To protect Earth and People -
Matrix of Benchmarks and Recommendations

AIIB ESF Review March 2020

Herewith, a group of European NGOs provides an overview of recommendations and important benchmarks derived from project experiences and benchmarks in the Environmental and Social Frameworks of other multilateral development and investment banks. We collectively hope that the Asian Infrastructure Investment Bank will pursue the best possible standards for the livelihood of the peoples, climate and environmental protection as well as biodiversity.

We hope our "Matrix" will help the AIIB to fulfill its promise to be "clean and green".

This document consists of inputs, contributions and recommendations from a group of NGOs. The different inputs have been marked. The document in general represents the view of the contributing NGOs.

urgewald (Germany)
BothEnds (Netherlands)
Recourse (UK)
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ESF Part	Paragraph, Page
ESP	**§ 17 Due Diligence Review Process of Clients ESIA (p.11)**
Description	As part of its due diligence, the Bank reviews the Client's environmental and social assessment and documentation in order to determine the extent to which: (a) all key potential environmental and social risks and impacts of the Project have been identified; (b) effective measures to avoid, minimize, mitigate, offset or compensate for the adverse impacts are incorporated into the Project's design and ESMP or ESMPF; (c) the Client understands the requirements of the ESP and ESSs and has the commitment and capacity, or has made arrangements to strengthen its capacity, necessary to manage the Project's environmental and social risks and impacts adequately; (d) the role of third parties is appropriately defined in the ESMP; and (e) consultations with affected people are conducted in accordance with requirements of the ESP and ESSs. The Client is responsible for ensuring that all relevant information is provided in **a timely manner** to the Bank so that the Bank can fulfill its responsibility to undertake environmental and social due diligence in accordance with the ESP.
Benchmark	ADB's Public Communications Policy (2005) sets out disclosure requirements for various ADB activities, including safeguards. IFC Access to Information Policy (2012), para. 34: "IFC makes the Summary of Investment Information and the Environmental and Social Review **Summary publicly available no later than 60 days** in the case of Category A projects, and 30 days, in the case of all other projects, prior to consideration of the investment for approval by the IFC's Board of Directors (or other relevant internal authority)."
Comment	Set a mandatory timeline to define "timely". Make it mandatory to disclose as much information as possible before project approval.
ESP	**§ 10 Development Partner Policies (p.9)**
Description	The Bank may agree, on a case-by-case basis, to the application of the environmental and social policies and procedures of multilateral development banks and bilateral development organizations who are co-financing the Project, provided that the Bank is satisfied that they are consistent with the Bank's Articles of Agreement and materially consistent with the ESF and ESSs, and that appropriate monitoring procedures are in place. In such cases, the Bank may rely on these co-

	financiers' determination as to whether compliance with their policies and procedures has been achieved under this approach.
Benchmark	Other MDBs still take responsibility for the due diligence and allow access to their accountability mechanisms. Green Climate Fund, p. 6 a. **Harmonized application of environmental and social requirements.** GCF will promote the harmonized application of environmental and social safeguards to reduce multiple and overlapping requirements for activities through the development of common approach that considers the requirements of other co-financing institutions while providing the highest level of environmental and social protection required among the parties, with at least the level of protection by GCF being required;
Comment	This also means that project affected people cannot approach the PPM with complaints on these projects. This can prevent AIIB from learning vital lessons when things go wrong. • The ESF must ensure that the AIIB **bears responsibility for the social and environmental outcomes of co-financed projects** and guarantee affected communities' access to the Project-affected People's Mechanism. (Recourse)
Vision	**§ 14 Importance of Gender Equality (p.4),** also **ESS 1 § 34 Gender (p.34)**
Description	The Bank recognizes the importance of gender equality for successful and sustainable economic development and the need for inclusiveness and gender responsiveness in the Projects it supports. The Bank supports its Clients to identify potential gender-specific opportunities as well as gender-specific adverse risks and impacts under their Projects and to develop mitigation measures to avoid or reduce such impacts and risks. The Bank **encourages** Clients to enhance the design of their Projects in an inclusive and gender-responsive manner to promote equality of opportunity and women's socioeconomic empowerment, particularly with respect to access to finance, services and employment, and otherwise to promote positive impacts on women's economic status, with particular regard to financial resources and property ownership and control.
Benchmark	
Comment	• The new ESF must provide a **freestanding gender standard** and integrate gender dimensions into all other standards.

