



Project Summary Information

Date of Document Preparation: October 28 2024	
Project Name	Project Ocean
Project Number	P000722
AIIB member	Hong Kong, China
Sector/Subsector	Multi-sector
Status of Financing	Approved
Project Description	<p>The Project will mobilize private capital into emerging market infrastructure through supporting the continued development of the infrastructure asset backed securities market in Asia. This will be achieved through an up to USD300 million investment program into issuances of infrastructure asset backed securities sponsored by the Hong Kong Mortgage Corporation (HKMC).</p> <p>Incorporated in 1997, HKMC is wholly owned by the Government of the Hong Kong Special Administrative Region of the People's Republic of China (HKSAR Government). The Infrastructure Financing and Securitization (IFS) Division of HKMC was formed in 2019 to execute the purchase, warehousing, and securitization of infrastructure loans. As part of the Project, IFS will develop a climate strategy for its securitization business that is in alignment with the goals of the Paris Agreement and decarbonize its portfolio in future infrastructure asset backed securities issuances.</p> <p>The Project will contribute to the track record of primary issuances and provide valuable market benchmarks, which are both key conditions for developing the infrastructure securitization market in Asia. This will result in the creation of a robust ecosystem for development of the Asian infrastructure asset class, mobilize inbound investment by institutional investors, and set new precedents for capital markets development in the region.</p> <p>Update on AIIB's holdings: as of 1 November 2024, AIIB only holds Class A1 - SU Notes (sustainability tranche).</p>
Objective	To mobilize private capital into emerging market infrastructure through supporting the continued development of the infrastructure asset backed securities market in Asia.

Expected Results	<p>Expected results of the Project are the following:</p> <ul style="list-style-type: none"> • Indirect private capital mobilized (as measured by volume of orders received, excluding AIIB share) • Amount of new private capital mobilized (as measured by volume of orders by investors who did not invest in prior infrastructure asset backed securities issuances by HKMC)
Environmental and Social Category	N/A.
Environmental and Social Information	<p>The Project applies the ESG Approach to Capital Market Operations provided under Paragraphs 12-14 of the Bank's Environmental and Social Policy (2022 ESP). The relevant ESG Framework is IFS' Environmental and Social Guidelines (E&S Guidelines) established and aligned with Equator Principles, which is assessed by the Project Team to be consistent with the spirit and vision of AIIB's ESF. In addition, AIIB has communicated to HKMC on the concerns of potential solar-related supply chain labor and working conditions.</p> <p>HKMC IFS has developed and maintained (1) E&S Guidelines which serves as the basis for a robust E&S due diligence for every loan acquisition and (2) Social, Green and Sustainable Financing Framework which provides the basis for issuance of green, social or sustainability notes. The Project involves a potential investment into issuances of infrastructure asset backed securities, which includes a sustainability tranche. The proceeds from the sustainability tranche will be used to finance and/or refinance the purchase of loans for green and social projects.</p> <p>The Project Team validates HKMC adhering to the requirements of its E&S Guidelines and that it remains suitable to resolve E&S concerns arising under the proposed operation.</p> <ul style="list-style-type: none"> • The IFS E&S Guidelines comprises review process, screening and categorization process, due diligence and investment approval, covenants in documentation and closing, post-closing monitoring and sector guidelines for hydropower, which may be subsequently updated to align with the evolving market standards and regulatory requirements. Under the Guidelines, HKMC assesses each loan acquisition for E&S risks and impacts. The guidelines include criteria to evaluate the E&S performance of each underlying loan asset and its sponsors in the portfolio (including E&S-related reputational risks) as part of the

initial red flag screening. Loans are screened against HKMC E&S Exclusion List and categorized accordingly.

- The **Sustainable Finance Framework**, which would apply to the sustainability tranche of this operation, has been reviewed and a Second Party Opinion (SPO) has been provided for alignment with key International Capital Market Association (ICMA) guidelines including Green Bond Principles (GBP 2021), Social Bond Principles (2021) and Sustainable Bond Guidelines (2021). The initial aggregate par amount of Eligible Loan exceeds the proposed principal amount of the sustainability tranche and investment into these sustainable assets will contribute towards the advancement of the UN Sustainable Development Goals (SDGs).

Thermal coal mining, coal-fired power and heating plants or projects that are functionally related to coal are excluded. Regarding solar subprojects, HKMC will review potential supply chain issue related labor and working conditions and require appropriate mitigating measures and seek AIIB's advice if required.

HKMC will enhance its existing [external communications mechanism](#) (ECM) as the project-level grievance redress mechanism (GRM) to provide a forum for stakeholders, including project-affected people, to raise E&S concerns. The GRM will receive and facilitate resolution of the concerns and complaints of people who believe that they have been adversely affected by the loan's E&S impacts. The IFS Investment Team and Risk Management Team jointly coordinate with stakeholders in managing its grievance mechanism. The enhanced ECM will be disclosed prior AIIB's disbursement, and this will be a covenant. Under the to be revised E&S Guidelines, HKMC will require all asset loans to establish and maintain grievance mechanisms, scaled to the risks and impacts of the project.

During project administration, AIIB will receive E&S updates as part of regular reports from HKMC in an agreed format, subject to confidentiality obligations, including an update on the implementation of the E&S Guidelines and an E&S portfolio summary. HKMC will continue to conduct post-reviews of the selection and implementation of the asset loans as part of its regular supervision, comprising engagement with the involved financial institutions and/ or borrowers,

	potential site visits and detailed review of the E&S documentation. AIIB will receive the annual sustainable tranche impact report, including the total amount of proceeds allocated to eligible loans, number of eligible loans, impact indicators and other items.	
Cost and Financing Plan	Investment program of up to USD300 million including USD80 million orders placed into the debut issuance.	
Issuer	Special purchase vehicles to be established in Hong Kong, China, for each issuance under the program and for the sole purpose of issuing infrastructure asset backed securities.	
Sponsor	Hong Kong Mortgage Corporation.	
Date of first disbursement	May 2023	
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Date of Concept Decision	January 2023	
Date of Appraisal Decision	March 2023	
Date of Financing Approval	April 2023	

Independent Accountability Mechanism	In accordance with the ESG Approach to Capital Market Operations under the 2022 ESF, the Policy on the Project-affected People's Mechanism would not apply to the Project.
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