



Project Summary Information

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| Project Name | AIIB Venture Capital (“VC”) Investment Program for Green and Technology-Enabled Infrastructure (the “VC Program”) |
| Project Number | P000623 |
| AIIB member | Multicountry |
| Sector/Subsector | Multi-sector |
| Alignment with AIIB's thematic priorities | Green infrastructure; Technology-enabled Infrastructure; Private Capital Mobilization |
| Status of Financing | Under Preparation |
| Objective | To promote innovation and its adoption of green and technology-enabled infrastructure across AIIB members by providing scarce capital to early-stage companies through small-scale VC funds. |
| Project Description | <p>The proposed VC Program contemplates investing in small-scale VC funds to drive and support the development of innovative technologies and new business models that are central and scalable for green and technology-enabled infrastructure across AIIB members. Through the Program, AIIB has the dual role of a facilitator and an influencer in accelerating the adoption of innovations in promoting sustainable infrastructure.</p> <p>The Program will follow strategy, of investing in small-scale VC funds with reserved funding for follow-on co-investments. The Program will focus on green and infrastructure-related technologies, as well as new business models catalytic to sustainable infrastructure development, contributing to AIIB's mandate of building i4t.</p> <p>VC investment space is characterized by fast transaction speed, a smaller average ticket size, and a unique risk-return profile. The proposed Program adopts a portfolio-driven approach to mitigate risk through diversification and has established a systematic approach of selectively identifying VC fund managers with rigour as per the pre-defined investment guideline under a proposed streamlined approval process. Implementation Working Group (a coordinated VC dedicated working group)'s live discussion and evaluation process from all relevant departments will be applied, followed by single stage Final IC and President Approval. IWG unanimous no objection is required before proposed VC fund is taken to IC for single review. The program would work to have a diversified portfolio to ensure proper risk allocation across various sectors and geographies.</p> |

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| Expected Results | <p>Since the Project is Program-based, the result indicators mentioned below are measured at each VC fund level and aggregated at the Program level. Below are the expected results for VC Program, expected results for each VC fund would be defined along similar lines.</p> <ul style="list-style-type: none"> o Direct/ Indirect mobilization of capital through Program investments in VC funds. o Percentage of Program commitment aligned with green infrastructure. o Percentage of Program commitment aligned with tech-enabled infrastructure. o Technological investments fostering innovation and adoption o Number of portfolio VC funds under the Program. o Number of AIIB members invested through the VC Program. o The IRR returns of the Program to be measured at the end of the Program's life. o Number of Follow-on co-investments made through the Program. o Number of investee companies attract follow-on investments. |
| Environmental and Social Category | FI |
| Environmental and Social Information | <p>AIIB's Environmental and Social Policy (ESP), including the Environmental and Social Standard 1 (ESS 1) and Environmental and Social Exclusion List (ESEL) is applicable to this VC Program. The VC Program seeks to invest in smaller size VC funds that provide capital to startups - investee companies in the early stage of the business lifecycle. The Program is placed in Category FI, as the financing structure involves the provision of funds to the VC funds pursuant to which AIIB delegates the decision-making related to the use of the AIIB's funds for investee companies that meet the conditions of the investment guidelines to be agreed with the VC Funds. For each VC fund, the Environmental and Social Management System (ESMS) which details the selection, appraisal, approval, and monitoring of investee companies, will be enhanced to be aligned with AIIB's ESP. An overview of enhanced ESMS for each VC fund will be prepared and disclosed in a timely and appropriate manner.</p> <p>The Program portfolio will comprise mainly early-stage green and technology-enabled investee companies which may be classified as Category B or C. Each investee company will be screened to identify the risks and following the due diligence, appropriate mitigation measures will be adopted. Activities included in AIIB's ESEL, Category A and any investee companies that may trigger ESS 2 land acquisition and involuntary resettlement and ESS 3 indigenous peoples will not be eligible for financing. Coal mining, coal transportation, and coal-fired power plants, as well as infrastructure services exclusively dedicated to supporting any of these activities, are also excluded.</p> |