	• The AIIB's current ESF does contain some positive assurances regarding gender, which must be retained but also strengthened. • "Encouraging" clients is insufficient. The new ESF standards **must "require" clients to promote gender equality and prevent harmful gender impacts.** • Given the massive and differentiated impacts of large infrastructure projects on women, greater specificity is needed to avoid the ESF being more than vague platitudes. The ESF must contain requirements to **disaggregate data, have clear and comprehensive gender indicators, seek to ensure women's voices and specific needs and concerns are heard in an atmosphere devoid of fear of intimidation at the time of project design, to act on any retaliation and abuse, and to assess the physical, economic, cultural and social impacts of projects on women.** • Similar to climate change, the AIIB should develop a standalone **gender strategy**, to ensure gender concerns are prioritised within all of AIIB's investments. (Recourse)
	Gender-based Violence
Status Quo	There is currently no specific reference to gender based violence in the ESF
Description	Two common features of infrastructure investments are first an influx of male workers and second, women and men's loss of land and other assets. These features trigger an array of harmful gender impacts for example resulting in some male workers assaulting and raping women and girls and some women and girls turning to sex work out of desperation to make ends meet when they lose their land livelihoods.
Benchmark	The World Bank has tools and processes to prevent and mitigate the risks of sexual exploitation and abuse (SEA), as well as other forms of gender-based violence (GBV), in World Bank-supported infrastructure. This is captured in the 'Good Practice Note, Addressing Gender Based Violence in Investment Project Financing involving Major Civil Works'.
Comment	While the Good Practice Note of the World Bank is an important step forward, it is not enough. Avoidance and mitigation of gender based violence has to be addressed in the binding policies of the banks. We therefore recommend the AIIB to add a provision on gender based violence in the ESF policy. This should include obliging the borrowers to detect and mitigate gender based violence in each stage of the project implementation."

Vision	**§ 16 Measures for Climate Change (p.5)**
Description	The Bank supports the three aims of the Paris Agreement of December 2015 to strengthen the global response to the threat of climate change, which are related to mitigation, adaptation and the redirection of financial flows. It supports the global adaptation goal of enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change. In the context of sustainable development, the Bank stands ready, through its financings, to assist its Clients in achieving their nationally determined contributions, including through mitigation, adaptation, finance, technology transfer and capacity-building. It may, through its financings, support Clients' formulation of long-term, low greenhouse gas emission development strategies. The Bank recognizes the challenges presented by climate change and the need to support both mitigation and adaptation measures in a Project facing such challenges. The Bank supports its Clients in their evaluation of both the potential impacts of the Project on climate change and the implications of climate change on the Project. To this end, the Bank plans to prioritize investments promoting greenhouse gas emission neutral and climate resilient infrastructure, including actions for reducing emissions, climate proofing and promotion of renewable energy.
Benchmark	**European Investment Bank** - new energy policy announced November 2019 to phase out fossil fuels by end of 2021: "…**the Bank will phase out support to energy projects reliant on unabated fossil fuels**. This implies that the Bank will phase out support to (i) the production of oil and natural gas; (ii) traditional gas infrastructure (networks, storage, refining facilities); (iii) power generation technologies resulting in GHG emissions above 250 gCO2 per kWh of electricity generated, averaged over the lifetime for gas-fired power plants seeking to integrate low carbon fuels and (iv) large-scale heat production infrastructure based on unabated oil, natural gas, coal or peat." **EIB President Werner Hoyer:** "Climate is the top issue on the political agenda of our time … The EU bank has been Europe's climate bank for many years. Today it has decided to make a quantum leap in its ambition. We will stop financing fossil fuels and we will launch the most ambitious climate investment strategy of any public financial institution anywhere."

