will ensure seamless multimodal transport across Chennai by providing integrated access to suburban rail, bus stations and the city's main airport.

hour. Improving ease of travel and connectivity in the city was clearly a necessity.

To develop effective and efficient mass transit in addition to the existing road-based bus transport system, the Government of Tamil Nadu decided to expand the first phase of the Chennai Metro Rail system spanning 54 km consisting of two corridors in Phase II covering around 119 km with three more additional corridors. AIIB is financing Corridor 4 covering 26.8 km with 30 stations and one maintenance depot.

In late 2019, AIIB received a project financing request from the Government of India through the Department of Economic Affairs. Since then, AIIB and the Chennai Metro Rail Limited (CMRL) as the project implementing entity have worked closely on project preparation despite the challenges of the restrictions due to the coronavirus disease (COVID-19) pandemic.

With a total project cost of USD2,271.93 million, the Corridor 4 project runs from Lighthouse in the east to Poonamallee Bypass in the west, with 18 elevated stations (16.5 km) and 12 underground stations (10.3 km). The new corridor will ensure seamless multimodal transport across Chennai by providing integrated access to suburban rail, bus stations and the city's main airport. Divided into several components, the project involves a parallel cofinancing arrangement with the AIIB, the Asian Development Bank (ADB), New Development Bank (NDB) and the Government of Tamil Nadu.

"The AIIB has taken on a vital role in project preparation and coordination between CMRL and the other parallel co-financiers, in areas including technical, procurement, environment and social,"



said T. Archunan, Director, CMRL Project. He added that the AIIB was instrumental in facilitating the discussion between CMRL and the parallel co-financiers, especially in the preparation of the environment and social instruments.

In Sept. 2021, the AIIB approved sovereign financing of USD356.67 million to construct the elevated section of Corridor 4. ADB proposed to finance the construction of the underground section; NDB is proposed to cover electrical and mechanical works, tunnel ventilation system, telecoms, automated fare collection, platform screen doors, traction and power supply; and the Government of Tamil Nadu is responsible for engaging the general consultant, construction of signaling, rolling stock, depot and staff quarters, permanent way, security features and procurement of the project land, resettlement and rehabilitation and payment of state taxes.

"The project aims to improve the public transport system in Chennai, which is in line with the Bank's strategy on transport and sustainable cities as well as with the AIIB thematic priorities of

Green Infrastructure and Technology-Enabled Infrastructure,” said Kishlaya Misra, the AIIB Investment Officer who leads the project team at the AIIB. “The project will enable a modal shift of passenger transport from carbon-intensive road-based transport to a low-carbon metro system thereby leading to greenhouse gas emissions reductions.”

“AIIB was tireless in enhancing our understanding and adherence to the procurement and environmental and social performance requirements of multilateral development banks,” T. Archunan said. “They also provided extensive technical assistance in the civil tender preparation process and helped us develop a socially inclusive approach.”

With AIIB’s support, CMRL incorporated targeted interventions such as pre-defining women’s employment in the operations stage, conducting an annual survey of women passengers to assess the service standard as well as having dedicated stations operated by an all-women staff.

“We are incorporating climate-adaptive designs and measures to increase the project’s resilience to climate hazards,” Kishlaya said. “Design parameters on climate adaptation are also incorporated into the project.”

The project helps achieve AIIB’s thematic priority on Technology-Enabled Infrastructure since it is using a building information modeling technology. Briefly, this means that three-dimensional graphic models of the project were rendered that enable easier integration of the design of various project components and identification of any potential conflicts, helping save on time and costs.

Now that the project has entered the implementation stage, more challenges have to be overcome, especially those due to COVID-19 measures. However, CMRL has been quick to adapt.

“We are using online conferences and other information technology tools to ensure timely

“AIIB was tireless in enhancing our understanding and adherence to the procurement and environmental and social performance requirements of multilateral development banks,” T. Archunan said. “They also provided extensive technical assistance in the civil tender preparation process and helped us develop a socially inclusive approach.”



T. Archunan,
Director, Chennai Metro Rail Limited Project



completion of the project,” T. Archunan said. “Our pre-bid meetings with tender participants were done online and in-person and we have strict protocols issued by the government that everyone must follow.”

Along with COVID-19 response measures in the project’s environmental management plan, CMRL has assigned their General Manager for Operations to be responsible for COVID-19 compliance monitoring.

“Because is it such a large-scale and complex project, technical planning is one of the challenges we had to face,” said Wenyu Gu, AIIB Senior

Investment Operations Specialist who is co-leading the project. “CMRL hired a Detailed Design Consultant (DDC) and a General Consultant to help with the technical matters for the project.”

Construction work began in the second half of 2021. By the time the project is completed in 2026 and operational, CMRL anticipates several positive environmental impacts.

Gu said, “With more people using the rail network instead of the carbon-intensive road-based modes of transport, there will be road safety improvements, increased accessibility and mobility and fewer pollutants and emissions.”

MULTICOUNTRY: DEVELOPING DATA CENTERS TO BOOST CONNECTIVITY AND PROMOTE GROWTH

The Asian Infrastructure Investment Bank is investing USD150 million in data center development in emerging Asia to help bridge the digital divide and promote greener digital infrastructure and cross-border connectivity.

In 2020, the pandemic caused Asia's economy to contract by one percent. Due to additional financial support and economic recovery thanks to rising vaccine coverage, economic projections for emerging Asia for 2021 and 2022 are up at 8.6 and 6.0 percent respectively. These numbers exceed projections for the global economy (6.0 and 4.4 percent).

By 2022, Asia's global mobile data traffic share is expected to reach 56 percent. This is despite the low Internet adoption in the Asia Pacific where as many as 1.8 billion people still do not have Internet access. Many low- and middle-income countries

Multicountry: Data Center Development in Emerging Asia
Member: Multicountry
Sector: Digital Infrastructure and Technology
Approved funding: USD150 million
Financing Type: Nonsovereign

Many low- and mid-income countries in the Asia Pacific region lack their own domestic data infrastructure, and the disparities in data center penetration among countries with different income levels are wide. This project will help address this by enhancing capital mobilization to develop data centers serving emerging Asia.

in the region lack domestic data infrastructure, resulting in reduced speed and data traffic

efficiency. For instance, in South Asia, there are only 0.8 data centers per million people, much lower than around three data centers per million people in North America.

Data centers are essential digital infrastructure for connecting international data hubs in emerging and developed economies through a global network of submarine fiber optic cables and the global Internet. They are foundations and building blocks of a modern digital economy.

AIIB has identified data centers as one of the hard digital infrastructures to be supported under the Bank's Digital Infrastructure Sector Strategy which aims to promote the growth of the digital infrastructure sector. In October 2021, AIIB approved financing for the Data Center Development in Emerging Asia multicountry project structured through the Keppel Data Center Fund II. Alpha Investment Partners is the investment manager while Keppel Data Center Holdings, is one of the leaders in data center operations and management services in Asia Pacific, which contributes to a robust pipeline for the Fund, particularly in emerging Asia. The project

comes at a crucial time in the growth of the data center market in the region.

"The Asia Pacific market rounded out 2021 with a 19-per cent year-on-year growth rate, eclipsing North America's by 10 percent," said Alpha CEO Alvin Mah. "Demand for data centers in Asia continues to grow on the back of continued cloud adoption by businesses, e-commerce, the Internet of things, autonomous vehicles, artificial intelligence, 5G rollouts, digital assets, cryptocurrencies, financial technology and edge computing."

"Riding on positive macroeconomics of the data center sector, the Fund seeks to undertake data center developments in Asia Pacific and Europe to construct a high-quality and diversified data center portfolio," Mah continued.

"This is the first data center project financed by AIIB," said AIIB Senior Investment Officer Sergio Perez, who leads the project team in AIIB. "It is one of the biggest data center investments ever done by any multilateral development bank."

"Demand for data centers in Asia continues to grow on the back of continued cloud adoption by businesses, e-commerce, the Internet of things, autonomous vehicles, artificial intelligence, 5G rollouts, digital assets, cryptocurrencies, financial technology and edge computing."

Alvin Mah,
CEO, Alpha Investment Partners Limited



With AIIB's financing, the Fund has successfully raised and closed USD1.1 billion in total capital commitments including co-investments. Having committed around 21 percent of its total capital commitment by the end of 2021, the Fund is currently generating a strong pipeline.

"The team is building an active pipeline of investment opportunities with the capital raised," said Mah. "At this initial stage of portfolio construction, pipeline deals are consistently reviewed. Transactions are dynamically advanced once we can find mitigants to key investment risks and achieve target return objectives."

A key component of the project is promoting greener digital infrastructure, which is in line with AIIB's thematic priority on green infrastructure.

"The project will deliver investments with impact in climate mitigation," said Perez. "Data centers involve massive energy consumption and the Fund aims to employ eco-friendly design, technologies and processes to build green data centers. One

of the challenges will be to use the latest eco-friendly developments in the implementation of the project. Data center technologies are evolving fast, in areas such as immersion cooling, or submarine or floating solutions."

With a commitment to employing leading-edge, eco-friendly technologies and processes optimized for energy efficiency and reduction of carbon footprints, the Fund is well-poised to meet these challenges.

"Keppel places sustainability at the core of our strategy," Mah shared. "We're exploring opportunities to harness renewable energy sources, providing sustainable solutions for our tenant base and increasing our competitive edge in securing valuable land sites."

"AIIB's participation as a cornerstone investor in the Fund has allowed Alpha to develop an environmental, social and governance (ESG) framework that aligns with the applicable AIIB environmental and social requirements under the Bank's Environmental and Social Policy," said Perez. "This ESG framework has empowered Alpha to take a structured and systematic approach toward screening, categorizing, and assessing environmental and social issues at the Fund level."

AIIB will also provide support to Alpha in developing climate finance monitoring indicators and in understanding and internalizing the joint MDB methodology for tracking climate finance.

"Given the methodology's high credibility and market recognition, it reduces the risk of greenwashing and helps Alpha demonstrate its alignment with the Paris Agreement goals," said Perez.



