



AIM
corporate
sustainability

Our corporate sustainability

At AIM, our mission is to mobilise mainstream capital to address the challenges the world faces. We manage fixed income portfolios that generate positive environmental and social impacts without compromising financial returns. We invest for impact and financial return, with all investments supporting the Paris Agreement and/or the UN Sustainable Development Goals in alignment to a 1.5°C pathway.

Our corporate sustainability is central to achieving this mission. We recognise we must hold ourselves to the same, or higher, standards that we expect from the issuers and issues in which we invest.

Our corporate sustainability is underpinned by four pillars: our people, our clients, our climate and our impact community. Within each pillar, we have key focus areas and targets so that we can measure our progress.



Community



2021 achievements

Agent for change	Collaborator
<ul style="list-style-type: none"> ✓ Panel and working group participation, such as the ICMA transition working group ✓ Promoted sustainable action, speaking at panels such as the Australian Climate Change Authority panel at COP26 ✓ Participation in investor surveys, such the Environmental Finance survey on impact reporting best practices 	<ul style="list-style-type: none"> ✓ Collaboration with peers to drive forward initiatives ✓ Active, thematic engagement with potential and current impact bond issuers around physical risk and net zero commitments



We continue to collaborate with our peers to support collective action.

Over 2021, we participated in a number of working groups to facilitate the development of the impact bond market. These included the CBI basic chemicals first impact working group, the ABN AMRO roundtable on aligning ESG ambitions with bond issuance and the ICMA working group on transition finance.

We have also presented at events throughout the year promoting sustainable action. Stephen Fitzgerald, Managing Partner, spoke on the Australian Climate Change Authority panel at COP26 and also at the Portfolio Construction Forum alongside Kate Temby, advocating for the power of positive selection. Stephen also spoke at the World FinTech Festival (WFF), in Japan, and gave a lecture at the UNU-IAS IC course, "Sustainable Finance, ESG Investment and SDG Business management", coordinated by Mitsuo Kojima.

Throughout the year we participated on panels organised by the University of Bologna on impact investing and sustainable finance, by Swedbank on sustainability-linked bonds, and on impact reporting best practices at webinars organised by Environmental Finance and the Climate Bonds Initiative. We also participated in the International Panel for Climate Finance, convened by Aviva, which included calling on governments to create net zero incentives to shift capital at scale and speed. We spoke on podcasts, such as the Good Future podcast, hosted by John Treadgold, the Green Dream and Between Meetings with Matt Heine. We believe raising awareness is crucial to developing the impact investing market and continue to publish insights and thought pieces on our website.

¹ Educational events include webinars, teach-ins, presentations and podcasts.

People



2021 achievements

Diversity and inclusion

- ✓ Gender balance at all levels
- ✓ Gender pay gap review considered
- ✓ Paid internships throughout the year
- ✓ In-depth review of our Staff Handbook expanding our staff wellness and development policies
- ✓ Continued refinement of our People Policy

Professional development

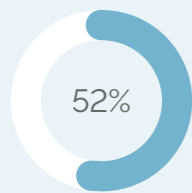
- ✓ Six new hires across the business
- ✓ Two interns transitioned to full-time employees
- ✓ Courses and examinations undertaken

Wellbeing

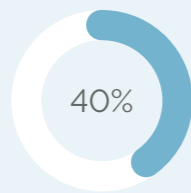
- ✓ Flexible and hybrid working continues globally
- ✓ Return to the office guidance outlined

Charitable giving

- ✓ AIM community initiative selected
- ✓ Volunteering schedule commenced
- ✓ Participation in charity events, such as the Bloomberg Power Ride



52% of employees are women



40% of senior management are women



10 languages spoken



26 weeks' paid parental leave for both female and male employees

We recognise that our people are our greatest asset. We seek to create a working environment that promotes wellbeing.

As COVID-19 restrictions ease, we are building out our return to the office guidance, emphasising flexibility while recognising that teams work best when together.