Comment	- Currently the ESF reference to the Paris Agreement has little impact on the AIIB's portfolio in practice
	- For every $1 invested in renewable energy, **more than double going to fossil fuels** – without including financial intermediaries
	- Weaknesses in AIIB's climate approach include:
	  • No climate strategy – in contrast to all other MDBs
	  • No GHG accounting at project level, including GHG contributions rather than reductions
	
	Example: Myingyan Gas Power Plant, Myanmar
	● AIIB chose high carbon option over low carbon – against ESF
	
	- **Expansion of the exclusion list:** The AIIB should be clear about the kinds of projects it views as misaligned with the Paris Agreement on climate change; this should include ending all support for fossil fuels after 2020.
	- **Positive list for climate finance:** The AIIB should develop a definition of what would constitute a positive list of mitigation and adaptation investments and activities, which fully aligns with the Paris Agreement.
	- **Emissions benchmarks:** The AIIB should introduce emission performance standards for electricity production, and for best available technology benchmarks.
	- **Introduce GHG accounting and targets to cap and reduce emissions:** The AIIB should require estimates of gross GHG emissions resulting from its projects and help clients with this estimation, using this information to set targets to cap and reduce emissions.
	- **Develop a Climate Change Action Plan:** While the ESF should include an exclusion list, GHG accounting, emissions benchmarks, and targets for emissions caps and emissions reductions, etc, the AIIB should detail those commitments, how they would be implemented in practice and application to various sectors in a Climate Change Action Plan. (Recourse)

Vision	**§ 17 Conserving Biodiversity (p.5)**
Description	The Bank recognizes that protecting and conserving biodiversity, sustainably managing terrestrial and aquatic natural resources and maintaining core ecological functions and services are fundamental to sustainable development. The objective of biodiversity conservation and sustainable management of natural resources should be balanced with a commitment to sustainable use of the multiple economic, social and cultural values of biodiversity and natural resources in an optimized manner. Through the Projects it finances, the Bank assists

	its Clients in protecting and conserving biodiversity and promoting the sustainable management of living natural resources through the adoption of practices that integrate conservation needs and development priorities. The Bank recognizes the value of natural infrastructure, such as wetlands, and the importance of enhancing or restoring ecosystem services where appropriate. Through its financings, the Bank assists its Clients in maintaining the livelihoods of Indigenous Peoples and other affected communities whose access to, or use of, biodiversity or natural resources may be affected by a Project.
Benchmark	Green Climate Fund (GCF), p. 7 a. **Biodiversity.** All GCF-financed activities will be designed and implemented in a manner that will protect and conserve biodiversity and critical habitats, ensure environmental flows of water, maintain the benefits of ecosystem services, and promote the sustainable use and management of living natural resources.
Comment	The protecting and conserving biodiversity and maintaining core ecological functions and services are not fundamental to development (with sustainable added), but to life, as we know it on earth Today. Since the bank as an infrastructure bank prioritizes infrastructure development, development priorities will more often than not go at the cost of conservation needs. Therefore the vision should explicitly include the **precautionary principle** and build in warrants of **do no harm.** The Vision could more explicitly strive for policy coherency. (Both Ends)
ESS 1	**§ 21 Biodiversity Impacts (p.31)**
Description	Avoid adverse Project impacts on biodiversity. When avoidance of adverse impacts is not possible, implement measures to minimize adverse impacts and restore biodiversity, including, as a last resort, biodiversity offsets. Ensure that suitably qualified and experienced biodiversity expertise is used to conduct the environmental and social assessment, to assist in the development of a mitigation hierarchy and to verify the implementation of mitigation measures. Address biodiversity as an element of the ESMP or ESMPF (or both, as applicable). In the case of complex situations prepare, as appropriate, a biodiversity management plan, which may be included in the ESMP or ESMPF or be self-standing.
Benchmark	

Comment	World Wildlife Fund developed its own ESF which considers Offset in the mitigation hierarchy as a last resort; it is implemented in a critical habitat only if the parameters for which the area is classified as critical are not involved. The notion that a loss of any protected ecosystem can be compensated by restoration/reforestation in another ecological system lacks any scientific basis. (Both Ends) No offsetting has proven to be totally effective. It is impossible to relocate for example chimpanzee populations or migrating animals. There has to be a definition of absolutely no-go areas. (urgewald)
ESP	**§ 48 Assessment of Capacity (p.18)**
Description	To determine whether the application of an ESMPF, RPF or IPPF is appropriate, the Bank assesses the Client's capacity to manage environmental and social risks and impacts and to implement relevant national laws, the ESF and the applicable ESSs. If gaps exist between the ESSs and the laws of the country in which the Project is located, or where gaps in Client capacity are apparent, the Bank requires the Client to include in the relevant document details of the specific gap-filling requirements to ensure that the Client complies with the provisions of the applicable ESSs.
Benchmark	**AfDB** p. 3 Integrated safeguard System Need to assist regional member countries in their efforts to achieve inclusive growth and transition to green growth. In addition, the Bank is committed to ensuring the social and environmental sustainability of the projects it supports. Help borrowers/clients to strengthen their safeguard systems and develop the capacity to manage environmental and social risks. Key safeguard policy challenges p. 8 The ISS (Intregrated Safeguard System) focuses the safeguard requirement on the capacity and commitment of the client financial intermediary to adopt and implement an effective Environmental and Social Management System appropriate to the nature and scale of its operations. **GCF** p. 5

