

AIM US\$ Liquid Impact Fund LLC

2021 Impact Report



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Management commitment to impact

Message from Affirmative Investment Management (AIM)

AIM is proud to release the third annual Impact Report produced for AIM US\$ Liquid Impact Fund (“the Fund”). In doing so, we continue to deliver on our mission to generate mainstream financial returns with environmental and social impact. Our core values of transparency and integrity are at the heart of our verification, portfolio management and impact reporting. Our Impact Reports are recognised to be best-in-class which is a testament to the expertise of our in-house sustainability team and our investment in our proprietary ARCH database.

This report is the culmination of our comprehensive impact verification assessment and depth of expertise. We are pleased to achieve a coverage ratio of 98% of fund holdings. Over the 2020 reporting period, the fund invested in 21 impact bond frameworks, supporting 860 projects worldwide. During the year, 110 countries received disbursements from the projects funded, over 56% of the globe. The Fund supported 15 of the 17 UN Sustainable Development Goals (SDGs).

Each year we continue to innovate in order to advance the growth and integrity of impact measurement and reporting. This year we have expanded our physical risk analysis, which builds on our work with South Pole, and further enhanced our reporting in line with the Taskforce on Climate-Related Financial Disclosures (TCFD). In this report, 83% of the Fund is subject to the TCFD-aligned Weighted Average Carbon Intensity Assessment (WACI).

We continue to receive external recognition for our role as an impact industry leader. We are delighted to have received the Morningstar ESG Commitment Level of Leader, and to have been awarded an A+ rating by the PRI across all modules in the 2020 reporting period, the highest rating that can be achieved.

Finally, we are pleased that our impact reporting continues to be recognised as world-leading. At the recent Environmental Finance Bond Awards, AIM won 'Impact report of the year for investors' and at the 2020 Environmental Finance Sustainable Investment Awards we were presented with the award for 'Best sustainability reporting by an asset manager medium and small (fixed income)'.

We thank you for your ongoing support and are excited to continue to work with the market to deliver financial returns with impact.



Morningstar ESG
Commitment Level of Leader.
For AIM – May 2021¹

'Best sustainability reporting by an
asset manager medium and small
(fixed income)' at the Environmental
Finance Sustainable Investment
Awards (2020)



¹Please refer to the disclaimers page at the end of this document for Morningstar disclaimer

AIM US\$ Liquid Impact Fund by Numbers

21

Impact bond frameworks

860

Projects/initiatives partially or fully supported by impact bonds held in the portfolio

110

Countries receiving impact bond commitments and disbursements

15/17

Sustainable Development Goals supported

5/6

Environmental sectors supported¹

4/6

Social sectors supported²

98%

Of the portfolio covered in this report

83%

Subject to TCFD-aligned Weighted Average Carbon Intensity assessment

99%

Of the 2020 portfolio in impact bonds³

53%

Of the portfolio covered in GHG analysis

1.46%

Annualised net return⁴

US\$41m

Funds under management⁵



AIM US\$ Liquid Impact Fund impact highlights

To calculate these impact highlights, we collected data, engaged with issuers and conservatively estimated the impact from the funded activities, adjusted for the 2020 holdings. These figures only begin to tell the story of the Fund's impact, as issuers were not always able to provide complete data on all their funded assets. Later in this report we complement this quantitative impact data with qualitative project case studies.



4,300 tCO₂e

Avoided per year

Equivalent to the carbon sequestered by over 71,000 tree seedlings growing for 10 years¹



106 tCO₂e

Avoided per US\$1m invested per year
This equates to 98% GHG emissions savings



3 tCO₂e /US\$m revenue

Weighted Average Carbon Intensity (WACI)
The Bloomberg Global Aggregate Bond Index's WACI is approx. 225tCO₂e/US\$m revenue



124

Clean energy generation projects across 42 countries
In 2020, global renewable generation capacity increased by 261GW.² Clean energy investment needs to more than triple to approx. US\$4tn by 2030³



5,500 MWh

Estimated MWh clean energy generated⁴
Enough electricity to power over 1,470 UK homes for a year⁵



148,000m³

Water treated each year
Equivalent to over 59 Olympic-sized swimming pools⁶



1,900m²

Green buildings by floor area
Equivalent to 7.5x the size of AIM's London office⁷



2,790

Jobs retained/created



37,620

Children immunised
Across 90 developing countries



¹See Annex 1 for details of AIM Taxonomy and the eligible environmental sectors
²See Annex 1 for details of AIM Taxonomy and the eligible social sectors
³The remaining 1% was cash
⁴Inception to 30 June 2021
⁵As at 30 June 2021

¹Calculated with the EPA's greenhouse gas Equivalencies Calculator at <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>
²IRENA (2021), Renewable Capacity Highlights
³Estimate based on portfolio-weighted clean energy installed capacity using IRENA Renewable Energy Capacity Factors, IRENA, Renewable Power Costs 2020, 2021
⁴EA, Net Zero by 2050: a roadmap for the global energy sector
⁵BEIS (2020) Energy Consumption in the UK (ECUK) 1970 to 2019. According to this paper, in 2019 the average UK household uses 3,731kWh per year
⁶An Olympic swimming pool holds approx. 2,500m³
⁷AIM office is approx. 254m²

Fund SDG alignment

AIM US\$ Liquid Impact Fund supported 15 of the Sustainable Development Goals (SDGs) that set out a blueprint for peace and prosperity for people and the planet.¹

The portfolio-weighted impact bond commitments were most aligned with SDG 7: Affordable and Clean Energy, SDG 11: Sustainable Cities and Communities, SDG 13: Climate Action, and SDG 9: Industry, Innovation and Infrastructure.

At AIM, we complete our own tagging of funded projects and activities to the SDGs they support. This allows us to implement a consistent view on which SDGs are supported by which projects or activities, ensuring that we review critically the issuer's tagging to underlying SDGs. As the largest share of holdings are in climate-related green bonds, it is unsurprising that the heaviest concentrations fall to a number of the climate-related SDGs.

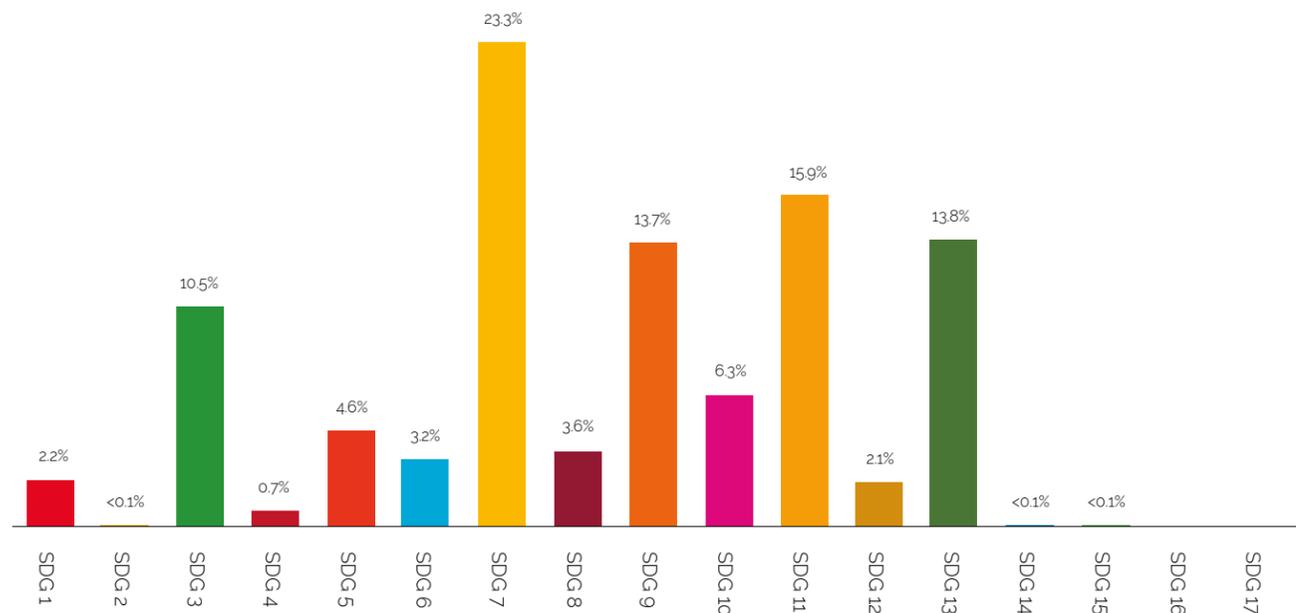
Projects frequently support more than one goal—for example, we tagged the World Bank's Coral Reef Rehabilitation and Management Programme in Indonesia as supporting SDG 14: Life Below Water, SDG 13: Climate Action, and SDG 6: Clean Water and Sanitation. The objective of the Indonesian coral reef rehabilitation programme is to implement a viable, decentralised and integrated framework for sustainable management of coral reef resources, associated ecosystems and biodiversity to generate positive impact for the health of the reefs and the welfare of local communities.²

The project case studies (page 31) provide more examples showing how projects often support more than one SDG, and illustrating some of the types of projects funded.