INDIA: MODERNIZING EDUCATION SYSTEMS IN GUJARAT

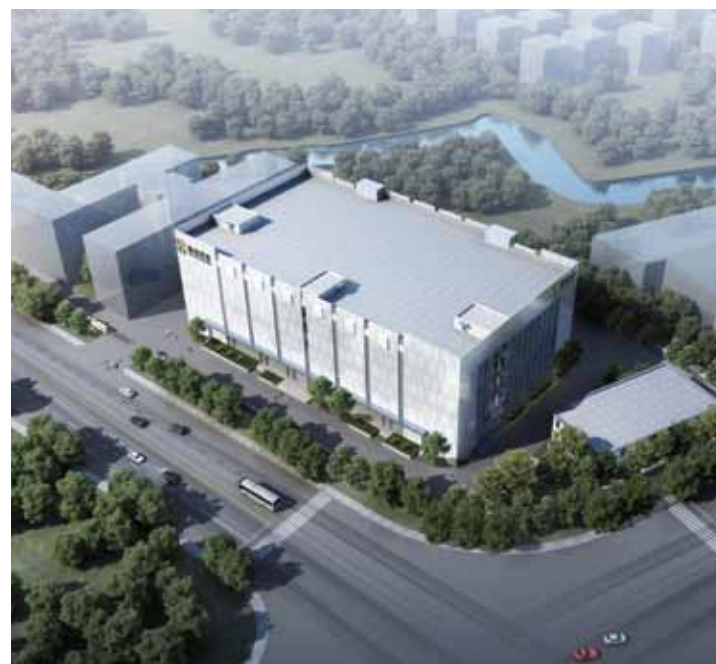
The way educators teach and the way students learn will soon improve in Gujarat. India is upgrading the quality of public education by enhancing foundational learning outcomes and strengthening teacher development in the State of Gujarat. School environments will soon become more conducive to teaching and learning will improve for about 4.5 million students. The education system will become resilient to climate change and emergency health crises.

Over one million schools were forced to close for over a year in India due to the COVID-19 pandemic. This left about 250 million students with limited or no access to education for many months. Many schools across the country adopted digital technology to hold online classes. However, these opportunities were available only to those with Internet access.

India: Gujarat Education Infrastructure and Technology Moderniation Program
Member: India
Sector: Education Infrastructure
Approved funding: USD250 million
Financing Type: Sovereign

This project seeks to improve learning outcomes for school children by upgrading the physical learning environments and digital infrastructure of participating schools in Gujarat.

Education has been long considered the road to prosperity in India and credited for its economic transformation. The country has made great strides in education with a 100 percent net enrollment ratio for primary education and a





90 percent youth literacy rate. Challenges remain, however, with only a 26 percent gross enrollment rate in higher education and the low adoption of information and communications technology (ICT) in schools. The pandemic has threatened to undo these gains and exacerbate the problems the system faces.

India approved its 2020 National Education Policy (NEP) in July 2020. It underscores the importance of education to the future of the country and aims to transform the education system by 2040. The

2020 NEP proposes a revamp of the education structure that would allow India to achieve the Sustainable Development Goal on education and ensure equitable access for all learners regardless of social or economic background.

In Gujarat, the fifth-largest state in India, there are around 11.48 million students, over 60 percent of whom are enrolled in public or semi-aided schools. Some 400,000 teachers are assigned to 54,000 schools. Many of these schools urgently need refurbishment and reinvestment in infrastructure to be conducive to quality teaching and learning. Enrollment rates are low, which impacts girls from vulnerable households. The pandemic made the situation even more pressing. As much as 25 to 30 percent of students had limited access to remote learning devices such as computers and tablets. School closures meant that more girls had limited access to education, their time spent on housework increased and their future career plans were disrupted. It was apparent steps had to be taken to mitigate the immediate risks and support the education system in the state to respond to these challenges.

“The partnership with AIIB will provide the necessary support for the development of the civil and digital infrastructure for the government elementary schools in Gujarat. This will boost teaching and learning outcomes, one of the major objectives of the program.”



Dr. Vinod Rao,
Gujarat Primary and Secondary Education Secretary



“The Asian Infrastructure Investment Bank has partnered with the Government of Gujarat as a cofinancer together with the World Bank on a project that will strengthen decentralized management for improved education outcomes in Gujarat,” said Gujarat Primary and Secondary Education Secretary Dr Vinod Rao.

AIIB approved USD250 million in sovereign financing for the Gujarat Education Infrastructure and Technology Modernization Program to add to the World Bank’s USD500 million funding and the Government of Gujarat’s counterpart funding of USD321.44 million.

“The partnership with AIIB will provide the necessary support for the development of the civil and digital infrastructure for the government elementary schools in Gujarat,” Rao added. “This will boost teaching and learning outcomes, one of the major objectives of the program.”

The program aims to improve education outcomes by focusing on improving and greening the infrastructure of existing schools, promoting gender and equity aspects, teacher development, vocational education and strengthening foundational learning for reducing learning poverty.

“The program will upgrade the physical learning environment and digital infrastructure of 9,000 schools throughout the state of Gujarat using climate-resilient designs,” said AIIB Investment Operations Specialist Pratyush Mishra, who heads the project team. “Monitoring progress and achievement is certainly a big challenge but we do have strategies in place.”

These measures include appointing a project management consultant to provide continuous support to the implementation entity, the Gujarat Council of Education. An independent verification agent will conduct reviews while AIIB and the

World Bank will be undertaking supervision missions in addition to regular informal discussions with the Council.

“Another innovative approach under the program, one which can act as a lighthouse for other programs in the sector, is the establishment of the Command and Control Center which is now renamed as ‘Vidya Samiksha Kendra’, a central monitoring center that acts as the ‘nerve center’ for the digital transformation exercise,” said Mishra.

The Gujarat education department has systematically collected a significant amount of data relating to areas such as student scores, and student and teacher attendance and has started to build the infrastructure to collect this information in real-time.

“The availability of real-time data, disaggregated down to the level of an individual student, will be a game-changer in the education sector. This allows the Gujarat education department to have a flexible and agile approach to any interventions that they plan and acts as a feedback mechanism so that course correction can happen ‘on the go’. What they have created with the Vidya Samiksha Kendra allows them to do things quickly,” said Mishra. Because of its scale and scope, the program’s impact on the future of Gujarat cannot be understated.

“By investing in school education, this program will improve learning outcomes of students through measurement and analytical work designed to galvanize the momentum around human capital growth,” said Rao.

“The program’s benefits include improvement in the quality of Gujarat public schools, improvement

in foundational learning outcomes at the primary levels, strengthened teacher development, improvement in learning and teaching environments and development of a COVID-19-resilient system where both in-person and online teaching systems are institutionalized.”

The technology components of the program align well with AIIB’s thematic priority on technology-enabled infrastructure and the green components with AIIB’s thematic priority on green infrastructure.

“It will cover investments in science, technology, engineering, and math labs, computer and internet facilities, technological innovations like creation and hosting of digital learning content, smart classrooms and remote learning,” Mishra said.

The investments will also enhance Gujarat’s preparedness for unexpected school closures in the post-COVID-19 pandemic era.

“The program will adopt the concept of green schools,” Mishra explained. “The design of green schools includes aspects such as energy efficiency, water harvesting, conservation, use of local materials for construction, multi-use spaces, kitchen gardens, reducing construction materials and tree plantation.”

“To cope with the challenges of the middle-income trap, leveling-up educational standards with the latest digital technologies and learning-friendly environments is essential. This will help middle-income countries achieve a successful transformation from a low-value economy to a high-wage, higher value-added one. We expect the success of the Gujarat model to be replicated in other states of India too,” said Hun Kim, Director General, Social Infrastructure Department of AIIB.



TÜRKİYE: ENERGY FROM WASTE

Istanbul, the largest municipality in Europe by population, is home to over 16 million people, almost 18 percent of the population of the entire country. As Türkiye’s economic, cultural and historical hub, Istanbul is a bustling metropolis that draws millions of tourists every year. As the city grows, so does its demand for energy.

The Istanbul Metropolitan Municipality (IMM) has been developing a Waste-to-Energy Generation (WtE) plant since 2010. The plant is expected to decrease municipal solid waste (MSW) destined for landfills and increase renewable electricity production for their growing population.

“The project is the first plant in Türkiye wherein municipal residential waste is being converted into electricity, so it is significant,” said IMM Deputy Secretary-General Cemal Ufuk Karakaya. By eliminating 15 percent of Istanbul’s daily household waste, the facility will meet the electricity needs

Türkiye: Istanbul Waste to Energy Generation Project (Previously: Construction and Operation of a Waste Incineration and Energy Generation Plant)
Member: Türkiye
Sector: Urban
Approved Funding: EUR 100 million
Financing Type: Nonsovereign

This project involves financing the construction of a Waste to Energy Generation (WtE) facility to help convert municipal solid waste into electricity thereby preventing 3,000 ton of waste from going to landfill sites and increasing the supply of renewable power.

of approximately 1.4 million people with the 85-megawatt electrical energy it will generate.

It will also reduce waste that ends up in landfills.



“This plant will prevent 3,000 tons of waste from going to landfill sites every day,” added Karakaya. “This volume of waste can cover almost 57 soccer fields every year. As this waste will not be transported to landfill sites, we will have yearly savings of 6 million km on average.”

Aside from being the first WtE facility in Türkiye, it is also the largest of its kind in Europe. The facility is about 20 km north of Istanbul in the Eyüp district. With an annual capacity of 1 million tons, Istanbul's WtE facility would generate 630 gigawatt-hours of net electricity, enough to power 400,000 households.

“A total of 100 hectares of land will be saved from becoming landfill,” Karakaya said. “Thanks to bottom ash recovery, magnetic metals and nonferrous metals are brought back into the economy. We are continuing research and development studies on reusing the remaining bottom and fly ash.”

The project was initially financed by the Black Sea Trade and Development Bank (BSTDB), BNP Paribas and Societe Generale and Swiss Export Risk Versicherung (SERV). In 2021, AIIB approved EUR100 million 10-year nonsovereign financing for the project.

Karakaya said, “Thanks to AIIB, project completion in accordance with the planned schedule is ensured.”

“Our long-tenor financing of 10 years in line with the Export Credit Agency-covered tranche helps reduce debt service pressure,” explained AIIB Senior Private Sector Operations Specialist Edwin Yuen, who heads the project team in AIIB. “By providing financing, we helped ensure successful project completion.”

The Istanbul Waste-to-Energy Generation Project is AIIB's first de-risked WtE project, providing valuable commissioning and early operational insights.

“Beyond the project, the facility is expected to demonstrate the technical strengths and environmental benefits of the technology to the entire country,” Yuen added. “Other metropolitan areas in Türkiye have already expressed an interest in WtE, including Izmir, Bursa and Antalya.”