	a. GCF enables entities to access various levels of support differentiated by their capacities in meeting fiduciary and environmental and social safeguards requirements p. 6 a. **Knowledge-sharing.** GCF will lead and promote the sharing of lessons and experiences in applying ESS and in implementing the ESMS among entities and stakeholders, and will integrate these lessons with capacity development, communications, and outreach activities of GCF and the entities; p. 7 a. **Accreditation**. In relation to the accreditation of entities, GCF is responsible for determining the capacity of the entities to manage environmental and social risks and impacts of GCF-financed activities following the GCF accreditation framework. GCF will assess the commitment, track record and consistency of the systems and approaches used by the entities and intermediaries with the ESS standards using the fit-for-purpose approach. As necessary, GCF will collaborate with the entities on measures to improve their capacities, including the deployment of necessary support and assistance through the GCF Readiness and Preparatory Support Programme.
Comment	In some cases, country systems are stronger than AIIB ESF. Land Acquisition is one of those issues. According to Bangladesh Act, the land owners get three times more than the market price, if a private company takes land for projects. Thus, it has to be excluded that the application of the AIIB ESF is undermining stronger rules in the project country/area. (Hasan Mehedi CLEAN, urgewald) VedvarendeEnergi: The Bank should conduct its own gap assessment on the requirements between the national law and the ESF, as the client's own "gap-analysis" could be limited in scope and sector. The ESF review should include detailed requirements for the assessment methodology designed to ensure that a borrower system meets the AIIB safeguard requirements and stipulates that client/borrower/corporate system may not be used until assessed and approved. For more see below section.

ESP	**§ 52 Client System (p.19)**
Description	The Bank may, if requested, decide to offer the Client (whether public or private) the option to use all or part of the Client's existing environmental and social management system for all or part of the Project, on the basis of the following: -Review by the Bank of the Client's existing environmental and social management system relevant to the Project, including its scope and effectiveness, and a determination by the Bank that the relevant parts of this system are adequate to address the environmental and social risks and impacts of the Project in a manner materially consistent with the objectives of the ESF and relevant ESSs; and - Review by the Bank of the performance of the Client's environmental and social management system proposed for use in the Project, and a determination by the Bank of the Client's ability to apply the system, and the system's capacity to enable the Project to achieve the desired environmental and social outcomes. An element of this review is an assessment of the Client's implementation practices, capacity and commitment.
Benchmark	see above §48, The AIIB dedicates a mere five paragraphs to the body of its description of the use of client systems, including scope, due diligence requirements not only for "Country Systems" but also for "Corporate Systems" – a category to which the ADB does not delegate full authority. ADB Safeguard Policy Statement (SPS) dedicates five pages to the details of assessment of the use of Country Systems, alone (not including "Corporate Systems"), requires public consultation and review of equivalence assessments (and to "seek agreement" on any proposed gap-filling measures) and bans the use of client systems for "highly complex and sensitive projects. The SPS notes that "ADB will be responsible for assessing and determining the equivalence of the Country System Safeguards (CSS) and the acceptability of the borrower's implementation practice and capacity." The World Bank (OP 4.00, Table A1) has a six-page mandatory check list of due diligence requirements for assessment of borrower systems. (VedvarendeEnergi/VSOW:) GCF, page 7,8 a. **Managing environmental and social risks throughout the life cycle of GCF-financed activities.** Within the parameters of the