Although not included in the chart below, which accounts only for impact bond funded activities, AIM's investment ethos and company DNA is aligned to Goal 17, which includes private sector engagement in sustainable development, particularly in developing countries. SDGs 16 and 17 were not supported by projects and initiatives funded, this is a result of the types of projects that we commonly see receiving allocations from labelled bonds. There are very few that support peace, justice and strong institutions or partnerships for the goals.



AIM US\$ Liquid Impact Fund 2020 SDG Alignment (Portfolio-weighted, USD equivalent)



Impact bond verification overview

S Sustainable
Aligned with our purpose to support the SDGs and Paris Agreement on climate change

P Positive Externalities
Positive environmental and/or social externalities associated with the issuance

E Ethics & Issuer Conduct
Issuers must have appropriate governance, policies and operational conduct

C Credit
Issuers must have a strong financial structure

T Transparent
Issuers with clear and transparent reporting and disclosure

R Responsible Issuer
Issuers with strong integrity and environmental and social standards, as well as a clear commitment to a sustainable model

U Use of Proceeds
Ability to determine use of proceeds to assure funded activities meet our criteria

M Material & Measurable
Issuers with reporting on material and measurable environmental and social impact

AIM US\$ Liquid Impact Fund

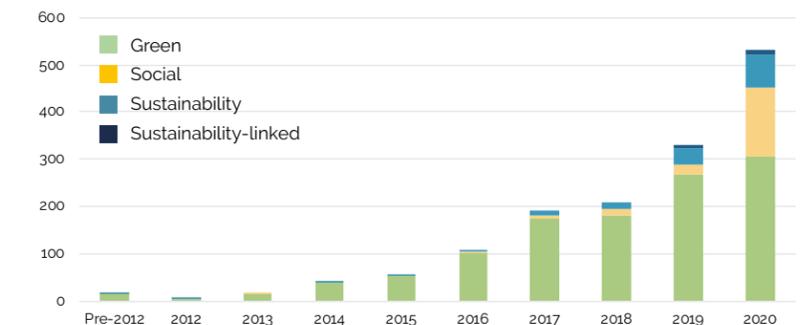
The AIM US\$ Liquid Impact Fund was launched in May 2018 and seeks to provide capital preservation with high liquidity through investing in quality, short-dated bonds and cash instruments, denominated in US dollars, targeting a yield above cash deposits and generating a positive environmental and/or social impact.

The Fund is a diversified investment grade portfolio investing for the medium to long term. Its investable universe consists only of issuers and issues that meet strict environmental, social and governance, and impact criteria.

About AIM

At AIM, our vision is to mobilise mainstream capital to address the major challenges the world faces. We manage fixed income portfolios that generate positive environmental and social impact, without compromising financial returns. We invest for impact, with all investments supporting the Paris Agreement and/or the SDGs.

We designed our proprietary SPECTRUM Bond® analysis framework to independently verify impact bonds, which include issuer self-labelled, use-of-proceeds green, social and sustainability bonds, and unlabelled pure play bonds. Within our verification process, we include both sustainability and credit assessments, analysing both the issuer and bond issue.



Labelled sustainable debt issuance continued to grow during 2020, with total issuance reaching US\$732bn according to Bloomberg New Energy Finance (BNEF).¹ Increased issuance of social bonds was one of the growth drivers of 2020, demonstrated by their increasing market share (see graph above). As the market reacted to the coronavirus pandemic, we saw the emergence of Covid-19-related bonds. The proceeds from Covid-19 bonds tend to be used for employment support or healthcare-related projects; their classification alongside social bonds therefore bolstered the growth of social bonds in the labelled market. Issuance of social bonds jumped sevenfold in 2020.

Another emerging trend in 2020 was the issuance of Sustainability-Linked Bonds (SLBs). Although total issuance remains small, SLBs have garnered considerable attention and the market continues to grow in 2021. In June 2020, the International Capital Markets Association (ICMA) published its Sustainability-Linked Bond Principles for the first time, providing a framework to which SLB issuers could adhere. SLBs highlight the growing importance of target-setting at the issuer level, both independently and through verification initiatives such as the Science-Based Targets Initiative.

Targets are being more widely and clearly articulated by issuers, with the best issuers setting long term and interim targets towards decarbonisation. Issuer impact reporting is also improving as issuers get more familiar with what is expected from them.



²Coral Reef rehabilitation and Management Program – Coral Triangle Initiative (COREMAP-CTI). <https://projects.worldbank.org/en/projects-operations/project-detail/P127813>

³Coverage ratio of 68% of 2020 average portfolio holdings

Source: Issuer Impact Reports

¹BNEF, Sustainable Debt Breaks Annual Record Despite Covid-19 Challenges (January 11th 2021). <https://about.bnef.com/blog/sustainable-debt-breaks-annual-record-despite-covid-19-challenges/>

Positive selection vs negative screening

As the impact and sustainable investing markets expand and develop, different investors are employing different investment selection strategies. The Global Sustainable Investment Alliance provides a helpful characterisation of these different approaches.¹ Approaches do not have to be applied in isolation from each other. Here we compare two; negative screening and positive.

At AIM, we use our proprietary SPECTRUM Bond® analysis to assess the impact of issuers and issues. SPECTRUM is predominantly a positive selection methodology, but it also incorporates elements of the other approaches detailed below.

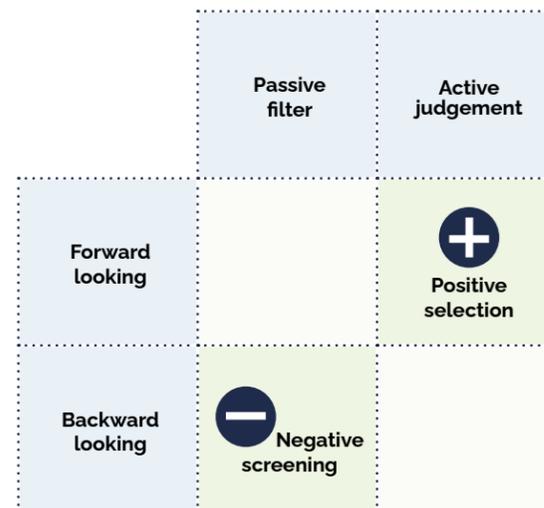
Approach	Definition
Negative screening	The exclusion of certain sectors, companies or practices
Positive selection	Investment in sectors, companies or projects selected for positive performance
Norms-based screening	Screening of investments against minimum standards of business practice based on international norms e.g. United Nations Global Compact
Environmental, Social and Governance (ESG) integration	The systematic and explicit inclusion of ESG factors into analysis
Sustainability themed investing	Investment in themes or assets specifically related to sustainability
Impact/community investing	Targeted investments aimed at solving social or environmental problems, where capital is directed to underserved communities and businesses with a social or environmental purpose
Corporate engagement and shareholder action	The use of engagement or shareholder power to influence corporate behaviour

What is negative screening?

Negative screening relies on exclusionary criteria and filters. Thresholds are applied based on various data points, and organisations are assessed for compliance with the exclusionary screens. Organisations breaching any screens are excluded from the investment universe. It is a passive screen based on historical data, that is only as good as when last updated.

What is positive selection?

Positive selection for impact investment involves a detailed assessment of a potential investment in order to understand its environmental, social and governance performance and the impacts—desired and undesired; direct and indirect—that could be associated with that investment. It requires detailed research and engagement with the organisation under assessment. It is an active, forward looking approach and is judgement based.