“The project also demonstrates strong and seamless collaboration between the two teams,” said AIIB Investment Operations Specialist Yaxin Yan. The project team would like to recognize the efforts made by the IMM foreign finance team, including Rezzan Neslihan Vural, Director of Finance, Deniz Demirbaş, Deputy Director of Finance, and Sesil Ersoy, Project Coordinator for getting this project off the ground and completed.

In 2021, despite the challenges of the global pandemic, civil construction works and commissioning and reliability tests have been concluded. The project employed measures in line with Türkiye's Ministry of Health recommendations and the health and safety unit of the IMM. These

“The project is expected to result in a reduction of 1.38 million tons of greenhouse gas emissions and contribute positively to both waste disposal and energy production against the negative effects of global warming.”

Cemal Ufuk Karakaya,
Istanbul Metropolitan Municipality Deputy Secretary-General



(L to R) Sesil ERSOY, Serra MANDACI, Deniz DEMİRBAŞ, Rezzan Neslihan VURAL, Murat SELVI, Cemal Ufuk KARAKAYA, Mustafa KILIÇ, Duygu Doğan Arslan Engin ÖZTÜRK, and Abdulkadir ŞAHİNBEYOĞLU

included more personnel working remotely, creating quarantine zones, applying regular disinfection and reducing disposable items at the mess hall.

Transfer stations were optimized to ensure waste inputs continue. Efforts were made to complete the energy transmission line and switchyard on time. Bunker area management is regularly improved so the contractor can continuously feed homogeneous and similar wastes to the boiler. Partial provisional acceptance protocols have been signed and, most important, the operation commenced in October.

“Thanks to the project, we expect a reduction of 1.38 million tons of greenhouse gas emissions,” Karakaya said. “The project will contribute positively to both waste disposal and energy production against the negative effects of global warming.”

The WtE project is fully in line with Türkiye's climate action plan for carbon neutrality by 2050 and its intended national contribution to the Paris Agreement of reducing greenhouse gas emissions up to 21 percent of business-as-usual levels by 2030.

“The project shows AIIB's capacity to successfully conduct operations in challenging markets,” said AIIB Infrastructure Senior Economist Gabriel Alfredo Giacobone, who co-lead the project team.

The project's climate mitigation component aligns with AIIB's Green Infrastructure thematic priority. It is also in line with AIIB's Sustainable Cities Strategy and Energy Strategy since it will enhance city resilience through better urban waste management and promote energy security by providing baseload and reducing the carbon intensity of supply.”

SINGAPORE: MOBILIZING INSTITUTIONAL CAPITAL FOR INFRASTRUCTURE DEBT IN ASIA

Infrastructure lies at the heart of economic, social and ecological development, and the lack of sufficient financing for infrastructure assets is a continuing challenge to developing sustainable emerging market economies. AIIB is partnering with Clifford Capital Holdings (CCH) to bridge the infrastructure financing gap through an innovative securitization platform, Bayfront Infrastructure Management (Bayfront), which connects institutional investors with infrastructure debt solutions in Asia Pacific.

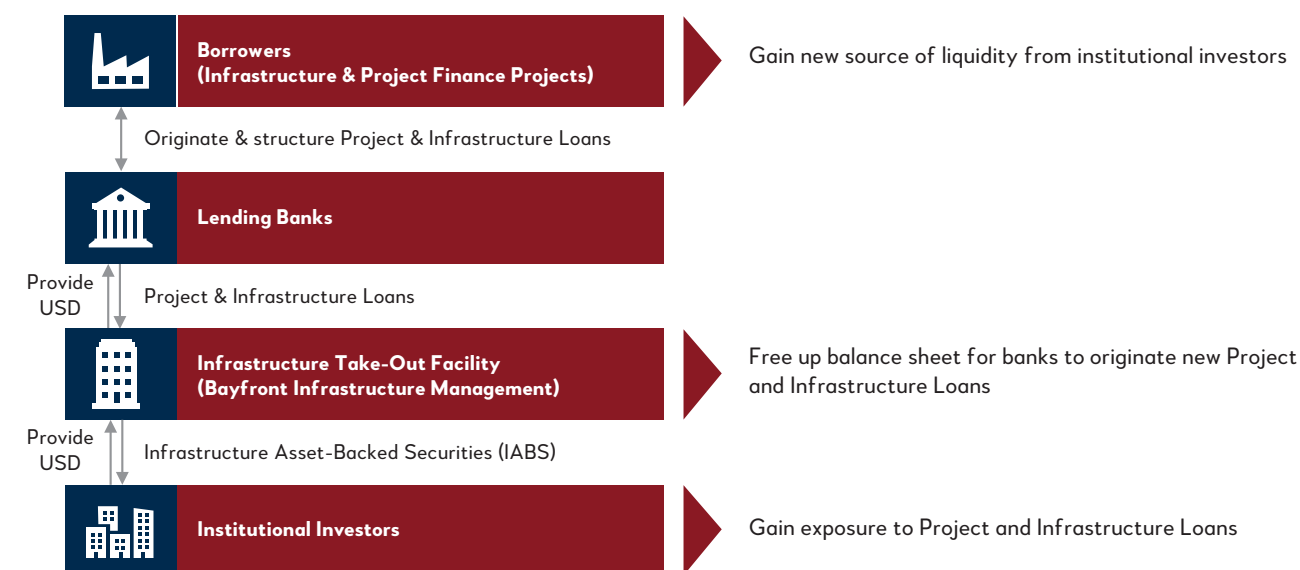
In June 2021, AIIB completed a USD60 million anchor investment in Bayfront Infrastructure Capital II (BIC II), a USD401 million issuance across five tranches of Infrastructure Asset-Backed Securities (IABS) that were listed on the Singapore Exchange. BIC II represents the second infrastructure debt securitization in Asia Pacific and the first to be solely sponsored by Bayfront. The inaugural infrastructure debt securitization,

Singapore: Asia Infrastructure Securitization Program
Member: Singapore
Sector: Multisector
Approved Funding: USD80 million
Financing Type: Nonsovereign

The Project seeks to advance private capital mobilization through an investment in an issuance of infrastructure asset backed securities (IABS) sponsored by Bayfront Infrastructure Management Pte Ltd, a Singapore-based entity with a mandate to invest in and distribute infrastructure debt in the Asia Pacific and Middle East regions.

issued by Bayfront Infrastructure Capital (BIC) in July 2018, was sponsored by Bayfront's sister company Clifford Capital Pte. Ltd. (CCPL). The Bayfront team comprises all the CCPL

Infrastructure Take-Out Facility Proposition



personnel who had structured and executed the BIC transaction.

The successful issuance of BIC II is a capstone project for AIIB and Bayfront's continuing efforts to establish a primary securitization market for infrastructure debt assets and mobilize the flow of global institutional capital into the asset class in Asia.

Clive Kerner, Group Chief Executive Officer at Clifford Capital Holdings said, "The infrastructure financing gap in Asia is large and growing. One critical challenge that needs to be addressed is expanding the supply of infrastructure debt through attracting institutional investors who are increasingly seeking exposure to the asset class. CCH has embarked on this partnership with AIIB to cater to this market gap, and with AIIB as a valued strategic partner in this groundbreaking platform I am confident we are well placed to catalyze the growth of this asset class in the region as a first mover".

Capital markets can play an important role as a channel for liquid and long-term financing. The long tenor of infrastructure financing is a natural match with the long-term liabilities of institutional investors such as insurance companies and pension funds. However, many investors are restricted in their capacity to invest in Asian infrastructure assets due to regulatory or commercial restrictions. The securitization market represents one way to address Asia's infrastructure financing gap by leveraging the capital markets to allow institutional investors to build exposure to this asset class through an accessible format, i.e., rated and listed debt securities.

Bayfront was established in 2019 in connection with the Infrastructure Take-Out Facility (TOF) initiative sponsored by the Monetary Authority of Singapore to mobilize private capital into the Asian infrastructure market. It is the first fully-fledged platform dedicated to developing IABS in Asia. IABS are structured notes backed by a diversified

portfolio of senior secured project finance and infrastructure loans. Bayfront focuses on acquiring predominantly brownfield project finance and infrastructure loans from banks while building a portfolio of loans with sufficient scale and diversity to be securitized for distribution to institutional investors. All loans are screened against Bayfront's selection criteria, credit underwriting requirements and environmental, social and governance considerations. This provides institutional investors with a unique opportunity to support high-quality, sustainable infrastructure in Asia.

AIIB's investment in BIC II will contribute to a track record of primary IABS issuances and provide a valuable market benchmark, which are critical elements of the market-building process for any new asset class. The growth of this market will lead to virtuous cycles on (i) the supply side, whereby banking partners can rely on Bayfront as a take-

out partner for qualifying project finance and infrastructure loans, leading to greater origination appetite, and (ii) the demand side as the increased deal flow will help establish market benchmarks which will drive institutional investors' familiarity with and demand for Asian infrastructure assets.

"This milestone demonstrates AIIB's commitment to scale up its sustainable and inclusive investments to meet clients' needs for low-carbon and climate-resilient infrastructure. It will also help us achieve our objective to develop Asian infrastructure as an asset class," said AIIB Director General (Banking) Najeeb Haider, "The demand for more investment in Asia is huge and we will continue to work with partners like Bayfront, who are developing innovative products to attract private investment into emerging market infrastructure."

The anchor investment is a continuation of AIIB's long-term partnership with Bayfront, one which started two years ago when AIIB joined Bayfront as a founding minority shareholder with CCH as the majority shareholder. CCH is a specialist financing and distribution platform for real assets globally across the debt capital structure and is headquartered in Singapore.







AIIB's 30 percent anchor equity investment in Bayfront was approved by the Board of Directors in October 2019 and kicked off the first stage of pioneering infrastructure debt securitization in Asia. AIIB's anchor equity investment is a cornerstone to the setup of Bayfront. It also helped embed leading environmental and sustainability guideline standards into Bayfront's portfolio selection principles. The BIC II anchor

investment is the second stage of this partnership which aims to accelerate the scale-up and further validate the value proposition of IABS in the capital markets.

"The securitization market is a potential solution to Asia's infrastructure financing gap because it provides institutional investors a way to access Asian infrastructure assets," said Stefen Shin, Principal Investment Officer at AIIB. "This debut investment will facilitate the growth of the securitization market in Asia. This, in turn, will diversify infrastructure funding channels and crowd-in institutional capital for the region's infrastructure financing needs."