We are committed to diversity across all areas of our business and are pleased that we have achieved a gender balance at all levels of the firm, including the Management Committee. Last year, we committed to undertaking

a gender-pay-gap review. We have conducted further research and, taking into account the UK government guidance on the structure of the gender-pay-gap review, have concluded it is not practical for us to complete a review owing to the comparatively small size of our organisation. We have completed a full review of our compensation across all levels, regardless of gender.

A safe and inclusive working environment

We foster an environment of transparency and inclusion. As our firm grows, we continue to build out our policies to ensure we clearly articulate our policies and processes. This year we undertook an in-depth review of our Staff Handbook, enhancing our staff wellness and development policies. We also took the opportunity to ensure the handbook provides guidance for any challenges our team could encounter in the workplace, for example directly addressing sexual harassment and discrimination. Alongside this, we refined our People Policy to ensure ease of navigation for our team. We know that a high-performing team requires diversity of thought, and we will work with recruitment agencies to encourage applications from a variety of backgrounds. We proudly note that 10 languages are spoken across our team of 22 people.

Our growing team

This year we welcomed six new members as well as the first member of our Advisory Committee. Fiona Reynolds was formerly CEO of the UN Principles for Responsible Investment (PRI) and joined our Advisory Committee in October 2021. Fiona's extensive experience affords our team of experts a unique perspective as we continue to deliver financial returns with environmental and social impact.

We value diverse perspectives and recognise our employees have a wealth of knowledge, skills and ideas to contribute. We promote collaboration and teamwork, and are recommencing our "brown bag" lunches, to encourage open dialogue and the sharing of knowledge. We encourage professional development and this year we were delighted to see our team progress with qualifications such as the Investment Management Certificate (IMC) and become CFA® Charterholders.

AIM community initiative

We are delighted this year to announce our chosen AIM community initiative, the Whitechapel Mission. The Whitechapel Mission is a volunteer-led organisation, helping the homeless in London. It helps people by firstly meeting their immediate needs: food, shelter, clothing and medical care, and in its recovery programmes it addresses the deeper needs for life and job-skills training, and addiction recovery.

Whitechapel offers in-person volunteering options, and our London-based members have also signed up to the breakfast and clothing challenges.

You can read more about the Whitechapel Mission on its website: <https://whitechapel.org.uk/about>



Katie House volunteering at the Whitechapel Mission

 Clients



2021 achievements

Accountability	Insights	Impact delivery
<ul style="list-style-type: none"> ✓ Our second Modern Slavery Statement published ✓ Continued innovation of our impact reporting ✓ Thematic engagement on physical risk leveraged to enhance verification process ✓ European vehicles classified as Article 9 under SFDR 	<ul style="list-style-type: none"> ✓ Insights and thought pieces published on our website ✓ Held webinars for continued education and sharing of knowledge ✓ Hosted impact education sessions for investors and advisors 	<ul style="list-style-type: none"> ✓ Continued to deliver environmental and social impact alongside financial returns ✓ Ongoing external recognition for our world-leading verification process, portfolios and impact reporting



A+
PRI rating across all modules¹



Leader
Morningstar ESG commitment level²



Leader
recognition by RIAA³



SFDR Article 9
classification for all European funds



Our clients come first. We remain dedicated to providing mainstream returns with environmental and social impact, enabling the transition to net zero.

We strive to meet the highest standards. The EU Sustainable Finance Disclosure Regulation ("SFDR") came into effect in March 2021 and requires asset managers to reveal the differing levels of sustainability integration and focus of each investment strategy they offer. All our European vehicles are classified under Article 9, the highest sustainability classification. Although we are not required to report on SFDR metrics until 2023, we have begun to incorporate these into our impact reports across all portfolios in 2022.

Transparency is one of our core values. We are proud to continue to deliver our world-leading annual Impact Reports. Our highly credentialed verification team continues to innovate in our impact measurement and reporting.

For example, last year we delivered:

- Our in-house calculation of the Weighted Average Carbon Intensity (WACI) for all of our portfolios and selected benchmarks.
- Updated avoided emissions methodology to include a dynamic baseline for our calculation of avoided emissions and Carbon Yield.
- Enhanced multi-year assessment of physical climate risk to include issuer engagement about the use of scenario analysis, adaptive capacity measures and resilience planning.