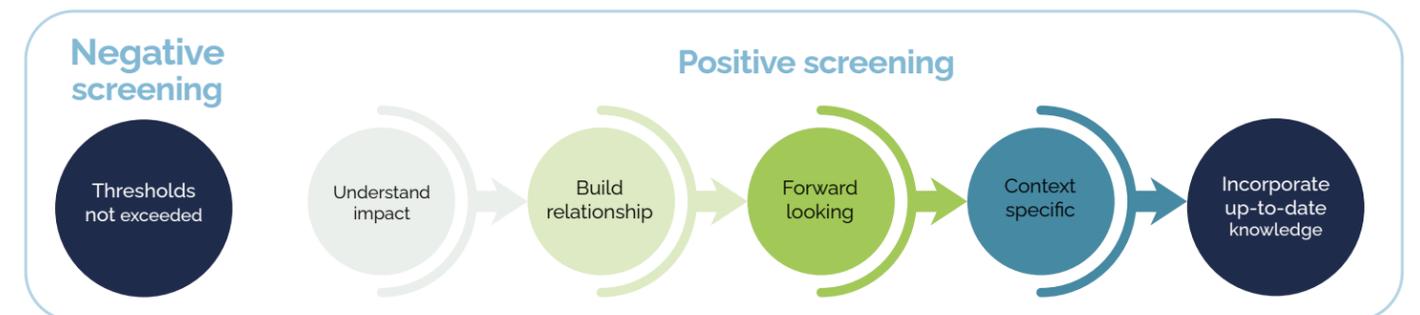


The pros and cons

Negative screening allows an investor to robustly apply chosen ethical views across holdings without subjectivity, but it also removes the context specific, judgement-based element of the research. It filters out unsavoury activities, but it does not go further by selecting investments that are likely to have positive impacts. Negative screening is a relatively quick check and can be automated depending on access to third party data. However, it is based on a point in time dependent on the data available. At best it reflects up-to-date data, but it is not a forward-looking tool. The result of negative screening is a binary outcome, entities are either included or excluded. Negative screening tends to apply the same thresholds across all investments. This can be both a pro and a con. It results in consistency across all issuers/issues assessed. However, a consistent screening threshold is not always the best approach to take. It removes the ability to make a judgment-based context specific decision about the most effective assessment tools to employ. Negative Screening requires a strong data set with good availability or disclosure of KPIs across the opportunity set. A challenge for a varied market like the impact bond universe.

Positive selection for impact investments ensures that all investments meet the highest standards and generate measurable, positive social and environmental impacts. It allows a context specific approach to be taken and promotes detailed research, giving a better understanding of the issuer from an intended impact and externality point of view. The analyst must take a multi-layered approach, as it requires research on specific parts of an organisation and a review of the organisation from a holistic point of view. Positive selection lets the analyst assess based on current performance and direction of travel, i.e. transition strategy. Engagement with the issuer often forms a useful part of this research, allowing relationships to build. This also creates accountability between the investor and the issuer as goals and milestones will be discussed. It is a nimble approach, meaning that assessments can incorporate evolutions in the market, sector knowledge, and technology as they happen. Positive selection allows judgement to be made based on the direction an organisation is travelling in, whereas negative screening assigns a judgement based on past performance. It is a more time-consuming process that requires deep expertise, but the result is a detailed understanding of the investment. The outcome of positive selection allows entities researched to be placed on a performance scale.

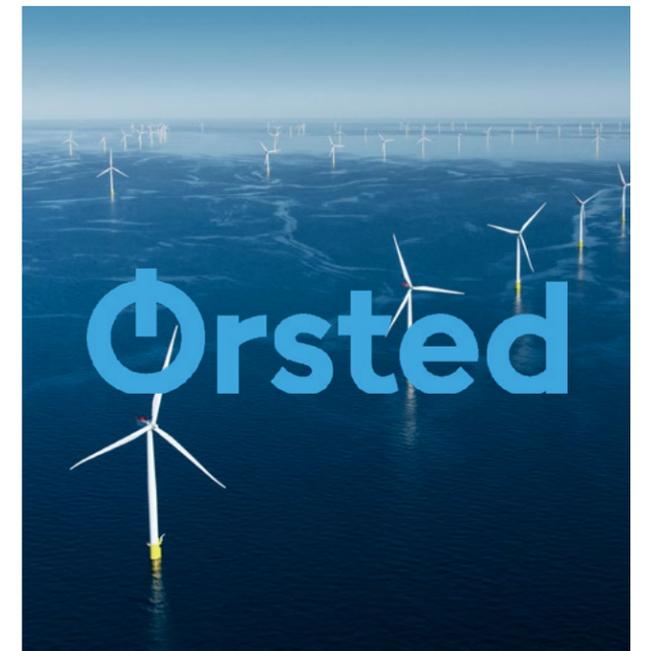
Depth of research



Example: Ørsted

Ørsted was once one of the most coal-intensive energy companies in Europe, but has now transitioned to become a leading renewable energy company. This year, it ranked #2 (in 2020 #1) in Corporate Knights' index of the world's most sustainable corporations, and received a AAA rating from MSCI ESG Ratings and a B+ from ISS ESG (ranking it #1 among electric utilities).² Ørsted is a longstanding green bond issuer and publishes an annual green bond report and annual sustainability report that update us on its use of proceeds from its green bonds, associated impact metrics, and any new or updated company targets.³ For example, in 2017 Ørsted had a stated target of achieving 95% of generation from renewables by 2023. It has subsequently updated that target to carbon-neutral energy generation by 2025 and is well on its way to meeting its 2023 target with 92% of power generation from renewable sources in 2019.⁴

Relying on a negative screen on Ørsted in 2017 (when it first published its green bond framework) would have been likely to conclude the company should be excluded from an impact universe. At the time it had a power generation mix of 15% coal, 13% natural gas, 51% wind and 21% biomass, therefore exceeding thresholds we commonly see for coal-based power generation.⁵ However, positive selection and in-depth research would have recognised that Ørsted was committed to a low-carbon transition, had a track record of positive progress that looked set to continue, had stated targets relating to decarbonising and therefore was a good candidate for inclusion in an impact universe.



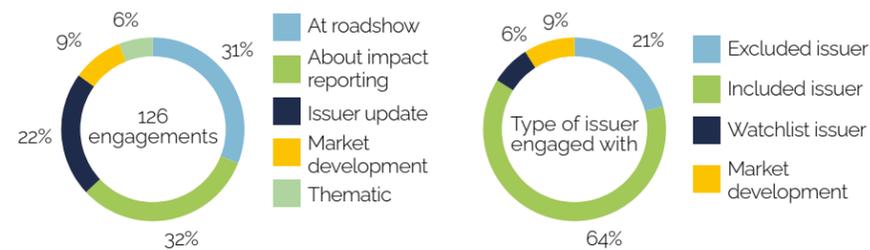
Conclusion

Negative screening is becoming increasingly common, particularly among asset owners, rating agencies and consultants, as it is an easy way to ensure that ESG values are being applied to investments. However, negative screening alone does not ensure that positive environmental and social impact is delivered. To achieve this, the more nuanced, in-depth and forward looking approach of positive selection is needed. We believe this approach serves our clients better and delivers on our undertaking to manage fixed income portfolios that generate positive environmental and social impact, without compromising financial returns.

Engaging for impact

We view engagement as an integral part of impact investing and we actively engage with impact bond issuers, intermediaries and other market players to promote high-impact ambition, robust disclosure and transparency, and strong performance outcomes. We predominantly engage with SPECTRUM included issuers, but as the chart below on the right shows, we also engage with SPECTRUM excluded issuers:

Topics and types of SPECTRUM issuer that the Sustainability Team engaged with 2020-2021¹



Our sustainability team's engagement with the impact bond market can be summarised in five ways

1. Engaging with issuers at roadshow

- **What?** Engaging with issuers at roadshow to gain further details on their framework such as choice of eligibility criteria, commitment to impact reporting, and on their ESG-related policies and performance. This includes issuers that end up being SPECTRUM include, exclude or watchlist.
- **Why?** Conversations with issuers build relationships and provide additional insights such as decisions around the construction of the framework, impetus to issue labelled bonds, and extent of integration, ambition and commitment to a strong ESG profile.

2. Engaging with issuers about impact reporting

- **What?** During our annual impact reporting, we engage with held issuers to confirm details or get further information related to the allocation and impact of their labelled bonds.
- **Why?** Impact reporting is not yet harmonised, and engagement can give us a better understanding of the reported allocation and impact data and methodologies used by the issuer.

3. Updates/thematic engagements with issuers

- **What?** As necessary, we will engage with issuers on a specific theme or issue. For example, this could be a particular theme we want to learn more about, a controversial project that has been financed through a labelled bond, or an issuer-level ESG concern.
- **Why?** Raising any concerns with an issuer allows us to understand their perspective and response and work that into our evaluation of the issuer.

4. Market development engagements

- **What?** We participate in market initiatives and working groups, support collaborative investor statements and respond to investor surveys.
- **Why?** This is an effective way to encourage best-practice development of the impact investing market, particularly as collaborations increase the weight of our voice. Working groups also provide important learning opportunities for our team.

5. Engaging with intermediaries

- **What?** Brokers often contact us with questions about issuer best practice or feedback on labelled bond frameworks or the quality of issuer impact reporting.
- **Why?** Providing feedback on frameworks and reporting is an important way to improve market practice. In addition, building relationships with brokers is helpful as they can provide introductions to issuers and supply information about market developments.

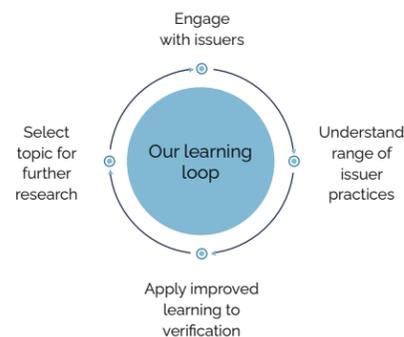
Thematic Engagement: Adaptive capacity to climate change

This year, we engaged with several issuers with use of proceeds to renewable energy projects to understand how they evaluate the possible risks presented by different climate warming scenarios, and how they are managing or adapting correspondingly. This formed part of the physical climate risk assessment that we undertook with South Pole (described fully on pg. 26).