BIC II was well received by the market, with an oversubscription of orders from a diverse range

Bayfront Corporate History

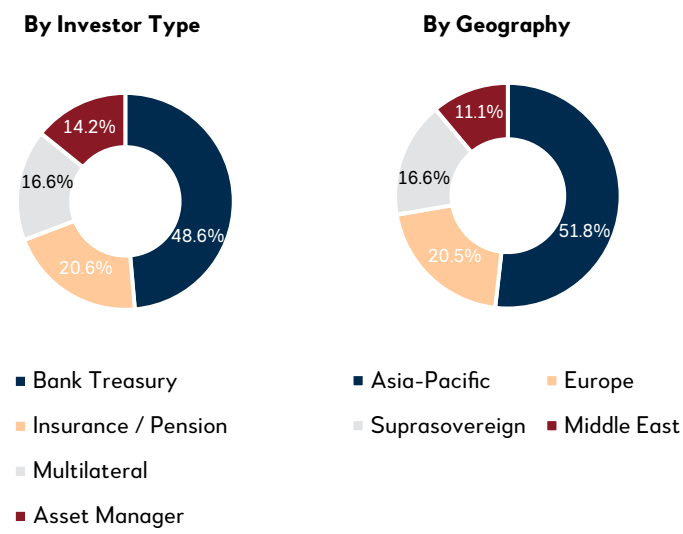
Bayfront Infrastructure Capital	 July 2018 <ul style="list-style-type: none"> USD458m debut IABS issuance by BIC, sponsored by Clifford Capital
Bayfront Infrastructure Management	 July 2019 <ul style="list-style-type: none"> Secured Presidential approval for USD2.0b government guarantee Secured AIIB Board approval for USD54m investment  November 2019 <ul style="list-style-type: none"> Official media launch and announcement of Bayfront Infrastructure platform by Clifford Capital and AIIB  April 2020 <ul style="list-style-type: none"> Commenced operations on 1 April 2020, with USD180m share capital committed from Clifford Capital Holdings and AIIB  March 2021 <ul style="list-style-type: none"> Publication of Sustainable Finance Framework and review performed by DNV, a leading SPO provider
Bayfront Infrastructure Capital II	 June 2021 <ul style="list-style-type: none"> USD401m follow-on IABS issuance by BIC II, sponsored by Bayfront Infrastructure Management USD120m Class A1 SU Notes are the first ever publicly issued securitised sustainability notes globally

"The infrastructure financing gap in Asia is large and growing. One critical challenge that needs to be addressed is expanding the supply of infrastructure debt through attracting institutional investors who are increasingly seeking exposure to the asset class. CCH has embarked on this partnership with AIIB to cater to this market gap, and with AIIB as a valued strategic partner in this groundbreaking platform I am confident we are well placed to catalyze the growth of this asset class in the region as a first mover".



Clive Kerner,
Group Chief Executive Officer,
Clifford Capital Holdings

BIC II Investor Distribution



of institutional investors including first-time investors in this asset class. A key innovation was the inclusion of a sustainability tranche backed by eligible green and social infrastructure assets as defined in Bayfront’s Sustainable Finance Framework, a first in the public securitization market in Asia and globally.

Premod Thomas, Chief Executive Officer of Bayfront said, “We saw strong demand in BIC II from a wide range of institutional investors including insurance companies, pension funds, multilateral financial institutions, banks, family offices as well as specialized asset managers. The high level of interest in our novel and sustainable product demonstrates a clear gap in the market and an opportunity for us to increase collaboration

and reach a wider network of institutional investors. We look forward to further developing infrastructure asset-backed securities into a mainstream, investible asset class with features such as liquidity, pricing benchmarks and a clear market positioning that will help catalyze the development of a global infrastructure financing hub in Asia.”

AIIB’s investment is ultimately geared to support and validate a new type of debt security which will make it easier for institutional investors to access Asian infrastructure assets. The success of BIC II will contribute to the nascent market in Asia and enable Bayfront to drive greater institutional capital participation in the region. This is closely in keeping with AIIB’s mission to mobilize private capital and provide a supportive environment to finance infrastructure for tomorrow.

Thomas said, “Bayfront is committed to the mobilization of institutional investment in infrastructure financing and intends to be a frequent issuer of IABS transactions going forward. We aim to grow our network of 22 partner banks and gain greater access to infrastructure loans, especially in relation to sustainable assets. Reaching a wider network of institutional investors through our IABS issuances and other potential distribution channels is a key part of our strategy to develop a new asset class to help address the large infrastructure financing gap in Asia Pacific.”



POWERING UP
UZBEKISTAN’S FUTURE

In 2018, electricity demand in Uzbekistan was 61 terawatt hours (TWh) and projected to rise to more than 100 TWh by 2030. The Government of Uzbekistan sought to transform their energy sector in 2019. Plans were put in place to modernize and increase electricity production to foster economic growth while reducing adverse environmental impacts.

One of the projects developed in line with this goal was a 1,500-megawatt greenfield combined-cycle gas turbine (CCGT) plant located in the Sirdarya region, close to Uzbekistan’s borders with Tajikistan.

The USD1.04-billion project is being developed by ACWA Power through ACWA Power Sirdarya LLC under a build-own-operate-transfer modality. Electricity generated by the power plant will be sold to the JSC National Electric Networks Uzbekistan (NENU) through a 25-year power purchase agreement.

Uzbekistan: Sirdarya 1,500MW CCGT Power Project
Member: Uzbekistan
Sector: Energy
Approved funding: USD100 million
Financing Type: Nonsovereign

The Project involves the design, engineering, construction, operation, maintenance, and transfer of a 1,500MW greenfield combined-cycle gas turbine (CCGT) plant and associated infrastructure to be implemented as an Independent Power Producer (IPP) facility. The Project is being developed by ACWA Power, through a Project Company, which has entered into a 25-year Power Purchase Agreement with JSC National Electric Networks of Uzbekistan (NENU) in March 2020.



“We are proud to be supporting Uzbekistan’s decarbonisation efforts and energy transition journey. The Sirdarya project will provide cleaner, more efficient and cost-competitive gas power that can be used across industries in Uzbekistan and is expected to meet 15 percent of power demand in Uzbekistan,” said ACWA Power Sirdarya LLC’s Chief Investment Officer Clive Turton. “Power generated will be about eight percent of the total installed power capacity in the country.”

In November 2020, the Asian Infrastructure Investment Bank (AIIB) was invited to take part in financing the project. AIIB already had an ongoing relationship with ACWA Power in the Ibri solar power project in Oman. The project offered another opportunity to work with an experienced energy developer with a strong global track record in delivering and operating large-scale clean energy projects under the PPP model.

In June 2021, AIIB approved USD100 million in non-sovereign-backed financing (NSBF) for the Sirdarya 1,500-megawatt CCGT Power

Project, co-financed with the European Bank for Reconstruction and Development, other development financial institutions and some MIGA-backed commercial lenders.

“This is a great example of an investment with multiple participants from Asia,” said AIIB Senior Investment Operations Specialist Mehek Marwaha, who leads the project team. “ACWA Power, the project sponsor, is from Saudi Arabia, the contractor is from China (China Gezhouba Group) and Mitsubishi Power, the turbine supplier, is from Japan.”

The Sirdarya project is AIIB’s first NSBF in Uzbekistan and the largest in Central Asia. It is also the first large-scale independent power producer (IPP) project in the country.

“The project is expected to achieve at least 60 percent efficiency, saving almost twice the natural gas currently used for electricity production compared with older plants. Once operational, it will increase the overall generation capacity in Uzbekistan and help reduce greenhouse gas

emissions, offsetting 2.2 million tonnes of carbon dioxide emissions each year,” said Turton. “The plant’s modern and highly efficient facilities represent a major investment in baseload generation capacity in the country, which is in great demand because of the population’s evolving needs.”

Under its Energy Strategy, AIIB has committed to supporting Members’ transitions to a less carbon-intensive energy mix to allow them to meet their goals and commitments under the Paris Agreement and Sustainable Development Goal 7. The project is thus strongly aligned with this Strategy.

“The project is helping develop high-efficiency baseload power generation capacity in Uzbekistan and also meets several thematic priorities of AIIB including technology-enabled infrastructure and private capital mobilization,” Mehek said.

“Two key features of the project meet the Bank’s priority on technology-enabled infrastructure,” Mehek continued. “First is the proposed zero liquid discharge technique of the CCGT, which balances water security and efficiency and considers the local water resource context. Second, the project’s turbine technology, which is technically capable for flexible

operation and also has the potential for technology-driven enhancements such as hydrogen blending.”

She also said that through the project, unprecedented mobilization of commercial banks under the Multilateral Investment Guarantee Agency (MIGA) tranche has been achieved. This will be the first baseload IPP in Uzbekistan financed by international commercial lenders and meets the Bank’s thematic priority on private capital mobilization.

In 2021, despite the challenges presented by COVID-19, the project is on track.

“We have achieved all the key milestones set for 2021,” Turton said, “including the project’s groundbreaking, land allotment order and subsequent handover to the engineering, procurement and construction (EPC) contractor, mobilizing the EPC contractor, hiring all resources on schedule, setting up infrastructure and meeting all construction targets despite the challenges of COVID-19 measures.”

The project achieved financial closure in Sept. 2021 for USD747 million and procurement and construction works will continue till 2024.

“The project is expected to achieve at least 60% efficiency, saving almost twice the natural gas currently used for electricity production compared with older plants. Once operational, it will increase the overall generation capacity in Uzbekistan and help reduce greenhouse gas emissions, offsetting 2.2 million tonnes of carbon dioxide emissions each year.”

Clive Turton,
Chief Investment Officer, ACWA Power Sirdarya LLC



INDONESIA: STRENGTHENING POWER DISTRIBUTION IN EAST JAVA

One hundred percent electrification coverage across the entire archipelago—this is the vision for Indonesia, whose electricity demand has been a key driver of its economic growth toward becoming the largest economy in Southeast Asia. Soon, more than 900,000 new users can be electrified and 13 million people will have a stable power supply.

Indonesia's 17,000 islands is home to about 270 million people. In 2019, around 98.9 percent of the total population had access to electricity. In East Java province, electrification coverage in 2018 was 98 percent. The province is the second most populous in the country and is home to more than 40 million people.