	activities financed or proposed for financing by GCF, GCF will be responsible for: b. (a) Requiring and ensuring that accredited entities implement their environmental and social management system pursuant to the ESS standards and this policy, thereby providing for a systematic, consistent and transparent management of risks and impacts from GCF-financed activities. Where gaps or weaknesses exist, GCF will require that these are addressed by the accredited entities in a manner and time amenable to GCF so that an effective environmental and social management system is in place before GCF-financed activities are implemented; a. Carrying out monitoring, review and reporting functions related to the environmental and social performance of accredited entities and the supported activities, as may be required pursuant to the monitoring and accountability framework, ESS standards, and this policy; and b. (g) Reviewing proposed operational changes with respect to the GCF-financed activities or the accredited entities' environmental and social management systems and requiring additional measures to align with the ESS standards, this policy, and other GCF policies, if necessary.
Comment	Article allows the client to use weaker standards (Mehedi) The requires an undefined type of "review" (components undisclosed) of a client's "practices, capacity and commitment" to achieve "desired environmental and social outcomes" and "in a manner broadly consistent with the ESSs". At the same time, the AIIB requires the client to assess, review and disclose project documentation, without noting AIIB's requirement to assess the equivalence - each point against the ESF– of the client's due diligence assessments with that of the ESF requirements. AIIB's project documents – which should entail the full range of environmental and social impact assessments and management plans - do not routinely assess the impacts and mitigation measures in project recipient countries where the national law often has lower requirements than the safeguards of IFIs. In many instances, the national denies project-affected people and community public consultation and compensation for those without land titles or ownerships, thus resulting in violent eviction, involuntary resettlement without consultation and adequate compensation and/or livelihood restoration (Law 02/2012 of Indonesia refer) The ESF review should include detailed requirements for the assessment methodology designed to ensure that a borrower system meets the AIIB

	safeguard requirements and stipulates that client/borrower/corporate system may not be used until assessed and approved. (VedvarendeEnergi:)
ESP	**§ 57 Information Disclosure by the Client (p.20)**
Description	The Bank requires the Client to ensure that relevant information about environmental and social risks and impacts of the Project is made available in the Project area in a timely and accessible manner, and in a form and language(s) understandable to the Project-affected people, other stakeholders and the general public, so they can provide meaningful inputs into the design and implementation of the Project. This documentation includes, as applicable, the following
Benchmark	ADB's *Public Communications Policy* (2005) sets out disclosure requirements for various ADB activities, including safeguards. / IFC
Comment	-The Project Document and ESIA Report Should be disclosed 120 days before approval to receive meaningful inputs. Not only the PSI, ESMP and GRM, the Project Document, ESIA Report and Budget Lines must be translated in understandable local languages (Hasan Mehedi CLEAN, urgewald) IFC makes the Summary of Investment Information and the Environmental and Social Review **Summary publicly available no later than 60 days** in the case of Category A projects, and 30 days, in the case of all other projects, prior to consideration of the investment for approval by the IFC's Board of Directors (or other relevant internal authority). (Urgewald) (as already stated above)
ESP	**§ 58 Information Disclosure by the Bank (p.21)**
Description	To further enhance access to the environmental and social information related to Projects, in addition to disclosure of such information by the Client as provided in paragraph 57 above, the Bank also discloses the Client's documentation referred to in paragraph 57 above. It discloses: (a) draft environmental and social assessment reports, ESMPs, ESMPFs, resettlement plans, RPFs, Indigenous Peoples plans and IPPFs, or other approved forms of documentation as early as possible during the Bank's assessment of the Project; and (b) other documentation referred to in paragraph 57 in a timely manner. In addition, the Bank posts its reviews of the use of country and corporate systems. The Bank may defer the disclosure of the above information because of: (a) legal or other regulatory requirements such as timing requirements relating to securities offerings, equity investments in publicly listed companies or purchases of shares in a private placement; or (b) the commercially