For this engagement we spoke to a selection of held issuers asking a standard set of questions in semi-structured interview style. The engagement covered:

- Physical climate risk and vulnerability identification
- Risk and adaptation management
- Monitoring processes
- Residual risk identification and monitoring
- Transparency and disclosure

This exercise formed a key part of the physical risk assessment. It also resulted in informative dialogues with issuers that improved our team's understanding of the ways that different issuers identify and adapt to the risks presented by future climate change.



Recent market development engagements:

- o The European Commission conducted a review of the sustainable investment data, ratings and research market. We completed the corresponding survey.
- o Completed ICMA's social and transition bond surveys.
- o The Grantham Institute, Impact Investing Initiative and Green Finance Institute initiated an investor letter to the UK Prime Minister asking for a sovereign green bond. We signed in support of this request and shared within our networks.
- o Various virtual speaking events:
 - SEBs Covid recovery conference
 - NatWest Markets' 'What ESG investors want' panel
 - Portfolio Construction Forum: discussion on going beyond ESG investing
 - ESG Investing's Climate Risk Metrics conference
 - Swedbank's 'Investing in a 1.5C world' panel
 - Environmental Finance's 'Green bond impact reporting – shining a light on best practices' webinar

Partnerships for impact

Since inception, we have collaborated with other industry leaders to promote the impact bond market. In order to fulfil our vision to mobilise capital at scale, to meaningfully address the major challenges the world faces, we cannot go it alone.

Some of our key partnerships are:

Carbon Yield© and ISS ESG



In 2016, we co-developed the Carbon Yield© metric and methodology 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 and, in 2018, published a case study in collaboration with ISS ESG on our experience of applying the methodology.

Climate Bonds Initiative Climate Bonds

Since 2015, we have been a partner of the Climate Bonds Initiative (CBI). CBI is an international organisation working solely to mobilise the largest capital market of all, the \$100 trillion bond market, for climate change solutions.

Colonial First State (CFS)



Since 2018, we have partnered with CFS, one of Australia's leading wealth managers, which has helped over 1 million Australians with their superannuation, investment and retirement needs, from 1988. The product of this alliance is the Affirmative Global Bond Fund—a vehicle that seeks to engage investors to deliver funding for real solutions to global environmental and social problems.

FAIRR Initiative



Since 2019, we have been members of the FAIRR network. 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. FAIRR helps investors to exercise their influence as responsible stewards of capital to engage and safeguard the long-term value of their investment portfolios.

Impact Investing Institute



In 2021, we commenced our partnership with the Impact Investing Institute ('Institute'). The Institute's mission is to accelerate the growth and improve the effectiveness of the impact investing market in the UK and Internationally. The Institute is at the forefront of the emerging consensus that capital can and should deliver for people and planet.

ICMA Green, Social, Sustainability and Sustainability-Linked Bond Principles

Since 2015, we have been a member or observer of the ICMA principles, starting with the Green Bond Principles, which were the first to be developed. The principles are widely used voluntary process guidelines that recommend transparency and disclosure, and promote integrity in the development of the impact bond market.

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, bridging the perspectives of investment, grantmaking, business, non-profits, social science, evaluation, wealth management, policy, standards bodies and accounting.

Lombard Odier Investment Managers



Since 2017, we have partnered with Lombard Odier Investment Managers. The LO Funds – Global Climate Bond is a result of this partnership. Lombard Odier Investment Managers is the asset management business of the Lombard Odier Group, which has been wholly owned and funded by its partners since its establishment in 1796.

Partnerships for impact

Principles for Responsible Investment (PRI)



Since 2016, we have been a signatory of the PRI. The PRI is an independent organisation and is the world's leading proponent of responsible investment. It works to understand the investment implications of environmental, social and governance (ESG) factors, and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

South Pole



Since 2017, we have been a partner with South Pole, a leading provider of global sustainability financing solutions and services. We collaborated with South Pole to review a TCFD-aligned physical risk assessment tool and applied it across all our portfolios. The tool is forward-looking and examines three forms of green bond issuers' exposure to physical climate risks under four warming scenarios, 1 to 4°C.

Stockholm Declaration

Since 2017, we have been a signatory of the Stockholm Declaration. Co-led by GRI and UN Global Compact, and supported by the PRI, our allegiance to this document reaffirms our commitment to investing for sustainable development, sustainable impact and towards the 2030 Sustainable Development Goals.

Net Zero Asset Managers Initiative

In 2021, we became a signatory of the Net Zero Asset Managers Initiative. The Net Zero Asset Managers initiative is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner.

Responsible Investment Association Australia



Since 2020 we have been a member of the Responsible Investment Association Australia (RIAA). RIAA champions responsible investing and a sustainable financial system in Australia and New Zealand. RIAA has over 350 members managing more than A\$9 trillion in assets across the globe. RIAA's mission to promote, advocate for, and support approaches to responsible investment that align capital with achieving a healthy and sustainable society, environment and economy. Our Affirmative Global Bond Fund in Australia is certified by RIAA.

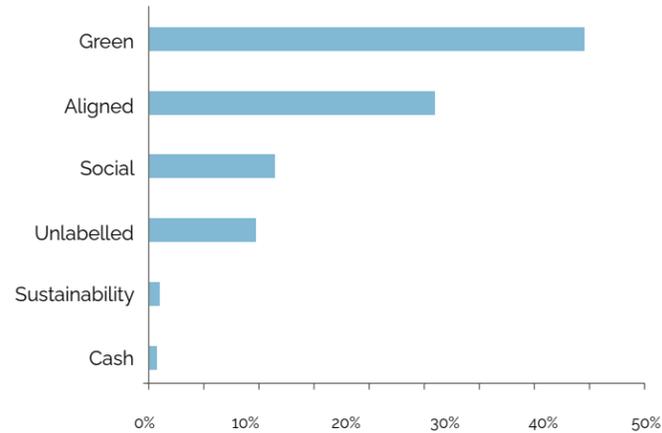
Portfolio

Deep dive

Portfolio composition

In line with our corporate mission for all investments to support the Paris Agreement and Sustainable Development Goals, the portfolio was 99% invested in impact bonds in 2020. The remaining 1% was cash.

AIM US\$ Liquid Impact Fund 2020 Portfolio Holdings by Bond Type



Green	labelled use-of-proceeds bonds permitting investment in environmental sectors
Social	labelled use-of-proceeds bonds permitting investment in social sectors
Sustainability	labelled use-of-proceeds bonds permitting investment in environmental and social sectors
Unlabelled	bonds from issuers with approximately 95% of revenues aligned to the AIM environmental and social taxonomy (see Annex 1)
Aligned	bonds from responsible issuers with over 50% of revenues aligned to the AIM environmental and social taxonomy

98%

of 2020 Portfolio

For this report, we were able to collect use-of-proceeds data for 68% of the 2020 portfolio and summarise the funded activities of SPECTRUM-aligned holdings (30% of the 2020 portfolio) on page 38, resulting in overall coverage of 98% of 2020 holdings.

Reflecting the portfolio's concentration in green bonds (44%), the 2020 portfolio largely supported climate change mitigation-focused activities (71% of portfolio-weighted proceeds).

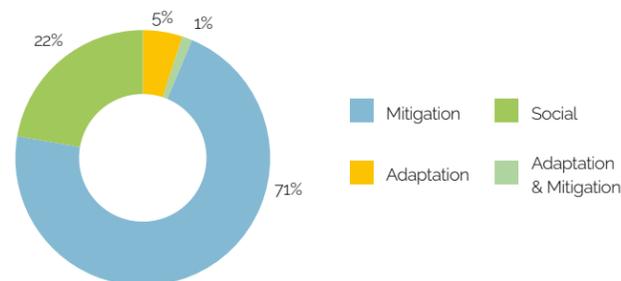
Climate change mitigation and adaptation are both core to the landmark 2015 Paris Agreement. We seek investments in both climate change mitigation and adaptation, as a combination of the two strategies is necessary to respond to climate threats.

Ambitious mitigation efforts are essential to reduce greenhouse gas (GHG) emissions to a level that will keep temperature increases to well below 2°C, as laid out in the Paris Agreement. Projects with a mitigation impact focus might include those relating to renewable energy, clean transport, or energy-efficient buildings. Adaptation efforts are needed so that infrastructure, communities and ecosystems can cope with the changes in weather—particularly increased extreme weather events—that locked-in climate change will bring. For example, these might be projects related to flood defences or water management. Adaptation-related activities continue to be under-represented in the green finance market when compared to mitigation-related activities.