The Government of Indonesia, through the rolling 10-year Electricity Supply Business Plan (RUPTL 2019-2028), has set the target of 100 percent electrification ratio in East Java. The Ministry of Energy and Mineral Resources tasked the state-

Indonesia: PLN East Java & Bali Power Distribution Strengthening Project
Member: Indonesia
Sector: Energy
Approved funding: USD310 million
Financing Type: Sovereign

The Project will increase people's access to power services as well as improve the quality and distribution of power in East Java and Bali by supporting the implementation of Indonesia's rolling 10-year Electricity Business Plan (RUPTL) (2019-2028) through infrastructure development.

owned power utility firm PT Perusahaan Listrik Negara (Persero) (PLN) to execute the RUPTL.

PLN is the country's dominant electricity infrastructure provider and has been the sole provider for the transmission and distribution of

electricity. They decided to seek external financing from the Asian Infrastructure Investment Bank (AIIB) to electrify islands in East Java such as Madura and upgrade the system in Bali to accommodate new consumers.

PLN began discussions with AIIB in early 2019 when the company was in the early stages of executing RUPTL 2019-2028. The plan was to use AIIB financing to retrofitting its existing distribution systems.

AIIB approved a USD310-million in sovereign financing to PLN for the East Java and Bali Power Distribution Strengthening Project in January 2021 to improve access to and quality of power services in East Java and Bali.

The project will improve the quality of power supply by reducing the frequency and duration of power interruptions. PLN will be upgrading the system to meet increasing demand from existing and additional customers by replacing low-voltage and medium-voltage distribution lines as well as associated equipment and transformers.

The remaining two percent of consumers in East Java without access to grid electricity will be connected through this project. PLN will be able to achieve the government's 100-percent electrification target by 2022. It will also ensure that any new customers will have access to a reliable power supply.

The project aims to provide reliable electricity to around 920,000 additional customers—around 860,000 of which are households—with the remaining users coming from the business, public and industrial sectors. More than 13





million residents will benefit from a more reliable distribution network and stable power supply.

“This is AIIB’s first energy project in Indonesia,” said AIIB Senior Private Sector Operations Specialist Ziwei Liao, who leads the project team at AIIB. “AIIB’s Sustainable Energy for Asia Strategy sets out a clear framework for us to invest in energy projects that will improve access to clean and reliable electricity for people in Asia,” she said. “Lack of access or unreliable access to energy services deprives the most vulnerable people of economic and other opportunities to improve their lives.”

“The project also aligns well with AIIB’s thematic priority of Green Infrastructure,” said AIIB Investment Operations Specialist Amanda Dompas, who is part of the project team and also from Indonesia. “It will improve the stability and reliability of the distribution network and reduce the power losses, and hence can be considered as climate mitigation finance.”

Since being approved in early 2021, the implementation of the project has encountered some challenges brought about by the coronavirus disease (COVID-19) pandemic.

Over the past year, the project has made steady progress toward the achievement of its objectives, but with some slowdown because of the pandemic situation. However, thanks to AIIB’s timely support, PLN was able to make the first withdrawal in November 2021. The restrictions on field access in Java and Bali regions and the limited availability of material distribution materials made it challenging for PLN to complete the planned work. This results in missing some results indicators by the end of 2021.

Activity is expected to pick up again and recover in 2022, although still much lower than pre-pandemic levels. PLN, together with AIIB, will examine the results indicators for the future implementation years to evaluate the progress toward achieving the project targets.



After floods devastated Henan in July 2021, a USD1billion loan from the Asian Infrastructure Investment Bank (AIIB) will support the area’s reconstruction and recovery and help the province become more resilient to future extreme weather events.

From July 17 to 24, 2021, Henan Province in central China received 1.4 times the annual average rainfall, with total rainfall of 1,074 millimeters (mm).

The maximum hourly rainfall was 201.9 mm, breaking the historical record for inland precipitation in China. Already a flood-prone area with four of China’s largest rivers crossing the province, the devastating floods caused by the rains affected 14.8 million people in 150 cities and counties. It claimed hundreds of lives and caused USD17.5 billion in direct economic

China: Henan Flood Emergency Rehabilitation and Recovery Project
Member: China
Sector: Water
Approved funding: USD1,000 million
Financing Type: Sovereign

This project is an emergency operation in response to the urgent need of the Henan government for post-flood disaster recovery and reconstruction. The project will finance activities in three municipalities (Zhengzhou, Xinxiang and Jiaozuo), which were among the most severely impacted by the 2021 flooding. The project will support post-disaster recovery in three sectors--water resources and flood management, urban, and transport--which are critical to social and economic recovery of the province.



In November 2021, AIIB approved a USD1 billion loan to the Government of Henan for the Henan Flood Emergency Rehabilitation and Recovery Project. After several months of intensive work in undertaking a feasibility study, technical design, and preparing environmental and social risk management plans, a good foundation has been laid for the project to be implemented in 2022.

The AIIB sovereign financing will support post-disaster rehabilitation and recovery in the three hardest-hit municipalities of Zhengzhou, Xinxiang and Jiaozuo and, more importantly, strengthen their capacity in integrated flood risk management and flood emergency response.

In addition to providing much-needed funding critical to Henan's post-disaster recovery, the project will bring significant value addition

by applying a holistic approach to improving water security in project design, particularly in integrated flood risk management. Aside from applying international good practices in project management to ensure project quality and utilize sound environmental and social standards to safeguard project outcomes, the project will also incorporate climate adaptation into its design.

"Climate adaptation was mainstreamed in the project design to build back better," said Zhang. "This will improve the municipalities' climate resilience, ensuring its long-term sustainability and directly contributes to the Sustainable Development Goals (SDGs) on water and sanitation, sustainable cities and climate action."

This feature aligns the project with AIIB's thematic priorities on Green Infrastructure.



losses. The cities most affected by the floods were Zhengzhou, Xinxiang and Jiaozuo.

The Government of Henan quickly activated emergency responses amid the flooding and requested the Asian Infrastructure Investment Bank (AIIB) for an emergency loan to support its recovery.

"AIIB promptly responded to the urgent need for post-disaster recovery and reconstruction," said Guoping Zhang, Senior Investment Specialist - Water at AIIB. "We immediately set to work designing a project and were able to submit a concept by September."



“The project interventions, covering water, urban and transport sectors, take into account nature-based solutions, combining gray infrastructure with green spacing and ecosystem restoration and applying modern technologies and materials to improve climate adaptation and resilient capacity,” he said.

The project will apply advanced technologies in asset management, operations and monitoring to support flood emergency-informed decision-making for flood response, using a holistic approach in project design, international good practice in managing environmental and social, procurement and financial management risks, and improving project quality and sustainability by facilitating cross-sectoral coordination.

“Digital technologies, including hardware and software, will be used in the development of integrated water management systems,” explained Jingjing Zhao, AIIB Investment Operation Specialist. “For example, the integrated flood emergency response systems will apply state-of-the-art technologies including GIS, numerical modeling, and big data integration. These technologies will enable increased asset value, enhance safeguards and improve infrastructure sustainability and resilience. In addition, the project will help improve the capacity of implementing agencies and project stakeholders to manage large and complex projects.”

Zhang said that the project adopted a ‘framework approach’ given the emergency nature of the project.



“With this approach, the framework was designed to encompass the geographical locations and sectors that were mostly affected and require priority investment for rehabilitation and reconstruction,” he said.

“Under the framework, a group of individual subprojects were identified based on well-defined the project selection criteria,” Zhang added. “The subprojects selected during the preparation stage will be further screened and appraised during project implementation. This framework approach provides a rapid and flexible response to project design.”

The project will soon begin to rehabilitate the river works affected by the flooding, reconstruct damaged roads, recover damaged urban flood and drainage systems, and public transport facilities. The project will also start developing

and enhancing the flood emergency systems of the three project municipalities. Through these interventions, the project will improve urban drainage systems and enhance flood protection standards for the rivers, hence increasing the climate resilience of the infrastructure.





PHILIPPINES: ACCELERATING VACCINATION AGAINST COVID-19

With the pandemic taking a heavy toll on the country's economy and health care system, the Government of the Philippines sought assistance from the Asian Infrastructure Investment Bank (AIIB) and other development partners to accelerate the deployment of vaccines to its priority population.

The first COVID-19 case in the Philippines was confirmed on Jan. 30, 2020. The World Health Organization (WHO) declared a global pandemic in February and mid-March, prompted by the rising number of cases, the Government of the Philippines imposed lockdown restrictions. The government also established an Inter-Agency Task Force for COVID-19 (IATF) to streamline their pandemic response.

"The Department of Health (DOH), in partnership with IATF and the National Vaccination Operation

Philippines: Second Health System Enhancement to Address and Limit COVID-19 under Asia Pacific Vaccine Access Facility Project (HEAL 2)

Member: Philippines

Sector: COVID-19 Crisis Recovery Facility-Public Health

Approved Funding: USD300 million

Financing Type: Sovereign

The project will provide critically needed vaccines to assist the Government of the Philippines in mitigating adverse health, social, and economic impacts caused by the COVID-19 pandemic.

Center, developed policies and guidelines to implement the emergency response consistent with internationally acceptable standards outlined by the WHO," said Dr. Ma. Soledad Antonio,

Director for DOH's Bureau of International Health Cooperation.

The pandemic had widespread socioeconomic impacts. Many small and medium-sized businesses downsized or shuttered, and unemployment rose to 17.7 percent. People were exposed to numerous risks including income generation, food security and safety, domestic violence and child abuse. As many as 7.7 million households experienced moderate to severe hunger in 2020. The country's gross domestic product took a nosedive in 2020, dipping to -9.57 percent, the largest annual decline since 1947. It was the first recession experienced by the Philippines since the 1998 Asian Financial Crisis.

To help boost economic and social recovery, the government planned to initially vaccinate 50 million people or 43.8 percent of the population.

In March 2021, the AIIB approved a USD300 million loan to the Philippines to fund the rapid procurement of eligible COVID-19 vaccines under its COVID-19 Crisis Recovery Facility. The Facility was established to support AIIB's Members and clients and alleviate economic, financial and public health pressures arising from COVID-19. With the HEAL 2 project, it expanded its scope to include vaccine financing.

"The Facility intends to respond to Bank Members' urgent needs for vaccine access and prioritizes requests from low- and middle-income Members," said Ms Wanli Fang, AIIB Senior Investment Officer and team leader for this project.

The Bank's loan to the Philippines, cofinanced with the Asian Development Bank, supports the

country's Second Health System Enhancement to Address and Limit COVID-19 under the Asia Pacific Vaccine Access Facility Project (HEAL 2). The project is in line with AIIB's commitment to supporting its Members in responding to the COVID-19 crisis.

