

Affirmative Investment Management Partners Limited

Environmental, Social and Governance Policy (‘ESG Policy’)

**Reviewed with Effect from:
March 2020**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) POLICY

Introduction

Affirmative Investment Management (AIM) is an independent, employee-owned investment firm, managing fixed income portfolios that generate environmental and social impact, without compromising returns. As a responsible impact investor, our vision is to mobilise capital to address the major challenges the world faces. Our mission is to move large scale capital into investments promoting environmentally and socially resilient communities, to support the 2015 UN Sustainable Development Goals (SDGs) and to support the global COP 21 Climate Change Accord to limit global temperature increases to 2 degrees Celsius. By establishing and growing an organisation that is concentrated on broadening and deepening the impact bond market, we believe impact investing can become a significant focus of the \$100tn global debt market¹. We promote robust verification, reporting and active engagement to ensure repeatable performance and sustainable impact.

ESG Integration

Our goal is to invest in fixed income and cash instruments that deliver both competitive returns and effect positive environmental and social consequences. We believe that environmental, social and governance (ESG) issues are critical and can influence investment risk and return. Therefore, we integrate ESG considerations into our investment analysis through a robust and disciplined approach involving in-depth credit research and sustainability verification of both issuers of bonds and issues.

We analyse all green, social, sustainable, and aligned bonds for their adherence to our ESG criteria. Issuers and issuances must meet the SPECTRUM Bond® criteria to be eligible for the investment universe that is used to build AIM portfolios. The SPECTRUM Bond® eligibility criteria are:

SUSTAINABLE	Aligned with our purpose to support the UN SDGs and Paris Climate Change agreement.
POSITIVE EXTERNALITY	Positive Environmental and/or Social Externalities are associated with their issuance.
CREDIT	Issuers must be Credit worthy from a financial and broader environmental, social and governance (ESG) perspective.
TRANSPARENCY	Clear and Transparent investment policies and processes on reporting and disclosure.
RESPONSIBLE	Responsible issuers with strong integrity and standards, as well as a clear commitment to a sustainable business model.
USE OF PROCEEDS	Ability to determine Use of Proceeds to assure funded activities meet the AIM criteria.
MATERIAL IMPACT	All securities must offer mainstream market yields and provide reporting on the Material & Measurable environmental and social impacts.

We believe that it is equally important to apply ESG analysis to issuers of bonds as it is to bond projects. ESG factors include, among others, labour standards and relations, board diversity, equality of opportunity, human rights, global supply chain management, diversity, marketing practices (including demand-side management to shape responsible consumption), corporate governance, business ethics and integrity.

AIM's ESG analysis is framed under defined sustainability-focused environmental and social sector criteria for our eligible investment universe on a positive selection basis. The environmental sectors include energy, resource efficiency, physical infrastructure, land management, water resource management, and marine environment and fisheries. The social sectors include global health, financial inclusion and sustainable enterprises, education, training & employment, food security, empowerment of women and girls, and social housing. AIM may reassess these criteria, particularly when there is new information or emerging global challenges come forward.

Our SPECTRUM Bond® process is aligned with the 17 **US Sustainable Development Goals**, which aim to eradicate poverty, fight inequality and tackle climate change. Goal 17: Partnership for the Goals, includes private sector engagement in sustainable development, particularly in developing countries, which is core to AIM's mission.

ESG Engagement

Engagement with issuers, including corporates, governmental agencies, non-governmental agencies, sovereigns, and supra-nationals, is core to our process throughout every stage of our SPECTRUM analysis. It is the bedrock of our business and underpins our investment process. We work with key stakeholders to support asset class growth and to ensure quality impact measurement. We actively engage with the market to promote the development and maintenance of standards that will ensure a high level of transparency and a clear ongoing commitment.

ESG Avoidance Criteria

We seek to avoid investing in bonds with major recent or ongoing material ESG controversies related to activities funded with proceeds. We also avoid corporate issuers significantly involved in tobacco, weapons and gambling.

Impact Reporting

We deliver an Impact Report for each portfolio, which includes portfolio alignment with UN SDGs and an assessment of portfolio Greenhouse Gas Emissions avoided. Our impact reports are based on on-going engagement, including in ESG issues, and impact data collection from issuers and expert sources. For example, we developed the Carbon Yield metric with ISS Ethix and Lions Head Global Partners, funded by The Rockefeller Foundation.

Industry Leadership

We are a signatory to the Principles for Responsible Investment (UN PRI). We have in place a formal governance structure that aligns our investment processes with the goals of the responsible investment movement. In addition to the PRI, our commitment to responsible investment is evident through our participation in prominent market and industry investor groups, ICMA Green Bond Principles, US SIF: The Forum for Sustainable and Responsible Investment, and Climate Bonds Initiative. Our partners and team members are widely required to present on the subject and participate in industry workshops.

Commitment to Sustainability, including Diversity and Inclusion

We are committed to applying to ourselves the same high standards that we use in our selection of investments. We invest in alignment with our values. We strive for social and environmental best practice in our daily operations and hold our governance practices to strong principles of integrity and transparency whilst offering a high quality, fair value service to our clients. Our company operations have a carbon neutral footprint. We seek to facilitate an environment that embraces diversity and inclusion. As of March 2018, more than 50 percent of the partners are women. Additionally, we foster international cultures and languages.

For more information about our ESG policies, contact Judith Moore at Judith.moore@affirmativeim.com or visit www.affirmativeim.com

Signed by the Board of Directors



Stuart Kinnersley, Managing Partner

¹Source: BIS