Part of the challenge of increasing the representation of adaptation-related projects is identifying them. Guidance and thresholds for identifying mitigation projects are more widely developed and have been available for longer than for adaptation-related projects. However, the EU Taxonomy does provide guidance on identifying substantial contribution to adaptation, which could help bring more adaptation-related projects to the labelled bond market.¹

In addition to supporting climate-related projects, approximately 22% of portfolio-weighted proceeds were allocated to socially focused projects.²

AIM US\$ Liquid Impact Fund 2020 Impact Focus (portfolio-weighted, USD equivalent)



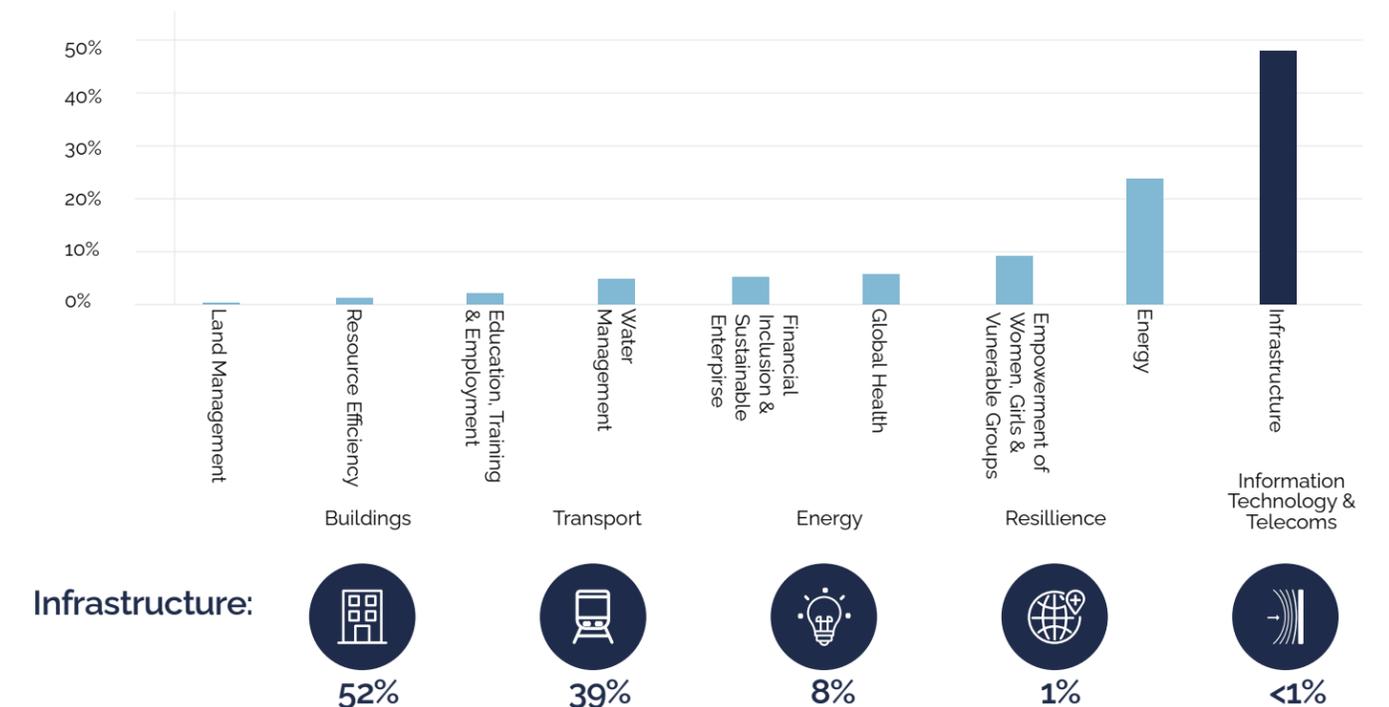
Portfolio sector distribution

The Fund invests in a range of environmental and social sectors that support the Paris Agreement, climate resilience and the Sustainable Development Goals (SDGs). (See Annex 1 for examples of AIM-eligible sectors.)

In 2020, the top three sectors that impact bond proceeds were allocated to included environmentally and socially focused sectors

48% Infrastructure	Hard and soft infrastructure promoting inclusive, climate-resilient, low carbon built environment; for example, clean transport networks, green buildings, resilience measures, information and communication technology.	Over 1,900m² of buildings (by floor area) constructed/refurbished to higher energy efficiency standards
24% Energy	Renewable energy generation, modern energy access, energy storage and energy efficiency technologies.	124 clean energy generation projects supported. Generating over 5,500 MWh of power
9% Empowerment of women, girls & vulnerable groups	Activities promoting gender equality or social services to support protection and resilience of vulnerable groups	Supported projects helping vulnerable groups in 33 countries

AIM US\$ Liquid Impact Fund 2020 Sector Distribution (Portfolio-weighted, USD equivalent)



Geographic distribution

AIM US\$ Liquid Impact Fund invested in impact bonds supporting activities in 110 countries.

The Fund has a global footprint, reflecting our commitment to global sustainable development.

51% of portfolio-weighted impact bond commitments were made within developed markets and 27% within emerging markets. 22% were classified as global - the global category refers to projects/activities occurring across developed and emerging markets.

29% of 2020 portfolio-weighted supported projects were in developed Europe, followed by 18% in East Asia and 10% in North America.

The top three countries by portfolio-weighted use of proceeds were the Norway, Sweden and Canada.

Kommuninvest
Sweden

- Creation of Botkyrka stormwater parks
- Prevention of 210,000 cubic metres of stormwater discharge per annum

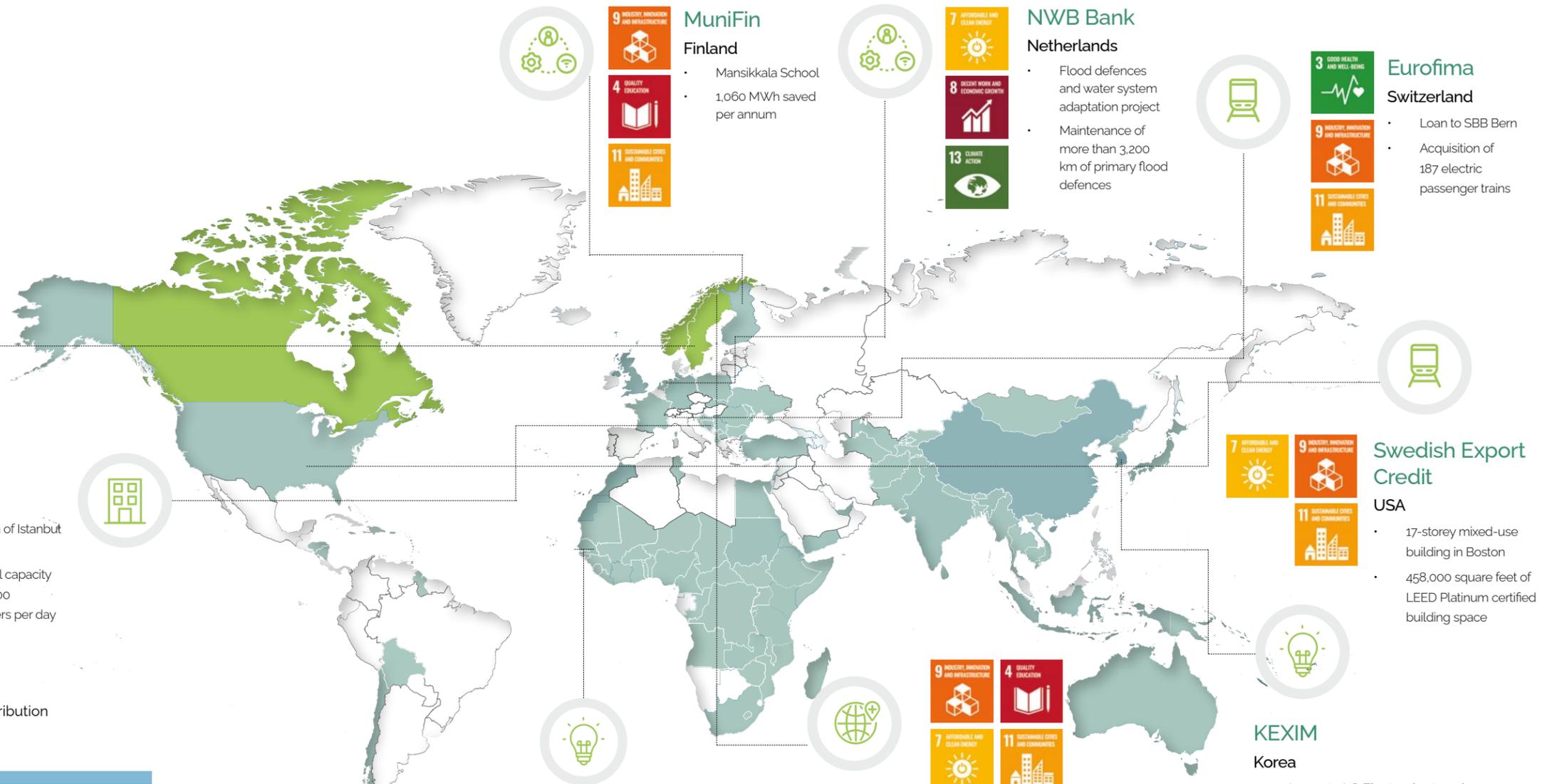
IFFIm
Global

- COVAX Covid-19 vaccines project
- Over 95 million doses shipped to low-income countries