Each year we host a series of webinars for our clients to communicate the impact their investments have made.

At the end of our annual reporting process we incorporate the learnings to ensure our processes are enhanced. For example, this year we are integrating into our verification process learnings from a previous TCFD-aligned physical-risk assessment. This includes a more systematic consideration of the potential materiality of physical-risk exposure and the potential adaptive capacity of relevant issuers to manage these risks.

We recognise that our clients choose us for our expertise and are proud to continue to be recognised as a leader within sustainable investing.

In 2021 the Responsible Investment Association Australasia (RIAA) included us as a Responsible Investment Leader in its landmark study. We were also awarded an ESG commitment level of "Leader" by Morningstar, which defines "Leader" funds as those funds that integrate ESG factors fully into their security analysis and portfolio construction, and deliver desirable ESG outcomes at the portfolio level, such as a high sustainability profile, advancement of the UN SDGs, or similar. Of the 140 strategies and 31 asset managers assessed by Morningstar in May 2021, we are the only strategy and only manager to be awarded this highest classification of "leader".

Similarly, we are delighted that our funds and impact reports have been recognised as leading. The AIM US\$ Liquid Impact Fund, our short duration offering, won 'Best ESG investment fund: specialist fixed income' at the ESG Investing Awards, while our annual Impact Reports won 'Impact report of the year (for investors)' at the Environmental Finance Bond Awards. In their comments the judges highlighted our extensive coverage and addition of reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

In 2021 we also earned the 'Towards Sustainability' label for the LO Funds – Global Climate Bond. The label is sponsored by Febelfin, the Belgian financial sector federation. The initiative aims to promote socially responsible and sustainable investment and instil trust among investors that labelled products are managed with sustainability at the fore. We are proud that our European vehicle has been recognised by the federation.

For more information on our awards and recognition see our media coverage and awards here: <https://affirmativeim.com/in-the-news/>

¹ Awarded in 2021 during the PRI's latest reporting cycle in the Financial Services Sector.
² Awarded to AIM in May 2021.
³ Awarded in 2021 during RIAA's latest review cycle, renewed annually.

Climate



2021 achievements

Aligning our investments

- ✓ Became a signatory to the Net Zero Asset Managers Initiative (NZAM)
- ✓ Firmwide commitment to net zero emissions by 2050 covering our investments and operations
- ✓ Formulating our net zero targets for our investments
- ✓ Work commences on our first TCFD report, to be published in 2022

Aligning our operations

- ✓ Continued commitment to operational carbon neutrality for scope 1, 2 and 3 emissions
- ✓ Carbon calculations enhanced to better incorporate work from home practices



Carbon neutral operations



Net zero carbon emissions from investments by 2050 with interim 2030 targets



TCFD public supporter

Climate change is one of the most consequential challenges of our time.

With a vision to mobilise capital to meet the challenges the world faces, our climate is central to our corporate sustainability. Our focus is to invest solely in fixed income and cash instruments that both deliver competitive returns and generate meaningful, positive environmental and social outcomes.

Our net zero policy

We recently published our AIM Net Zero Policy. This is underpinned by our corporate sustainability framework and reaffirms our commitment to aligning our business, investments and operations with the Paris Targets to limit global warming to 1.5°C, including net zero GHG emissions by 2050.

1. Our investments

This year we have taken further steps to formalise our commitment to the Paris Targets by becoming a signatory to the Net Zero Asset Managers Initiative (NZAM). In signing up to NZAM, we have committed to support the goal of

net zero greenhouse-gas (GHG) emissions through our investments by 2050 and to take a leading role in engagement to encourage action more broadly within the financial sector. Key to our commitment is setting interim targets for 2030, which we will submit to NZAM in H2 2022.