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| | <p>For all Higher Risk Activities¹ proposed for Bank financing, the Bank requires each VC Fund to furnish its detailed environmental and social due diligence for the Bank's prior review and approval. Regarding renewable investments, the VC Fund will review potential supply chain related labour and working conditions, require appropriate mitigating measures, and seek AIIB's advice if required. As an LP to VC funds, AIIB may exercise excuse rights on any investee company which does not meet our E&S requirements or internal policies.</p> <p>Each VC Fund will be required to disclose the name, industry, and location of investee companies supported with AIIB's proceeds on its corporate website within twelve months of closing an investment. For all Higher Risk investments, each VC fund will be required to disclose annual E&S documentation during the preceding 12 months, unless such disclosure is subject to the host country's regulatory requirements, market sensitivities or consent of the investee company.</p> <p>AIIB will conduct post-reviews of the selection and implementation of investments as part of its regular supervision, comprising engagement with the VC Fund, potential site visits once conditions allow and a detailed review of the E&S documentation of selected investments.</p> <p>Each VC Fund will establish an External Communication Mechanism (ECM) as a project-level grievance redress mechanism (GRM) to address third-party views, inquiries, or concerns regarding their E&S processes and outcomes, as well as E&S impacts and performances of their investee companies. In addition, the Bank will require each VC Fund, for investee companies financed by AIIB proceeds, to disclose at an appropriate time the required ES information at the investee level, as well as investee-level GRM. The GRMs will be accessible, include provisions for anonymity, and hold no risk of retaliation, to receive and facilitate the resolution of the concerns and complaints of people who believe they may be or have been adversely impacted by the Program. Provision will also be made to inform project-affected people and project-contracted workers of their availability, including VC funds' ECMs and AIIB's Project-affected People's Mechanism (PPM).</p> |
| Cost and Financing Plan | The Platform investment is targeted for USD 100 million with an additional USD 30 million as a co-investment sleeve |
| Borrower/Investee Company/Counterparty/Guaranteed entity | / |

¹ Higher Risk activity is any of the following types of activities financed by the Bank under an FI Project: (a) a Category A activity; and (b) as determined by the Bank, selected Category B activities that may potentially result in: (i) Involuntary Resettlement; (ii) risk of adverse impacts on Indigenous Peoples and/or vulnerable groups; (iii) significant risks to, or impacts on, the environment, community health and safety, biodiversity and cultural resources; (iv) significant retrenchment representing more than 20 percent of direct employees and recurrent contractors; and/or (v) significant occupational health and safety risks.

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| Guarantor | / | | | |
| Implementing Entity/Sponsor | / | | | |
| Estimated date of loan closing (SBF)/Estimated date of last disbursement (NSBF)/ Estimated Date of first disbursement (Fund) | December 2022 | | | |
| Contact Points: | AIIB | | Borrower | Implementation Organization/Sponsor |
| Name | Jea Young Huh | Kishlaya Misra | | |
| Title | Principal Investment Officer, Private Equity | Investment Officer, Private Equity | | |
| Email Address | jeayoung.huh@aiib.org | kishlaya.misra@aiib.org | | |
| Date of Concept Decision | 08/Jun/22 | | | |
| Date of Appraisal Decision/Estimated Date of Appraisal Decision | 16/Nov/22 | | | |
| Date of Financing Approval/Estimated Date of Financing Approval | Estimated December 2022 | | | |

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| Independent Accountability Mechanism | The PPM has been established by the Bank to provide an opportunity for an independent and impartial review of submissions from project-affected people who believe they have been or are likely to be adversely affected by AIIB's failure to implement its ESP in situations when their concerns cannot be addressed satisfactorily through investee companies' GRMs, VC funds' ECMs, or the processes of Bank Management. Information about the AIIB's |
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| | PPM is available at https://www.aiib.org/en/about-aiib/who-we-are/project-affected-peoples-mechanism/how-we-assist-you/index.html . |
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