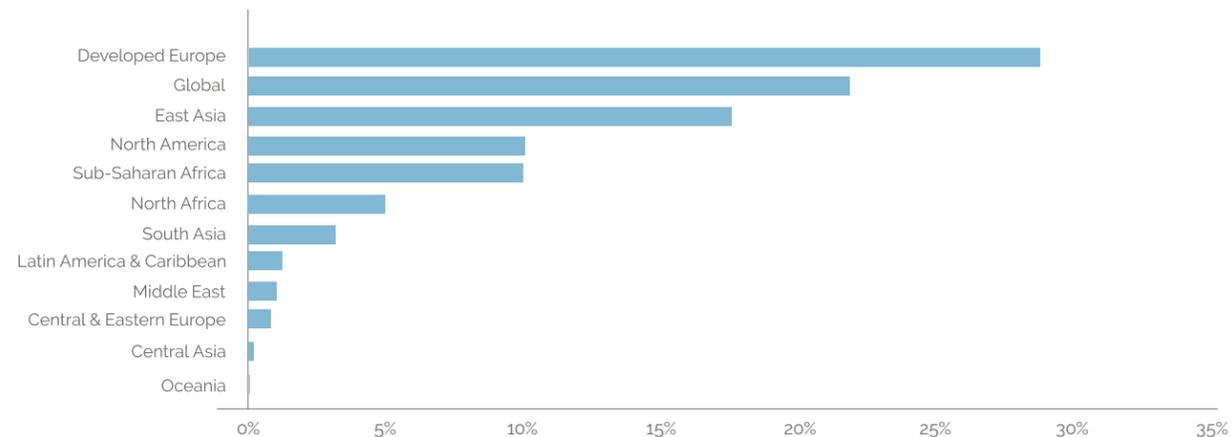
EBRD
Turkey

- Extension of Istanbul metro
- Additional capacity for 350,000 passengers per day

AIM US\$ Liquid Impact Fund 2020 map of project commitments² Example supported projects (see project for more detail)



AIM US\$ Liquid Impact Fund 2020 Geographic Distribution (portfolio-weighted, USD equivalent)³



AfDB
Morocco

- Railway infrastructure reinforcement project
- 18 million tCO₂e avoided per annum

KBN
Norway

- New Horten Upper Secondary School
- 581,500 kWh energy generated per annum by on-site solar panels

Project Commitments



A green recovery

The global Covid-19 pandemic is an unprecedented event, and an equally unprecedented recovery will need to follow. The stimulus packages that have been implemented thus far can be characterised in two stages. The first phase was the 'rescue' phase, in which spending was primarily deployed to bolster healthcare provision, keep people employed, and keep businesses afloat. The second phase will be the 'recovery' phase, in which nations will switch focus to building forward. It is imperative that this recovery effort is undertaken with a climate change lens. If we are to keep global warming to 'well below 2°C, as the Paris Agreement states, this recovery needs to be a green recovery.

What is a green recovery?

A green recovery is one that 'builds back better' or, as we prefer, 'builds forward' to reimagine the future by cutting CO₂ emissions and reducing environmental harm while boosting the economy. This is not just about greening the energy system; it also entails greening transport, buildings and industry, creating a circular economy, and investing in nature-based solutions and biodiversity. Collectively, global Covid-19 stimulus measures have had a net negative environmental impact. By February 2021, globally US\$14.9tn total stimulus had been announced, of which only US\$1.8tn was green.¹ This continues to grow: in March 2021, the US announced one of its largest economic interventions since the Second World War: a US\$1.9tn stimulus programme—the American Rescue Plan.²

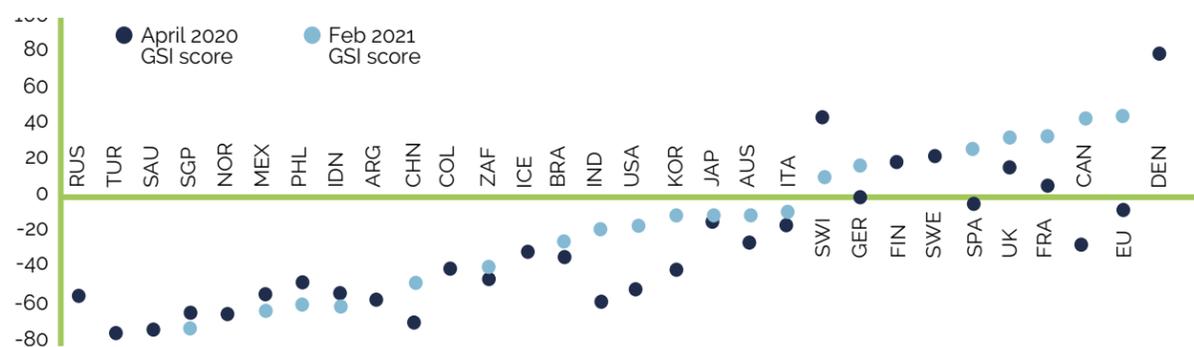
Tools for a green recovery:

1. Corporate bailouts with green conditions
2. Investments in nature-based solutions, (for example; rainforest conservation or sustainable agriculture)
3. Loans and grants for green investments
4. Subsidies or tax reductions for green products, and the removal of subsidies for polluters.
5. Green R&D subsidies
6. Reinforcing environmental regulation and avoiding deregulation

Early stimulus focused on 'rescue'. As stimulus moves to focus on 'recovery', the greenness of the stimulus is improving (see graph below).

Although a green focus is important, the recovery should also be fair and just recovery. The Covid-19 pandemic has amplified inequalities that already existed, both within and between countries, and a fair and just recovery must take account of the needs of those who have been most severely affected and drive green investment into economic and social development where it is most needed. Work undertaken by the International Monetary Fund (IMF) highlights the challenge. It estimates that, by the end of 2022, cumulative per capita income will be 13% below pre-crisis projects in advanced economies, 18% below in low-income economies, and 22% below in emerging and developing countries.³

The Greenness of Stimulus Index (GSI) shows that many countries have improved the greenness of their stimulus packages¹



How green are current recovery programmes?

The graph above shows the most recent Greenness of Stimulus Index (GSI) produced by Vivid Economics. The GSI scores whether a country's stimulus package is net positive or negative, based on: (1) the stimulus flowing into environmentally intensive sectors; (2) the existing green orientation of those sectors (for example, the share of renewables in the energy sector); and (3) the green orientation of new stimulus measures. There is considerable variation between the GSIs of different countries' stimulus packages. Figure 1 also shows how the GSI has changed between April 2020 and February 2021. The good news is that, in most cases, stimulus packages are greening. The bad news is that most stimulus packages in total have a net negative environmental impact. The EU and Canada are two of the leaders, whereas Russia, China and Norway are some of the laggards. On the next page are some examples of the measures these countries are putting in place.

Canada



Total recovery spending	US\$3bn
% that is green ⁴	78%

- 'A Healthy Environment and a Healthy Economy' plan announced in December 2020 will create one million jobs and investment in clean infrastructure. The plan includes environmentally friendly policies such as promoting the use of low-carbon fuels, grid modernisation, and investments for green and inclusive communities.
- Green stimulus measures for agriculture, energy and transport sectors require the reporting of climate risk in line with Task Force on Climate-related Financial Disclosures (TCFD) guidelines.
- Financing from the Canada Infrastructure Bank will cover the costs of large-scale energy efficient building retrofits.
- However, subsidies and infrastructure investments for environmentally harmful activities are also part of the stimulus package. For example, fossil fuel industries have received stimulus, with Alberta and Quebec investing in their natural gas industries.

Germany



Total recovery spending	US\$98bn
% that is green ⁴	47%

- In June 2020, Germany announced a 'Package for the Future' that will provide support for green initiatives. This includes support for renewable energy, transport, agriculture and industry.
- In October 2020, Germany stated that the country's 'renewable supplement' would be reduced. This is an additional charge that consumers pay on their energy bills to finance renewable energy. The government will pay the shortfall instead of the consumer.
- A portion of recovery funds has been earmarked to support the automotive sector in a green recovery. Money will go towards innovation, customer rebates for electric vehicles (EVs), and a scrappage scheme.
- However, the German government has bailed out airlines without environmental conditions.