Since the project was cofinanced with ADB, it required significant collaboration. The project's environmental and social risks were assessed using ADB's safeguards policy. Before the project started, AIIB and ADB undertook joint preparatory missions and developed a cooperative approach.

"We held virtual meetings as issues were anticipated," Wanli shared. "We had a continuing dialogue where we discussed the strategies and challenges and shared information such as supply contracts, procurement, disbursements and implementation monitoring."

Antonio added, "We conducted regular bi-monthly meetings to ensure that the detailed status of the project, including the challenges and learnings, were discussed."



Under the project, the national COVID-19 vaccine deployment plan was established. It included key results areas and requisite strategies from 2021 to 2023. Aside from funding the procurement of the required number of vaccine doses, the project also developed end-to-end logistical arrangements for transportation and delivery of vaccines from the point of manufacture to the designated central and regional hubs and storage facilities and a COVID-19 vaccination delivery system that included safeguards and medical waste management plans. Central and regional cold chain systems and storage facilities were set up to meet the required temperature margins to ensure the potency of the vaccines. Effective vaccine management protocols and procedures and national immunization programs were updated. The project also supported the preparation and implementation of an information and education campaign for mothers, caregivers and healthcare workers.

“We were able to complete the delivery of 85,631,530 doses of vaccine procured under the HEAL 2 project,” Antonio said proudly. “As of Dec.

31, 2021, a total of 110,089,619 people were inoculated, including 36,649,984 financed by the HEAL 2 project.”

This translates to over 50 million fully vaccinated individuals, more than 10.6 million partially vaccinated and close to 61.3 million people administered with at least one dose of the COVID-19 vaccine. As much as 42.8 percent of the HEAL 2 doses had been administered by the end of 2021. The remaining 57.2 percent of the HEAL 2-financed vaccines will be administered in 2022.

AIIB approved an additional USD250 million in financing for HEAL 2 in Dec. 2021 with ADB cofinancing to procure booster shots for the country’s priority population and pediatric vaccines for individuals 17 years old and below.

“This additional financing will further support the Philippines in mitigating the adverse health, social and economic impacts caused by the COVID-19 pandemic and help the economy and its people move forward,” Wanli said.

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SRI LANKA: FINANCING SMALL ENTERPRISES FOR BIG WINS

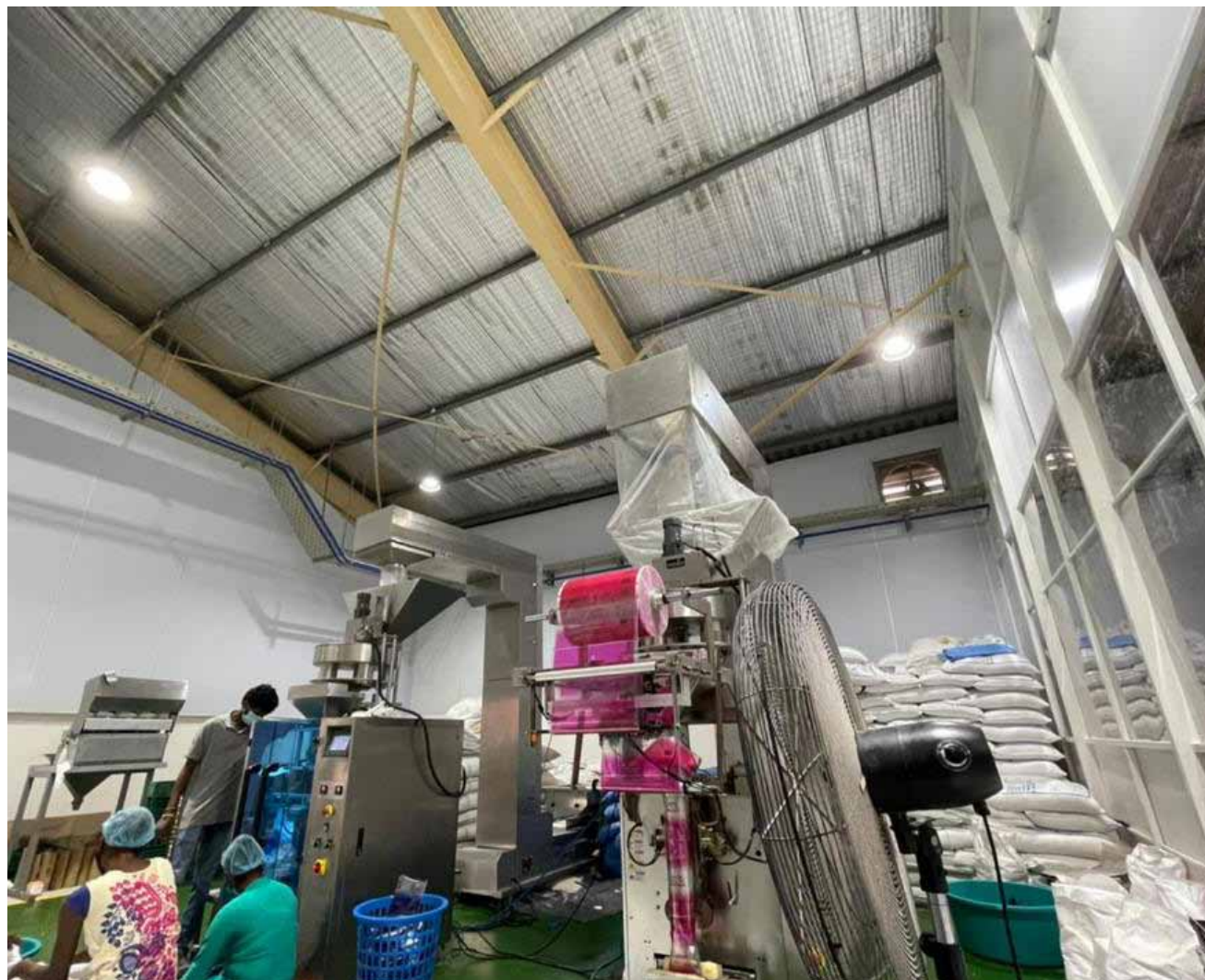
Like many other countries, Sri Lanka has had to grapple with the socioeconomic impacts of the COVID-19 pandemic. The outbreak of cases in March 2020 prompted the Government of Sri Lanka to implement measures to counter the spread of the disease.

Although the measures contained the spread of the virus and prevented a serious outbreak, they resulted in a slowdown in economic activity. Large segments of the population experienced income and livelihood losses. Informal workers, who comprise a larger share of Sri Lanka’s workforce, and daily wage earners were the most severely affected. As the labor market worsens, the country’s poverty rate of USD5.50 a day could rise to 41.7 percent in 2020, up from 40.4 percent in 2016.

Sri Lanka: COVID-19 Emergency and Crisis Response Facility
Member: Sri Lanka
Sector: COVID-19 Crisis Recovery Facility-Finance/Liquidity
Approved Funding: USD180 million
Financing Type: Sovereign

Two of Sri Lanka’s state-owned banks, Bank of Ceylon (BOC) and People’s Bank, worked with the government to support struggling businesses.

Sri Lanka had to impose a full country lockdown and travel restrictions in several instances. This greatly affected the manufacturing, agriculture, tourism sector, and services businesses that depend on trade and especially small and medium-sized enterprises (SMEs) and micro, small and medium-sized enterprises (MSMEs).



SMEs and MSMEs contribute significantly to Sri Lanka's gross domestic product. SMEs account for over 90 percent of Sri Lanka's total enterprises and 45 percent of total employment.

Most businesses were left with no means of going forward given the volatile, unpredictable and chaotic conditions. The most imperative need of the hour for business entities was immediate payments such as salaries, bills, important trade credit settlements and loan settlements. The majority of enterprises approached financial institutions for working capital loans to support their business.

The government had been working with the Asian Infrastructure Investment Bank since its inception. From the onset of the COVID-19 crisis, BOC and People's Bank had been helping their clients with their working capital. Through a joint application of the Ministry of Finance and the two state-owned banks, they sought financing from AIIB for additional support.

In February 2021, AIIB approved a USD180 million under the COVID-19 Crisis Recovery Facility to provide support and increase liquidity resources available to corporations and SMEs affected by the economic upheaval. Each bank was provided with USD90 million.

"The project provides sovereign-backed loans to the borrowers, state-owned banks BOC and People's Bank," said AIIB Suyez Pinto Portfolio Management Officer and project team leader. "BOC and People's Bank will on-lend the proceeds to corporates and SMEs in the form of short-term working capital loans."

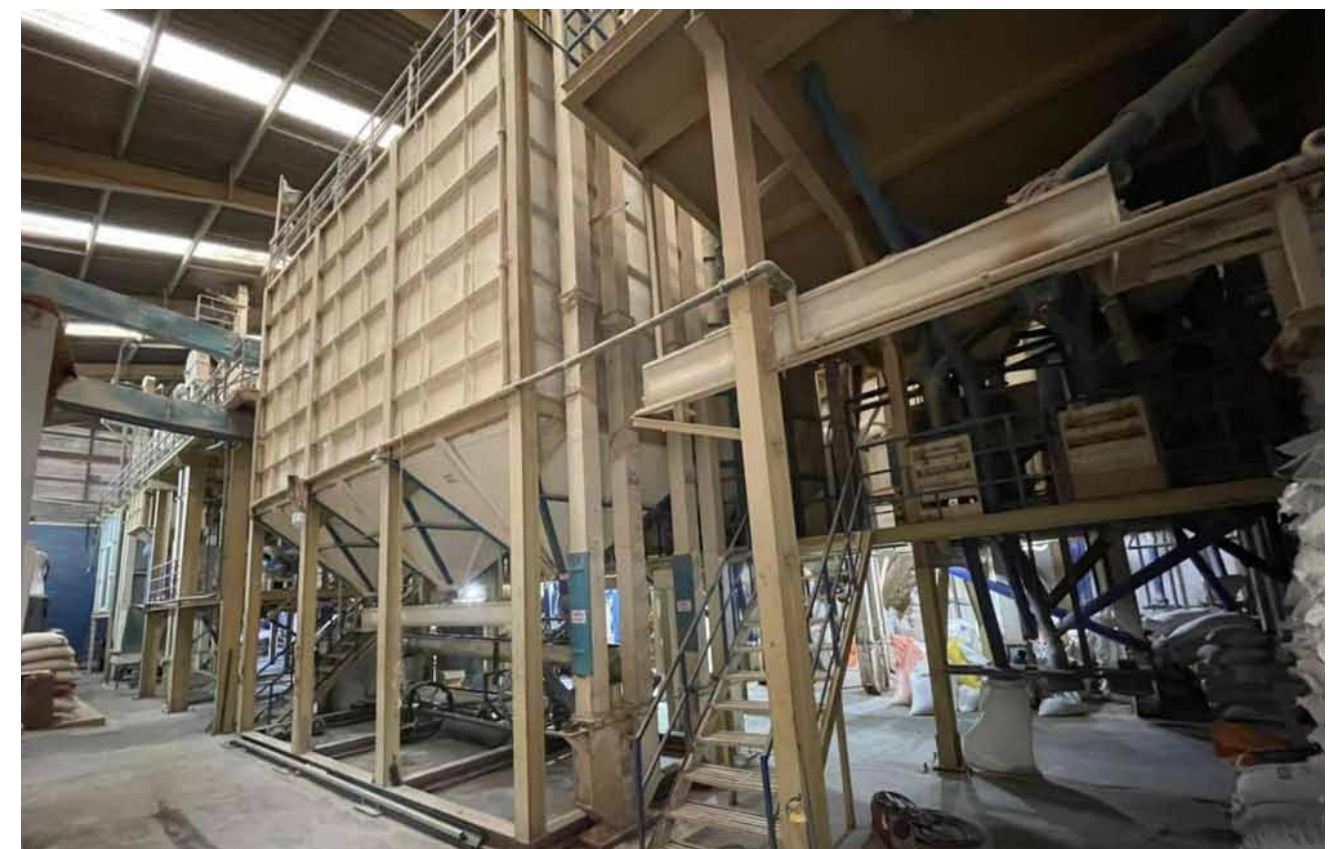
In selecting the small and medium-sized enterprises (SMEs) that will benefit from this financing support, the Bank of Ceylon and People's Bank paid particular attention to women-led SMEs and made sure to distribute funding to different sectors, with an emphasis on beneficiaries likely to be most affected. At least 60 percent of the subloans on a value basis will be on-lent to SMEs.