	sensitive nature of the transaction involving, for example, an acquisition or a financial restructuring, where premature disclosure would compromise the financial worth or competitiveness of a corporate entity or its assets. The prerogative to defer disclosure shall be exercised by the Bank's management, and the deferrals so approved by management shall be reported to the Board of Directors.
Benchmark	ADB's *Public Communications Policy* (2005) sets out disclosure requirements for various ADB activities, including safeguards. For all Category A projects (public sector, private sector, and financial intermediaries and their Category A sub-projects), the AIIB should require disclosure of PSIs 120 days prior to Board approval. For all Category A projects (public sector, private sector, and financial intermediaries and their Category A sub-projects), the AIIB should require disclosure of PSIs 120 days prior to Board approval. For all Category A projects (public sector, private sector, and financial intermediaries and their Category A sub-projects), the AIIB should require disclosure of PSIs 120 days prior to Board approval. This is consistent with ADB's policy, which represents best practice in this regard. ADB Operational Procedures: Public Communications at para. 11. EBRD IFC's policy also contains specific time-bound requirements for Category A projects that require a longer period of disclosure of summary information prior to Board approval. IFC Access to Information Policy at para 34. The ADB policy requires draft ESIA report at least 120 days before the approval of the subproject, and (ii) the draft resettlement plan and draft IPP before the approval of the subproject. (VedvarendeEnergi) **WB**, p. 9, § 51. The Bank will disclose documentation relating to the environmental and social risks and impacts of High Risk and Substantial Risk projects prior to project appraisal.
Comment	All "timely" release of documents has to be effective prior to appraisal (Sovereign-backed loans and Private Sector loans); This also applies to Environmental & Social Assessments. Paragraphs 57 & 58 on information disclosure has been further weakened by the 'technical amendment'. This has to be reverted and replaced by rules as recommended above.

	Currently disclosure can be postponed to an undefined future date if there is commercial sensitivity or where financial worth or assets of the corporate entity could be affected. This has to be altered. The use of public money has to be disclosed. The current language is so vague that everything can be kept secret. (Urgewald referring to ESF 57 & 58)
ESP	**§ 59 Consultation (p.59)**
Description	The consultation covers Project design, mitigation and monitoring measures, sharing of development benefits and opportunities on a Project-specific basis, and implementation issues. The Bank requires the Client to engage in meaningful consultation with stakeholders during the Project's preparation and implementation phases, in a manner commensurate with the risks to, and impacts on, those affected by the Project. Consultation is required for each Category A Project, and for each Category B Project, proportional to its risks and impacts. Consultation for a Category A Project is normally more elaborate than consultation for a Category B Project. For each Project with: (a) significant adverse environmental and social impacts; (b) Involuntary Resettlement; or (c) impacts on Indigenous Peoples, the Bank may participate in consultation activities to understand the concerns of the affected people and to ensure that the Client addresses such concerns in the Project's design and ESMP or ESMPF (as applicable). The Bank ensures that the Client includes a record of the consultations and list of participants in the environmental and social assessment documentation.
Benchmark	
Comment	-60% of the listed participants told that they didn't participate in any consultation process although their names are listed in the project document. -73% of the consulted participants told that they didn't have any chance to ask anything. Only positive things were discussed in the meeting Demand: The Bank shall inform local people and respective stakeholders about the organized consultations and their review before at least 60 days of approval (Mehedi)
ESP	**§ 63 /64 (p. 23/24) Project level grievance redress**
Description	
Benchmark	WB § 21 p. 1 "ESS 2. Labor and Working Conditions" require grievance mechanism for all projects, not only private-sector banks projects GCF, p7 a. **Labour and working conditions.** All activities financed by GCF will promote decent work, fair treatment, non-discrimination

	and equal opportunity for workers, guided by the core labour standards of the International Labour Organization;
ESP	**§ 72 Exclusions (p.25)**
Description	The Bank will not finance Projects that it determines do not comply with the ESF and ESSs. The Bank will not knowingly finance a Project that: (a) either involves or results in forced evictions;15 or (b) involves activities or items specified in the list set forth in the attached Environmental and Social Exclusion List.
Benchmark	
Comment	Forceful acquisition or appropriation of land and other resources must be included in Article 72 or in Environmental and Social Exclusion list (Mehedi) The bank's own due diligence has to cover information about land acquisition which happened before project approval. Forced eviction or coercion by project sponsors or persons affiliated to them has to be covered by compensation equal to the regular land acquisition process (urgewald)
ESP	**Financial Intermediaries (p.10, 13, 30)**
Description	ESP § 13,24, 62, ESS 1: § 19
Benchmark	**International Finance Corporation** • Since 2017, IFC has cut high-risk investments through FIs "reduce IFC's own exposure to higher risk FI activity, and apply greater selectivity to these type of investments" • New Green Equity Approach requires IFC's financial intermediary clients to divest from coal. • IFC discloses all sub-projects funded through private equity funds. • IFC includes language in both debt and equity investments to exclude fossil fuel support: "investments involving coal mining, coal-related activities and upstream oil and gas activities will be excluded from the fund's portfolio." **Green Climate Fund** • Invests 100% through intermediaries • Requires disclosure of high-risk sub-projects before Board approval **IFC CEO Philippe Le Houérou:** "We have a strategy of continuous improvement, ongoing dialogue with stakeholders, learning from mistakes and successes, and refining our approach"