2. Our operations

While we recognise that the greatest impact we have on our climate is through our investments, we nonetheless commit to tackling our operational GHG footprint. We prioritise activities that directly reduce our operational emissions, such as utilising technology to limit travel

and using electronic copies of all materials. Alongside this, we recognise that credible offsets have a role to play to compensate for unavoidable GHG emissions by supporting projects that can reduce GHG emissions elsewhere. Each year we offset all scope 1 and 2 emissions, and scope 3 Category 6 – Business Travel emissions by purchasing Certified Emissions Reductions (CERs) generated by UNFCCC certified projects in developing countries. This year we are supporting the MW rice husk-based cogeneration plant at Hanuman Agro Industries Limited, which incorporates both environmental and social benefits. Further details around the project are outlined on page 67. We undertake the calculations of our GHG emissions in house and this year have enhanced our approach to better incorporate work from home practices.

Last year we committed to publishing our first firmwide TCFD report. We have commenced this process and will be publishing the report in H2 2022. We have also become a formal supporter of the TCFD in 2022.

Through this disclosure we will deliver:

- A clear description of climate-related governance structures and processes.
- How climate-related risks and opportunities impact our portfolios and how these interact with our firmwide strategy.
- Enhanced risk-management processes with respect to climate-related risks.
- A discussion of the current climate-related targets under development, and the TCFD-recommended metrics to communicate climate performance.

2022 initiatives

AIM workshops

While we offer flexible work arrangements and embrace a hybrid working environment, we believe it is important for team development and culture that there is an element of in-person engagement.

As we return to the office and meet again in person, we will be hosting a series of in-person and virtual workshops. These will be educational, focusing on topics such as corporate governance, promote an environment of wellbeing, and build upon our culture of collaboration, openness and transparency. We will invite external speakers to address topics such as mental health, drilling down into themes such as anxiety, burnout and work-life balance. We expect these discussions to offer a greater understanding of how to be self-aware and how to help those around us.

Refine our policies

We continue to review and enhance our policies to assist and guide our people, and provide transparency to all stakeholders. In 2022 we will continue to refine our People Policy and modern slavery statement and update our Responsible Investment Policy as we innovate our review and reporting. We will also be further developing our policies to support volunteering initiatives.

AIM community initiative

We are continuing to build our relationship with the Whitechapel Mission in London.

In 2022 we will consider SDG alignment for our corporate sustainability initiatives.

Enhancing our climate reporting

Over the next year we will continue to build on our climate-related disclosures, enhancing our approach to reporting on the carbon footprint both of our portfolios and our own operations.

In 2021, we also embarked upon further climate assessment innovation in a pilot project with ISS to assess the temperature-scenario alignment of our funded projects. Updates and results on this initiative will be shared in our Impact Reports.

This year's Impact Reports, for the first time, include reporting against SFDR's mandatory Principle Adverse Impacts (PAIs). While we are not *required* to report against the mandatory PAIs until next year, we are taking the opportunity to commence this reporting now in order to get to know the metrics and data available ahead of time. This approach is consistent with our continued innovation to improve our reporting and insights and engagement with all stakeholders.

Impact collaboration

We are continuing to work with a wide range of stakeholders in the impact and sustainable investing markets to promote innovation and integrity. To achieve our mission of mobilising mainstream capital for impact, we need others to move with us. This includes engaging with peers on how they invest and how they engage with the companies they invest in. We also continue to speak on panels, host webinars and participate in working groups to enable education, exchange insights and progress change at all levels.

Our operational carbon footprint 2021

Overall AIM corporate carbon footprint

	GHG emissions 2019	GHG emissions 2020	GHG emissions 2021
Scope 1 GHG emissions from direct sources	0tCO ₂ e	0tCO ₂ e	0tCO₂e
Scope 2 GHG emissions from electricity purchased	4.5tCO ₂ e	3.4tCO ₂ e	3.2tCO₂e
Scope 3 Category 6 Business travel – flights and train trips	31.3tCO ₂ e	21.3tCO ₂ e	3.0tCO₂e
Scope 3 Emissions from remote working	–	8.6tCO ₂ e	5.1tCO₂e



Scope 1 : Direct GHG emissions from sources that are owned and controlled by AIM¹
0tCO₂e

Scope 2 : Indirect GHG emissions from the generation of electricity purchased by AIM
3.2tCO₂e

Approach for calculating AIM's 2021 scope 2 GHG emissions

Source	2021 electricity consumption (kWh)	GHG emissions conversion factor (kgCO ₂ e per kWh)	GHG emissions (kgCO ₂ e)
Office (scope 2)	15,253	0.21233	3,239 (3.2tCO ₂ e)