"It's a long-term facility with a tenor of seven years, including a grace period of two-and-a-half years," Pinto continued. "The long tenor of the

facility has been designed so that it will not add to Sri Lanka's debt-servicing burden in the near term."

AIIB's assistance helped companies meet their working capital deficits and led them to achieve sustainable development. Beneficiaries mostly came from the manufacturing, wholesale/ retail trade, construction, and agriculture and fishing sectors.

AIIB's project implementation support included safeguards to ensure that both clients became familiar with AIIB's procedures and on-lending process throughout the implementation, drawdown and post-assessment process. The project was fully disbursed in 2021 and enabled the SMEs of Sri Lanka to enjoy much-needed financial assistance when it was most needed.



JORDAN: FOSTERING CLIMATE-RESPONSIVE INVESTMENTS FOR ECONOMIC GROWTH

Jordan's economy suffered from the significant impacts of the coronavirus disease (COVID-19) pandemic. The Asian Infrastructure Investment Bank (AIIB) is helping Jordan recover and create more jobs by capitalizing on emerging opportunities in green growth, private sector investment and participation of women in the labor force.

Located at the crossroads of three continents—Asia, Africa and Europe—Jordan is home to 10 million people. At the onset of the COVID-19 pandemic, the country implemented rigorous health measures to slow down the spread of the disease. They also put measures in place to minimize the pandemic's impact on their economy. Despite their efforts, Jordan's economy was not spared. Its gross domestic product contracted by 1.6 percent in 2020. Unemployment rose to 24.7 percent toward the end of the year. Women suffered more than men, with an unemployment

Jordan: Inclusive Transparent and Climate Responsive Investments Program for Results
Member: Jordan
Sector: COVID-19 Crisis Recovery Facility-Economic Resilience/Policy-Based Financing
Approved Financing: USD250 million
Financing Type: Sovereign

The Program will help Jordan capitalize on emerging opportunities for post-pandemic recovery particularly on green growth, private sector investment, and female labor participation.

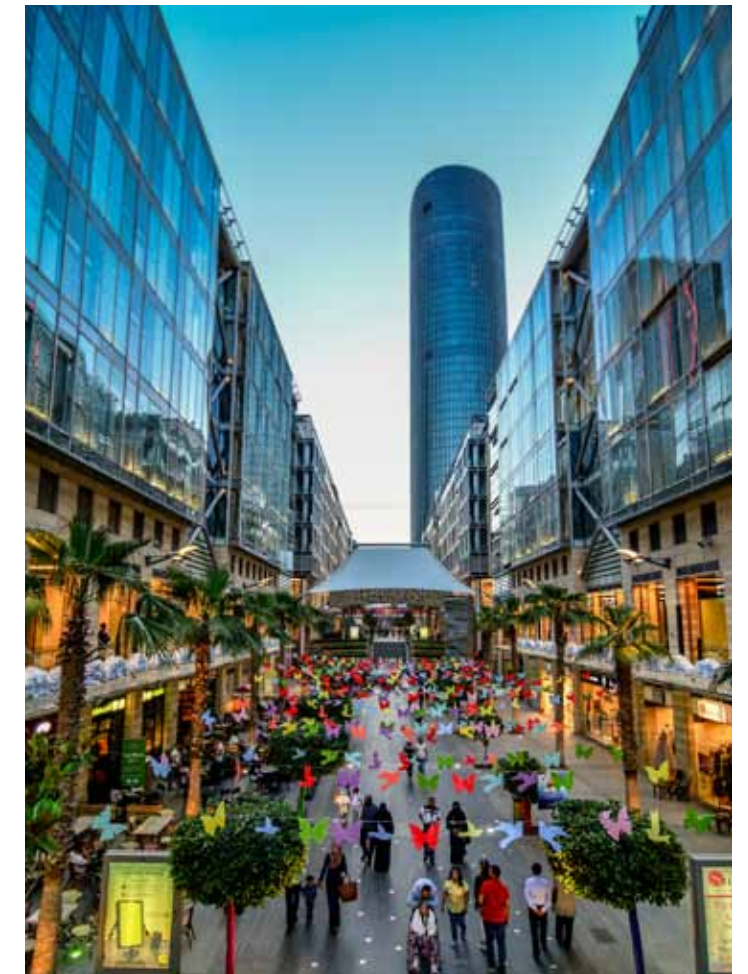
rate of 22.6 percent for men compared to 32.8 percent for women.

Prior to the pandemic, Jordan recognized the need to transition from a consumption-driven to an investment-driven growth model. They initiated

work to stimulate economic performance. In 2018, the government had created the Five-Year Reform Matrix to focus their efforts on strengthening the country's economy and promoting growth and made good progress on clearing their backlog of pending reforms.

The Reform Matrix was developed by the Government of Jordan with the support from the World Bank and development partners. It lays out horizontal and vertical structural reforms that have a transformational impact on growth, job creation and fiscal stability. It also serves as a guiding document for the plans and programs of the government on one hand, and donors and development partners on the other.

Following the COVID-19 pandemic, the Reform Secretariat at the Ministry of Planning and International Cooperation (MoPIC) led a review of the Reform Matrix with the aim to revisit growth and reform priorities in alignment with the government's Indicative Executive Program while taking into consideration post COVID-19 reform priorities. The review went through a structured process that included close coordination and consultation with the government agencies, subject matter experts, donor community and most importantly, the private sector. In addition, environment and climate change mainstreaming were integrated into the updated Reform Matrix. As a result, the Reform Matrix was expanded to 12 pillars, which included adding two new pillars on public sector efficiency and governance and tourism and expanding on agriculture reforms. The Reform Matrix was extended for two years to 2024. These changes are expected to have many positive impacts on the country's economy and its people. However, due to regional turmoil and the



pandemic, these have not been visible and people have yet to experience the benefits of these reforms.

“The economic environment is likely to remain challenging this year before our economy returns to the pre-crisis path of internal and external adjustment over the medium term. We expect growth will gradually accelerate to around 3 percent over the medium term.” said Nasser Shraideh, Minister of Planning and International Cooperation. “AIIB's financing support will lead to more and better-quality investment, including in strategic areas such as tourism, lower business costs and greater market contestability, greener economy and lower quasi fiscal imbalances, jobs created in green sectors, and achievement of

Jordan's nationally determined contribution goals and raising climate ambition."

Meanwhile, the effects of climate change are exacerbating these challenges. Jordan faces a number of climate hazards including significant temperature increase, and decline in precipitation leading to increased drought incidents and evaporation. All of these, compounded by the impacts of the pandemic, have deepened the crisis.

In July 2021, the government officially sought support from AIIB and requested the bank to co-finance with the World Bank and provide a loan of USD250 million to support the government's efforts on economic recovery and resilience in response to the impact of the COVID-19 pandemic.

"I personally believe this would mark an excellent opportunity to launch the first cooperation between Jordan and AIIB, and a starting point for future partnership," said Shraideh.

"To help member countries respond to the negative impact caused by the COVID-19 pandemic, AIIB responded proactively through the establishment of the COVID-19 Crisis Recovery Facility. The request of the government fits under the Facility," said AIIB Principal Investment Operations Specialist Hongliang Yang. "Since receiving the government request, AIIB has been closely working with the World Bank and the government on this program."

In August 2021, AIIB approved USD250 million in sovereign financing for the Inclusive Transparent and Climate Responsive Investments Program for Results, its first engagement in Jordan. The World

Bank had also approved a USD500-million for the same program.

The program aims to improve accountability to foster climate-responsive investments and growth during and after the COVID-19 pandemic. The program has three result areas: (1) improving the accountability and fiscal space for public investment, including toward national climate goals; (2) improving business enabling environment and the capacity of key institutions to attract private investment and climate finance, including for tourism sector; and (3) generating evidence and data for policy making, implementation, and stakeholder dialogue. AIIB financing will cover the first two result areas.

"We're working together with the government and the World Bank to ensure that the objectives of the program are achieved," said Yang. "The program's environmental and social risks and impacts were assessed in accordance with the World Bank's Policy on Program for Results. We also established several measures, including a results and monitoring evaluation system and a strict results verification and disbursement procedure."

The Reform Secretariat at MoPIC is responsible for monitoring and reporting on the result indicators, and will coordinating with relevant ministries, and regularly providing detailed monitoring reports to AIIB and the World Bank," said Shraideh.

"Disbursements will be made based on verified results, as measured by disbursement linked indicators," said Yang. "Specific verification

protocols have been established and verification will be carried out by the Jordanian Audit Bureau."