	ADB: Reviews FIs due diligence information and determines additional information needed. Borrowers are required to submit EIA, resettlement plans and IPPs to ADB for management clearance prior to subproject approval, etc. The ADB's standard safeguards apply, including the 120 day public comment requirement for projects with significant impacts.
Comment	• FIs – third parties, such as infrastructure funds, that on-lend to sub-projects - represent 12% of the value of AIIB's total portfolio • Lack of information disclosure - the AIIB does not include information about sub-projects funded through any FI clients on its website • To date, the AIIB has not disclosed any documents that reveal how it assesses, prepares and finalises potential FI investments • According to the ESF "the Bank delegates to the FI the decision-making on the use of the Bank funds, including the selection, appraisal, approval and monitoring of Bank-financed subprojects" • Risks include exposure to fossil fuels through sub-projects Recommendations: ○ Time-bound disclosure of sub-project information in advance of approval, in line with best practice. ○ Disclosure of the name, sector and location of higher risk sub-projects financed via FIs on the AIIB's website and on the client's website. ○ Disclosure of the AIIB's involvement in sub-projects at the project sites, ensuring that it is clearly visible and understandable to affected communities. ○ Carry out due diligence, monitoring and supervision itself in high risk sub-projects, and in infrastructure projects; and make sure it assesses the accuracy of FI clients' risk categorisation. ○ Apply its standards to Category B FI subprojects, as well as Category A, to help avert risk and harms. ○ Adopt a 'referral list' approach, like the EBRD does, where higher risk subprojects are automatically flagged and given higher attention, including by bank staff. ○ Implement ring-fencing of FI debt investments to support specific projects that are low-E&S risk and have genuine development impact and ensure this ring fencing is legally enforceable and traceable. ○ Climate provisions that apply in the ESF to direct investments must also be extended to apply to indirect investments through FIs or other financial instruments, aimed at ensuring

	the AIIB's FI portfolio is aligned with the temperature goals of the Paris Agreement on climate change. (Recourse)
ESS 1	**§ 20 Biodiversity Consideration (p.31)**
Description	Consider direct and indirect Project-related impacts on biodiversity, for example, habitat loss, degradation and fragmentation, invasive species, overexploitation, hydrological changes, nutrient loading, pollution and incidental take, as well as projected climate change impacts. Also take into account the differing values attached to biodiversity by affected communities and other stakeholders.
Benchmark	
Comment	The wording 'to consider' and 'to take into account' leave the client space to self- decide and prioritize infrastructure development above conservation. Indirect (and accumulating) impacts of infrastructure development outside natural habitats and protected areas, e.g. the C02 emissions of industries, agriculture, energy generation, transport, tourism and urbanization cause a climate crisis. Even small changes in average temperatures can have a significant effect upon ecosystems. The atmospheric depositions of nitrogen and sulfur a.o., cause nutrient loading in nature reserves. The Cumulative biodiversity impact of indirect impacts together need assessment. all Indirect impact indicators have to be measured against the aim of Conservation biodiversity. Regional and local spillover impacts of Operations nearby critical habitat and protected areas demand for protected buffer zones, to minimize the impact of economic activity. We do live in a time of massive extinction. A cascade of tipping points could amount to a global tipping point, where multiple earth systems leap past the point of no return. The harm caused by one single operation risks to further aggravate the already deteriorating accumulative impact of infrastructure development on ecosystems worldwide. To integrate development and conservation, the bank should measure its current performance (and indicators) against the Convention on Biodiversity objective and consolidated Aichi targets. In the case of the complex situation we face SEIAs , national and regional biodiversity management plans, landscape analysis, cross-sectoral and strategic policy coherence and caps on all sorts of emissions should be required. (Both Ends) Need for definition of no-go areas (urgewald)