To derive scope 2 GHG emissions, we have used a location-based approach in line with the UK Government's guidelines for corporate-carbon-footprint reporting. As shown in the table above, AIM's office electricity consumption in 2021² was multiplied by the GHG emission conversion factor for the electricity supplied to the UK grid to give a total GHG emissions figure.³

Scope 3 : GHG emissions resulting from assets or activities not owned or controlled by AIM
8.1tCO₂e

Remote working continued in 2021 due to the Covid-19 restrictions. While there is no standardised methodology for calculating the GHG emissions from remote working, we have used the resources available to calculate these as effectively as possible.

We derived electricity-related emissions by calculating the electricity consumption of a typical work-from-home setup. We calculated the emissions from heat consumption by finding the additional consumption of gas when working remotely. These figures were multiplied by appropriate conversion factors to find the resulting GHG emissions.⁴

AIM's scope 3 GHG emissions from Category 6: business travel were calculated with consideration for all AIM-

related flights and train journeys undertaken by staff members, excluding commuting. For each trip, we calculated the distance travelled and multiplied this by conversion factors. The factors were sourced from the UK Government's guidelines for corporate carbon footprint reporting, which account for the mode of transport used.⁵ scope 3 emissions from business travel were substantially reduced in 2021 due to the major travel limitations resulting from Covid-19 restrictions.

We recognise that AIM's largest source of emissions is our financed emissions. We report on these in pages 23-39 of our Impact Report. As such, they are not included in AIM's scope 3 emissions reporting.

Offsetting our corporate carbon footprint

While we prioritise the reduction of GHG emissions, we compensate for unavoidable GHG emissions resulting from our internal operations by purchasing Certified Emissions Reductions (CERs) generated by UNFCCC-certified projects in developing countries. For our 2021 carbon footprint, we purchased CERs that support a biomass-energy project in India. The project utilises rice husks, an agricultural waste product,⁶ as the feedstock for a cogeneration plant that produces electricity and steam. This avoids the GHG emissions and air pollution that would have been caused by the combustion of coal and creates value for local rice millers whose rice husks were previously sent to waste.

Photo: offset.climateneutralnow.org



¹ Scope 1 emissions are zero because the AIM office has no gas heating and therefore no direct emissions from this space.
² AIM Office Manager – Electricity Consumption Data for 3rd Floor, 7 Birch Lane, London.
³ BEIS and DEFRA, UK Government (2021) Standard Set, UK Government GHG Conversion Factors for Company Reporting, UK Electricity.

⁴ Sources as follows: Australian Government (2021) National Greenhouse Accounts Factors; Climate Transparency (2021) Japan, Country Profile; Climate Transparency (2021) India, Country Profile; BEIS and DEFRA, UK Government (2021) Standard Set, UK Government GHG Conversion Factors for Company Reporting, Fuels.
⁵ BEIS and DEFRA, UK Government (2021) Standard Set, UK Government GHG Conversion Factors for Company Reporting, Business travel - air & Business travel - land.
⁶ <https://offset.climateneutralnow.org/25-mw-rice-husk-based-cogeneration-plant-at-hanuman-agro-industries-limited?searchResultsLink=%2FAllProjects%3FSearchTerm%3DRice>

Partnerships for impact

Our vision is to mobilise capital to address the major challenges the world faces. Realising that vision demands collaboration with other industry leaders and initiatives.

To meaningfully address the major challenges the world faces, we cannot go it alone.



Carbon Yield™

We co-developed the Carbon Yield metric and methodology in 2016 with ISS ESG and Lion's Head Global Partners, with funding from Rockefeller Foundation. The Carbon Yield quantifies the climate-change-mitigation impact of green bonds. We apply the Carbon Yield methodology to our strategies as part of our annual impact-reporting commitment.

Climate Bonds

Climate Bonds Initiative

The Climate Bonds Initiative (CBI) is an international organisation working solely to mobilise the \$100trn bond market for climate-change solutions. Since our partnership began in 2015, we have participated in several industry working groups to share expertise.