Fully aligned with the country's Five-Year Reform Matrix, the program supports the implementation of critical reforms and shall help Jordan accelerate its recovery and create more jobs by capitalizing on the economy's potential and especially its green growth opportunities, and to strengthen the government's accountability mechanisms for delivery.

"We made sure to incorporate lessons learned from previous projects in this program," said Yang. "We focused only on the priority areas of the Reform Matrix and these reforms being supported were prepared in consultation with donors, especially those conducted by the World

Bank under previous loans, and benefitted from extensive technical assistance to ensure their alignment with international best practices."

The reforms under the program are designed to promote public investments including public-private partnerships in climate financing as well as the tourism sector and address the major challenges to Jordan's competitiveness.

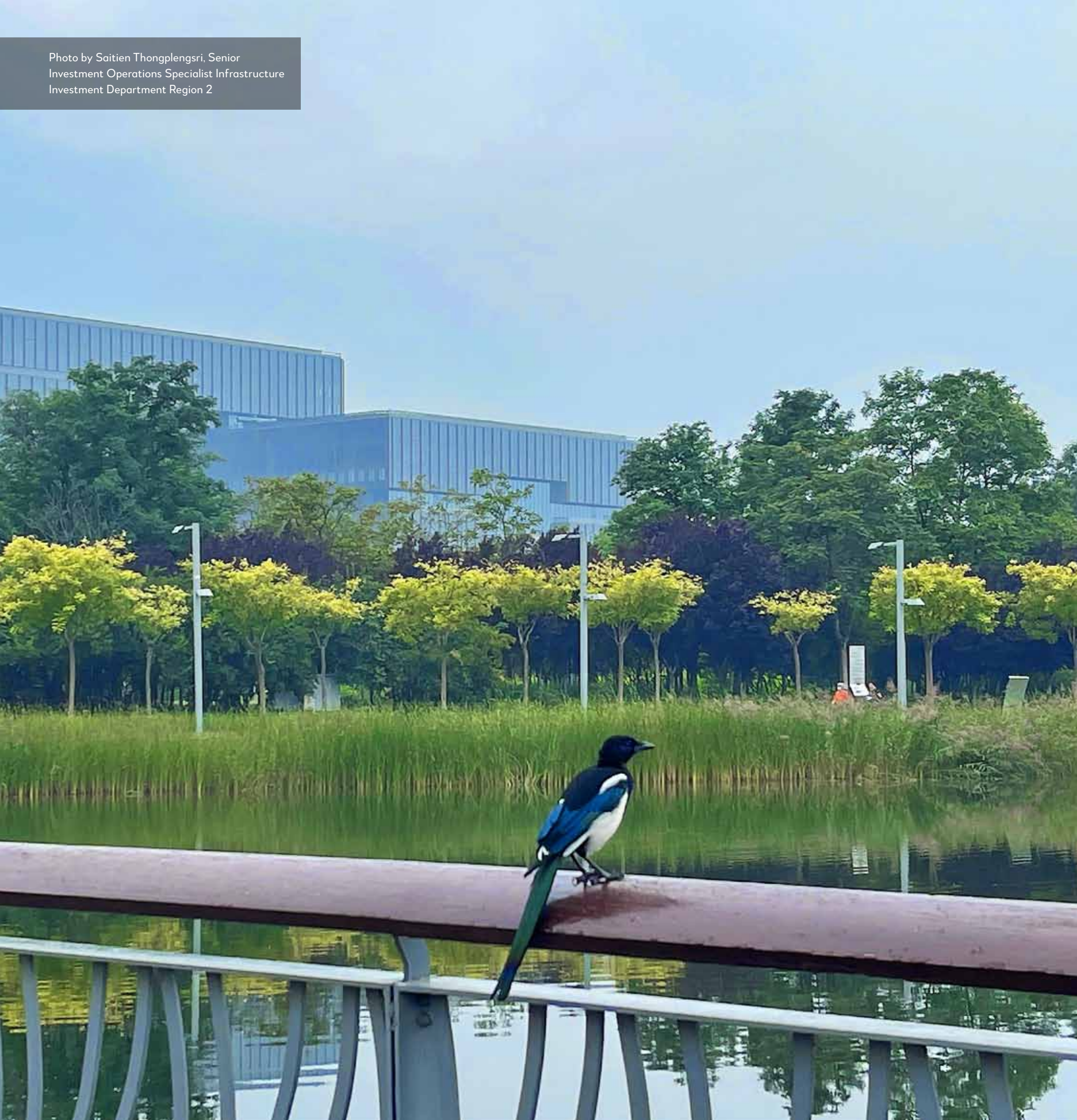
"These reforms are expected to help Jordan capitalize on emerging opportunities for post-pandemic recovery particularly in green growth, private sector investment, and participation of women in the labor force," said Shraideh. "With AIIB's support, we're on our way toward a greener, more climate-responsive and competitive economy."

The program aims to improve accountability to foster climate-responsive investments and growth during and after the COVID-19 pandemic. AIIB financing will cover the result areas (1) improving the accountability and fiscal space for public investment, including toward national climate goals; and (2) improving business enabling environment and the capacity of key institutions to attract private investment and climate finance, including for the tourism sector.

Photo by Saitien Thongplengsri, Senior
Investment Operations Specialist Infrastructure
Investment Department Region 2

OUR TOMORROW

Looking to the future, we map out our plans to finance Infrastructure for Tomorrow, with sustainability at the core of our commitment to an economically resilient future.

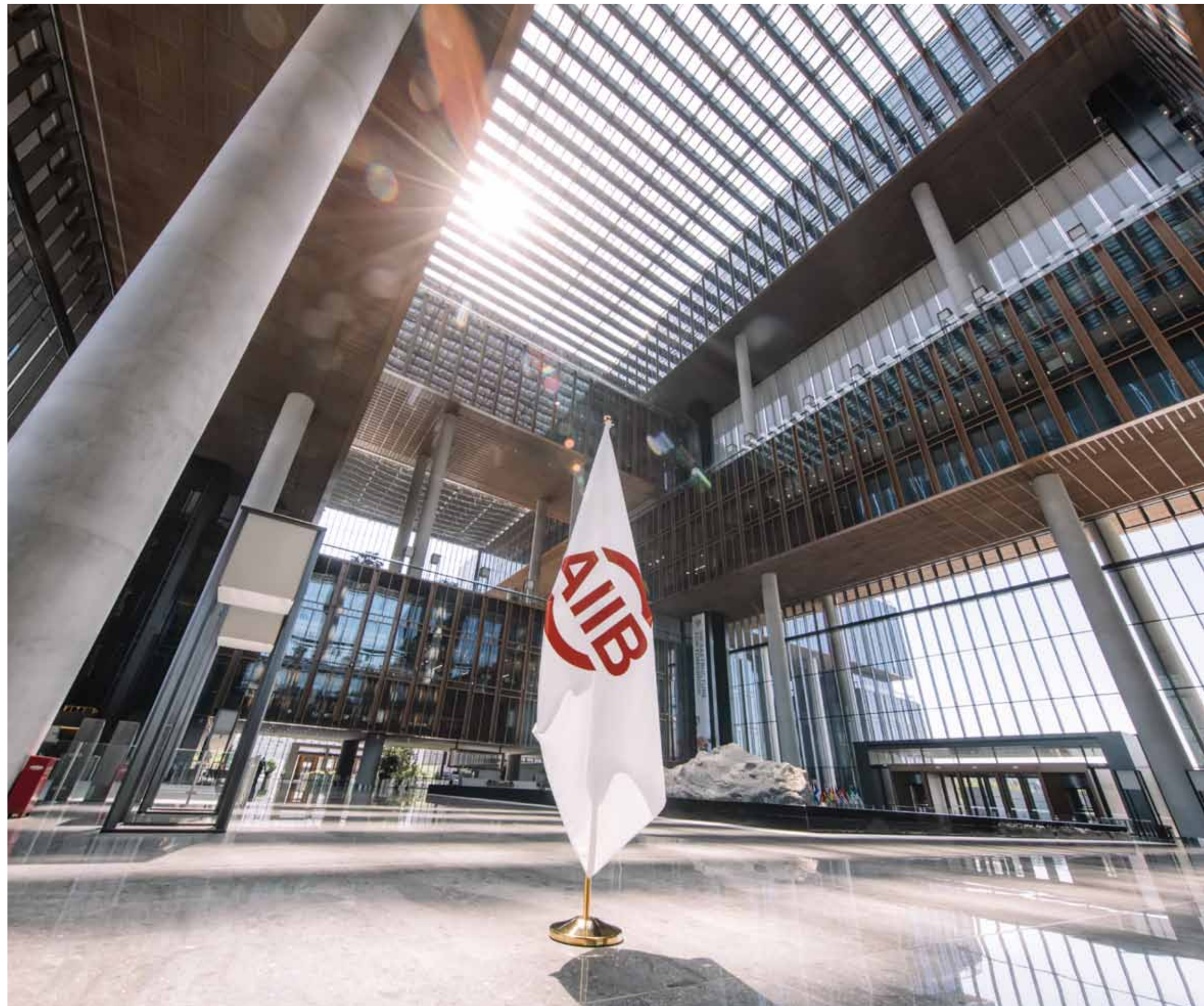


First, AIIB will continue to respond to client demand, including emergency needs as necessary, while remaining focused on our Corporate Strategy priorities to the extent circumstances allow. Where possible, the Bank will look into standalone, innovative transactions or where we are a lead co-financier.

Second, we will adopt a focused approach to scaling up business activities, ensuring that our institutional capacity, high project standards and financial sustainability are not compromised and, to the extent possible, gradually build up capacity in other Corporate Strategy priorities to enable more advanced implementation in the coming years.

Third, we will strive to build our institutional capacity at a pace commensurate with our Corporate Strategy ambitions.

Considering the expected opportunities and challenges in the current operating environment, we will focus on five areas in 2022: (i) supporting economic recovery and resilience; (ii) advancing green/climate financing and Paris Alignment; (iii) strengthening our client-oriented culture; (iv) ensuring high portfolio quality; and (v) bolstering financial sustainability.



2021 AIIB ANNUAL REPORT

The Asian Infrastructure Investment Bank (AIIB) annual report is a comprehensive report of AIIB's activities for the previous year. In 2021, we implemented our Corporate Strategy, which defines the way we do things and marks a new development stage for us as we mature as we leave our startup phase and mature as an institution. This year's Annual Report reflects our progress, the lessons we learned from the challenges of the previous years and our partnerships with our clients, stakeholders, and beneficiaries.