ESS 1	**§ 22 Critical Habitats (p.32)**
Description	Project activities in areas of critical habitats are prohibited, unless: (a) There are no predicted measurable adverse impacts on the critical habitat that could impair its ability to function; (b) There is no predicted reduction in the population of any recognized endangered or critically endangered species; and (c) Any impacts are mitigated. If the Project is located within a legally protected area, implement additional programs to promote and enhance the conservation objectives of the protected area. Ensure that the Project also complies with any applicable national laws and regulations.
Benchmark	
Comment	Example of non-compliance: Bhola Independent Power Plant (Bangladesh): 5 globally vulnerable species are present Demand: The Client must be responsible for any newly arisen problem, and compensate for the loss, which is associated with the implementation of the project. (Mehedi)
ESS 2	**§ 4 (i) Livelihood Restoration (p.40)**
Description	Improve, or at least restore, the livelihoods of all persons displaced by the Project through: (i) where possible, land-based1 resettlement strategies when affected livelihoods are land-based or where land is collectively owned; or cash compensation at replacement value for land, including transitional costs, when the loss of land does not undermine livelihoods; (ii) prompt replacement of assets with assets of equal or higher value; (iii) prompt compensation at full replacement cost for assets that cannot be restored; and (iv) capacity building programs to support improved use of livelihood resources and enhance access to alternative sources of livelihood. Include transaction costs in determining compensation. Examine the opportunities for provision of additional revenues and services through benefit-sharing, as the nature and objectives of the Project may allow.
Benchmark	IFC PS 5 1. Performance Standard 5 recognizes that project-related land acquisition and restrictions on land use can have adverse impacts on communities and persons that use this land. Involuntary resettlement refers both to physical displacement (relocation or loss of shelter) and to economic displacement (loss of assets or access to assets that leads

	to loss of income sources or other means of livelihood1) as a result of project-related land acquisition and/or restrictions on land use. Resettlement is considered involuntary when affected persons or communities do not have the right to refuse land acquisition or restrictions on land use that result in physical or economic displacement. This occurs in cases of (i) lawful expropriation or temporary or permanent restrictions on land use and (ii) negotiated settlements in which the buyer can resort to expropriation or impose legal restrictions on land use if negotiations with the seller fail. 2. Unless properly managed, involuntary resettlement may result in long-term hardship and impoverishment for the Affected Communities and persons, as well as environmental damage and adverse socio-economic impacts in areas to which they have been displaced. For these reasons, involuntary resettlement should be avoided. However, where involuntary resettlement is unavoidable, it should be minimized and appropriate measures to mitigate adverse impacts on displaced persons and host communities should be carefully planned and implemented. The government often plays a central role in the land acquisition and resettlement process, including the determination of compensation, and is therefore an important third party in many situations. Experience demonstrates that the direct involvement of the client in resettlement activities can result in more cost-effective, efficient, and timely implementation of those activities, as well as in the introduction of innovative approaches to improving the livelihoods of those affected by resettlement.
Comment	But what will happen if people lose their livelihoods during implementation of the project? Demand: The Client must be responsible for any newly arisen problem, and compensate for the loss, which is associated with the implementation of the project. (Mehedi)
Article	**Environmental and Social Governance Funds**
Description	ESG funds use their own ESG frameworks or one developed by the AIIB
Benchmark	
Comment	• In just over a year ESG funds have grown to **almost a tenth of the AIIB's overall portfolio** • Despite this rapid growth, ESG funds are **exempt from the ESF** – vital checks and balances missing • Unclear how these are assessed and concerns that weaker criteria under ESG frameworks could lead to unsustainable projects

	• ESF must be fit for purpose and **applied to all of AIIB's investments**, whether direct or indirect, and regardless of the complexity of the financial instrument (Recourse)
	Implementation and monitoring
Benchmark	**WB**, ESF Safeguards, p. 10 H. Monitoring and implementation support 56. The Bank will monitor the environmental and social performance of the project in accordance with the requirements of the legal agreement, including the ESCP, and will review any revision of the ESCP including changes resulting from changes in the design of a project or project circumstances. The extent and mode of Bank monitoring with respect to environmental and social performance will be proportionate to the potential environmental and social risks and impacts of the project. The Bank will monitor projects on an ongoing basis as required by OP 10.00.39 A project will not be considered complete until the measures and actions set out in the legal agreement (including the ESCP) have been implemented.