Denmark



Total recovery spending	US\$12bn
% that is green ⁴	65%

- Denmark's first stimulus package saw investment into green research, and nature and biodiversity initiatives.
- Money has also been allocated to targeting household energy consumption such as phasing out gas boilers, grants for green housing improvements, developing electric infrastructure and improving the energy efficiency of public buildings.

Capital markets and the green recovery

Capital markets have a critical role to play in financing green stimulus packages. This activity began during the initial rescue phase; for example, through Covid-19 bonds that have come to market, such as the EU SURE bond programme. Sovereign issuers are particularly well placed to make use of capital markets for a green recovery.

Since France issued its sovereign green bond in 2017, the number of sovereigns issuing through the labelled bond market has continued to grow, with Italy issuing an inaugural green bond in March 2021 and the UK promising a green gilt issuance later in the year. Sovereigns should tap investor demand for labelled bonds while demonstrating the greenness of their recovery packages by raising finance through the labelled bond market. We use our SPECTRUM process to assess labelled sovereign bonds. Assessing sovereign bonds involves analysing the impact expected from the stated use of proceeds and the performance of the sovereign from an environmental and social perspective. This includes factors such as the nation's performance at global climate negotiations and reviewing development and equality indicators.

Conclusion

The economic recovery from the Covid-19 pandemic will require large financial stimulus packages and will take place in the years during which it will be crucial to green the economy if we are to keep global warming well below 2°C, as stated in the Paris Agreement. A non-green recovery from Covid-19 risks locking in new fossil-fuel-intensive and environmentally harmful infrastructure that will make meeting the Paris Agreement even tougher. We must achieve a green recovery, and many investors are joining us in actively seeking investments that align with a green recovery.



¹Vivid Economic & Finance for Biodiversity Initiative, 'Greenness of Stimulus Index' (Feb 2021)
²FT article, Biden stimulus will boost global recovery from Covid, says OECD (March 9th 2021): <https://www.ft.com/content/7f7d4b7d-028a-41a6-b11e-8320173ae4bc>
³IMFBlog, The Great Divergence: a fork in the road for the global economy (February 24th 2021): <https://blogs.imf.org/2021/02/24/the-great-divergence-a-fork-in-the-road-for-the-global-economy/>

⁴Carbon Brief, Coronavirus: Tracking how the world's 'green recovery' plans aim to cut emissions
 Source for country points: Vivid Economic & Finance for Biodiversity Initiative, 'Greenness of Stimulus Index' (Feb 2021)
 Source for country points: Global Recovery Observatory, How are Countries Investing in Recovery: <https://data.undp.org/content/global-recovery-observatory/>

Assessing the carbon profile of impact bonds

This year we again conducted a best practice carbon assessment of our 2020 holdings. We carried out multiple assessments to capture all nuances of the carbon profile of our investments, analysing both issuers and projects funded by the proceeds of the bonds in our portfolios. The issuer-level greenhouse gas (GHG) analysis is particularly useful in shedding light on our portfolios' exposure to carbon risk, while the funded projects GHG analysis is crucial in quantifying our investments' potential for climate change mitigation. This exercise also allowed us to fulfill the requirements of several leading carbon disclosure frameworks, including the Task Force on Climate-related Financial Disclosures (TCFD) guidance on carbon metrics for asset managers.

Overview of our approach to GHG analysis

✓ GHG analysis completed	📄 Disclosure framework or methodology
<p>Funded Projects GHG Analysis</p> <p>We ran an independent, bottom-up assessment of the GHG profile of the projects funded by the proceeds of the bonds held in our portfolios. This consisted of two steps:</p> <ol style="list-style-type: none"> 1. We accounted for the carbon footprint from the operations (Scope 1 & 2), construction and material use (Scope 3) of the funded projects. 2. We estimated the GHG emissions that have been avoided or reduced because of the funded projects 	<p>GHG Protocol, Guidance for Debt Investments with known Use of Proceeds¹</p> <p>Carbon Yield®²</p>
<p>Issuer-level GHG Analysis</p> <p>We calculated our portfolios' carbon footprint and intensity based on the GHG emissions associated with the direct operations (Scope 1) and purchased electricity (Scope 2) of the issuers in our portfolios</p>	<p>TCFD, Supplemental Guidance for Asset Managers³</p> <p>Partnership for Carbon Accounting Financials (PCAF)⁴</p>

The issuer-level GHG analysis and the funded projects GHG analysis are entirely separate assessments with different objectives, methodologies and underlying data points. The relationship between issuer-level GHG emissions and the GHG emissions generated and avoided or reduced by the funded projects under a certain impact bond framework is not straightforward and depends on many factors. This is particularly relevant when ascertaining how the climate change mitigation potential of green bonds is unlocked, whether at firm level through reductions in an issuer's Scope 1 & 2 emissions, or across the economy and society through carbon avoidances or reductions across an issuer's broader value chain (Scope 3 emissions). Below are several simplified examples that are intended to be representative of the green bond market.



Example: Electric Utility



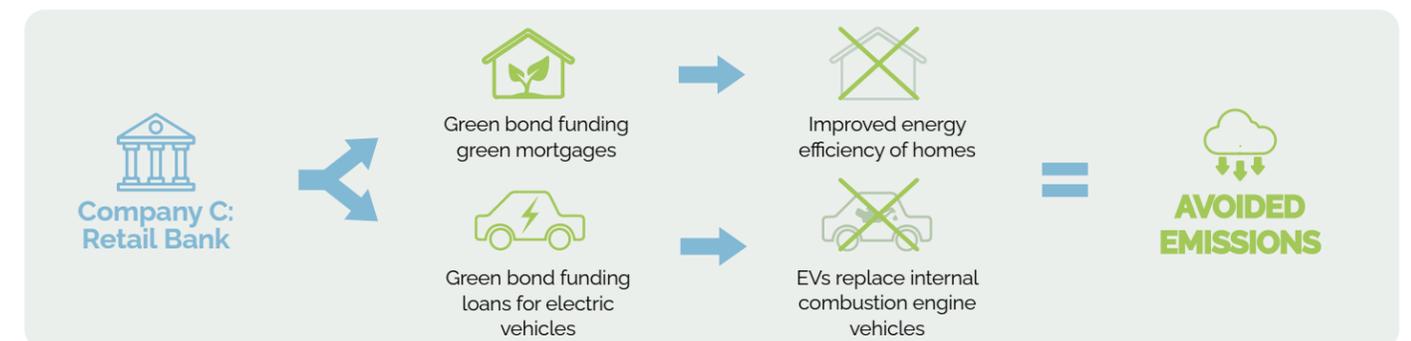
Company A is an electric utility that is transitioning towards a low-carbon power generation mix. Company A issues a green bond with proceeds to fund the construction of a wind farm. The green bond consequently supports Company A's transition strategy by funding renewable energy power that will progressively replace Company A's remaining fossil fuel-based power generating assets. Once the wind farm is operational, the green bond will be associated with a direct reduction in the firm's operational carbon footprint—specifically Company A's Scope 1 emissions. For electric utilities, GHG emissions tend to arise almost entirely from the electricity generation process and constitute the bulk of the overall Scope 1 & 2 emissions. The extent to which the wind farm, funded by the green bond, will reduce Company A's absolute Scope 1 emissions will depend primarily on the magnitude of the fossil fuel-based power generation being displaced by renewable energy.

Example: Technology Company



Company B is a global tech company whose services include the provision of cloud computing services that run on power-hungry data centres. Company B issues a green bond with proceeds to fund the installation of on-site photovoltaic (PV) cells that will produce electricity for Company B's offices, retail stores and data centres. This will enable Company B to generate electricity for its own use that would otherwise be sourced from the domestic grid. Once the on-site PV cells are operational, the green bond will be associated with a direct reduction in the firm-level carbon footprint—specifically Company B's Scope 2 emissions, which tend to constitute the largest share of the overall Scope 1 & 2 emissions in many tertiary industries, including information technology. The extent to which the PV installations funded by the green bond will reduce Company B's absolute Scope 2 emissions will largely depend on the share of the company's total electricity requirement that is covered by PV cells and the location of the company's facilities served by PV cells (because grid emission intensity varies considerably across the globe).

Example: Retail Bank



Company C is a regional retail bank that is committed to greening its lending portfolio. Company C issues a green bond with proceeds to provide green mortgages for energy-efficient homes, as well as green car loans for electric vehicles. Therefore, the GHG abatement potential of Company C's green bond will not affect the company's operational carbon footprint; instead it will generate GHG emission savings among those of its customers who switch to lower-carbon housing and vehicles. For banks, the largest emission hotspot is likely to be concentrated within their lending and financing portfolios—specifically emissions from investments, which is the most material Scope 3 emissions category for financial institutions.