Colonial First State (CFS)

Since 2018 we have partnered with CFS, one of Australia's leading wealth managers, to offer the Affirmative Global Bond Fund.



FAIRR Initiative

FAIRR's mission is to build a global collective of investors who are focused and engaged on the risks linked to intensive animal production within the broader food system and help them to exercise their influence as responsible stewards of capital.



ICMA Green Bond Principles, Social Bond Principles, Sustainability Bond Principles

We have been a member of the ICMA Green, Social and Sustainability principles since 2015. The principles are voluntary process guidelines that recommend transparency and disclosure, and promote integrity in the development of the impact bond market. In 2021, we joined the ICMA Climate Transition Finance working group.



Impact Management Project

Since 2017, we have been a member of the Practitioner Community of the Impact Management Project, an initiative to build consensus on how we talk about, measure and manage impact, and how we bridge the differing perspectives of diverse industry stakeholders. The IMP market facilitation concluded in 2021 but its principles remain a standard and have been integrated into several mainstream reporting frameworks.



ISS ESG

We have partnered with ISS ESG on multiple fronts since 2016, including portfolio climate analysis, accessing its ESG data and controversy screenings and, most recently, on a funded-projects net zero-alignment pilot.



Lombard Odier Investment Managers

Since 2017 we have partnered with Lombard Odier Investment Managers to offer the LO Funds – Global Climate Bond. Lombard Odier Investment Managers is the asset management business of the Lombard Odier Group, established in 1796.

Net Zero Asset Management (NZAM)

NZAM is an international group of asset managers committed to supporting the goal of net zero GHG emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C and to supporting investing aligned with net zero emissions by 2050 or sooner. AIM became a signatory in 2021.



Principles for Responsible Investment (PRI)

We have been a signatory of the PRI, the world's leading proponent of responsible investment, since 2016. It works to understand the investment implications of environmental, social and governance (ESG) factors, and to support investor signatories in incorporating these factors into their investment and ownership decisions.



Responsible Investment Association Australasia (RIAA)

RIAA is the largest and most active network of people and organisations engaged in responsible, ethical and impact investing across Australia and New Zealand. Its landmark 2021 study of the responsible investment landscape in Australia recognised AIM as a Responsible Investment Leader.

S&P Global

Standard and Poor's (S&P)

While we conduct our own ESG analysis on issuers, we have also used S&P ESG data for calculating climate metrics and to assist with our responsible issuer screening against our exclusionary policies since 2020.



Stockholm Declaration

We have been a signatory of the Stockholm Declaration, which is co-led by Global Reporting Initiative (GRI) and UN Global Compact, and supported by the PRI, since 2017. Our support for this declaration underlines our commitment to investing for sustainable development, sustainable impact, and towards the 2030 Sustainable Development Goals.

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Task Force on Climate-related Financial Disclosures (TCFD)

We have supported the TCFD recommendations since its inception in 2017, having reported our own integration of climate risk and opportunity in our investment process from the beginning. Our 2019 and 2020 impact reporting included a TCFD-aligned physical-risk assessment against several different warming scenarios. We are now working on incorporating our learnings into our verification process. In 2020, we also started reporting on TCFD-recommended metrics for asset managers. In 2022, we became a formal supporter of TCFD and will be publishing our first stand-alone TCFD report.



UN CC:e-Learn

In 2019, we reviewed and supported the development of a UN CC:e-Learn practice-oriented course on the basics of sustainable finance to promote impact-bond issuance. The course was produced by a GIZ-SEB strategic alliance (focused on Green Bond Market Development in G20 Emerging Economies) and the Partnership for Action on Green Economy (PAGE) – a One UN initiative bringing together UN Environment, ILO, UNDP, UNIDO and UNITAR, and reviewed by CICERO, AIM and UNDP.



UNDP SDG Impact Standards for SDG Bonds

In 2020, AIM joined the reference group for SDG Impact Standards for SDG Bonds. These are practice-assurance standards developed by UNDP SDG Impact as a transparent, competitively neutral public good. They aim to bridge the gap in the developing impact-management toolkit between high-level principles of practice and impact-performance reporting and benchmarking.



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