¹GHG Protocol, Guidance for Scope 3, Category 15: Investments— applicable to Debt Investments with known Use of Proceeds (https://ghgprotocol.org/sites/default/files/standards_supporting/Chapter15.pdf).
²The Carbon Yield® was co-developed by AIM, ISS ESG and Lion's Head Global Partners, with funding from The Rockefeller Foundation. Please refer to Annex 2 for the full methodology (<http://carbonyield.org/>).
³TCFD, Supplemental Guidance for Asset Managers, Metrics & Targets (<https://assets.bbhub.io/company/sites/60/2020/10/FINAL-TCFD-Annex-Amended-121517.pdf>).

⁴Partnership for Carbon Accounting Financials (PCAF), Methodology for Financed Emissions—Corporate Bonds (<https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf>). Please note that the PCAF will publish specific guidance for green bonds in later editions of the Standard. AIM did not report financed emissions at the issuer-level but followed the PCAF approach for corporate bonds in the sense that Enterprise Value Including Cash (EVIC) was used to allocate issuer-level power generation to our portfolios (see Utilities deep-dive paragraph on page 21-22). The use of EVIC is also in line with the recommendations of the EU Technical Expert Group on Sustainable Finance

Issuer-level greenhouse gas analysis

For the second consecutive year, we are disclosing the Weighted Average Carbon Intensity (WACI) of our portfolios. WACI is the metric recommended by the Task Force on Climate-related Financial Disclosures (TCFD) guidance on carbon metrics for asset managers.

The WACI is a carbon intensity metric designed to measure a portfolio's exposure to GHG-intensive issuers. It provides a weighted average of the carbon intensity, calculated as tCO₂e per US\$m of revenue, for each issuer held within the portfolio.¹

WACI is calculated using the following equation:

$$\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{current portfolio value}} \times \frac{\text{issuer's Scope 1\&2 GHG emissions}_i}{\text{issuer's US\$m revenue}_i} \right)$$

The Fund had a WACI of 3.2 tCO₂e/US\$m revenue in 2020. This is slightly higher than last year, 3.1 tCO₂e, which may be due to an increase in data coverage from 78% to 83% and changes in portfolio composition.

This year we have compared the WACI of our portfolio to that of the wider fixed income market to provide additional context. We applied the same methodology to calculate a 2020 WACI for the Bloomberg Global Aggregate Bond Index. Data availability was a limiting factor in the calculation of the index WACI, therefore we used a combination of sources (retaining the same base year) which enabled us to achieve 79% coverage. The Bloomberg Global Aggregate Bond Index had a WACI of 225 tCO₂e/US\$m revenue in 2020. Since the data sources differ slightly, these metrics are not precisely like for like, however the comparison clearly indicates this portfolio is less carbon intense than the benchmark.

The results of the issuer-level GHG analysis reflects the robustness of our verification process, and in particular our selection of issuers leading the way in the transition to a low carbon economy. As such, our investments are exposed to much lower climate transition risks than their mainstream fixed income counterparts. Given the tightening of carbon regulations around the globe, sustained low exposure to transition risks, combined with the ability to capture the opportunities of the low-carbon transition, may in turn generate a positive effect on the financial performance of the issuers in our universe relative to peers included in non-climate-optimised strategies.

We use analyses, such as the WACI, as an informative instrument to assess the degree to which the bottom-up integration of climate considerations in our investment selection process delivers outcomes in line with our impact-driven mission.

WACI

3 tCO₂e per US\$m revenue

Weighted Average Carbon Intensity (WACI)

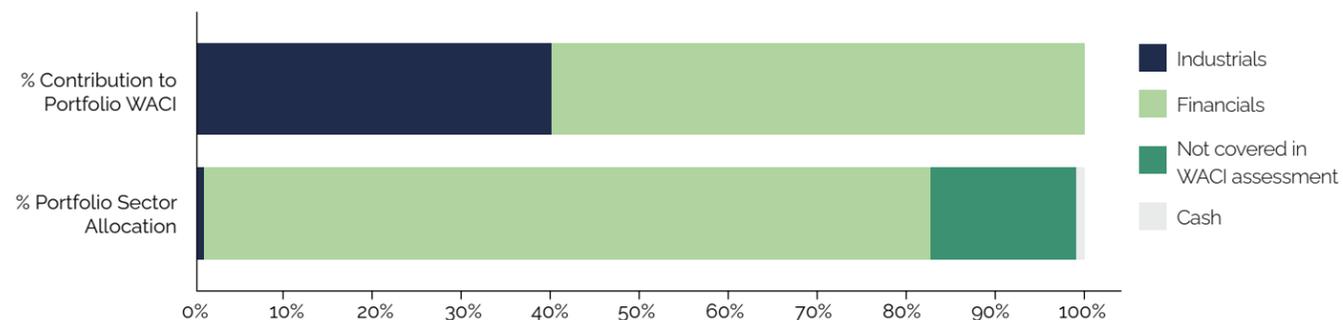
TCFD recommended carbon metric for asset managers

Coverage ratio of 83% of 2020 average portfolio holdings

Bloomberg Global Aggregate Bond Index's WACI: ~225 tCO₂e per US\$m revenue²

A lower WACI indicates a less carbon intensive portfolio

AIM US\$ Liquid Impact Fund - Issuer Level Sectoral Breakdown: % Allocation vs % Contribution to WACI



¹The WACI should be regarded as an assessment of the carbon profile for the share of the portfolio covered by the analysis. The WACI was calculated by maintaining original portfolio weights. The same approach was used for the benchmark.

²Coverage ratio of 79% of benchmark constituents as at Q4 2020.

Funded projects avoided emissions analysis

As a dedicated impact bond investment manager, we believe that a bottom-up assessment of the carbon profile of the projects funded by the bond proceeds is crucial in determining the climate change mitigation potential of our investments. As carbon is the 'currency' of climate change, our independent analysis is aimed at mitigating the lack of harmonisation and different degrees of sophistication characterising issuers' reporting on avoided greenhouse gas (GHG) emissions.

To quantify the GHG emissions that have been avoided through the projects funded by the bonds held, we partner with ISS ESG and apply the Carbon Yield® methodology—a methodology we co-developed and launched in 2016. The Carbon Yield® methodology estimates:

- i) The carbon footprint of the funded projects
- ii) The GHG emissions that would have occurred under a reasonable baseline scenario if those projects had not been implemented

The difference between ii) and i) represents the emissions that are potentially avoided by a given project.¹



We aim to collect, verify and analyse data for each project—with a climate change mitigation focus—funded by the proceeds of the bonds held. Projects were not included in the GHG analysis if they did not significantly fund climate mitigation assets (eg if they focused on social benefits such as vaccination programmes), if issuers did not report in time for our annual impact data collection, or if other data gaps could not be mitigated.

The results of the project-level GHG analysis were then allocated to the portfolio, based on the share of the total project cost held in the portfolio. Absolute avoided emissions were then normalised by the portfolio value to calculate the portfolio's Carbon Yield®. The results of the funded projects' GHG analysis are summarised below.

CARBON YIELD

106tCO₂e / US\$m per annum

Equivalent to 0.11tCO₂e avoided per US\$1,000 per annum

Coverage ratio of 53% of 2020 average portfolio holding

This equates to 98% GHG emissions savings

This represents the percentage difference between the footprint of the average baseline project and the footprint of the average funded project.

Calculations are based on project-level scope 1 & 2 emissions.

4,361tCO₂e avoided per year due to the projects funded by the bonds held

Calculations are based on the International Energy Agency's (IEA's) Stated Policies Scenario (STEPS).

Calculations are based on project-level scope 1 & 2 emissions.

Scope 1 & 2 emissions 97 tCO₂e

Estimated to arise from the operations of the funded projects

Scope 1, 2 & 3 emissions 599 tCO₂e

Estimated to arise when the construction and material use of the funded projects is also accounted for

Equivalent to the emissions resulting from the average annual electricity consumption of 120 households in the United Kingdom²

Equivalent to the emissions resulting from over 4000,000 km driven by an average passenger vehicle in the United States³

¹Avoided emissions are calculated by deducting a project's Scope 1 & 2 emissions from the Scope 1 & 2 emissions that would occur under a reasonable baseline scenario if that project had not been implemented. Scope 1 & 2 emissions are the project's operational emissions. We also estimate emissions from construction and material use—ie among the most material emissions categories of a project value chain (Scope 3). However, because of disclosure gaps and related complex assumptions, avoided emissions are currently not adjusted for the funded projects' construction phase GHG emissions.

² UK Government GHG Conversion Factors for Company Reporting, BEIS and DEFRA, AND, Energy Consumption in the UK (ECUK), (BEIS).

³ US EPA, greenhouse gas Emissions from a Typical Passenger Vehicle: <https://www.epa.gov/greenvehicles/greenhouse-gas-emissions-typical-passenger-vehicle>
Source: ISS data and AIM analysis

Setting a 'reasonable' baseline

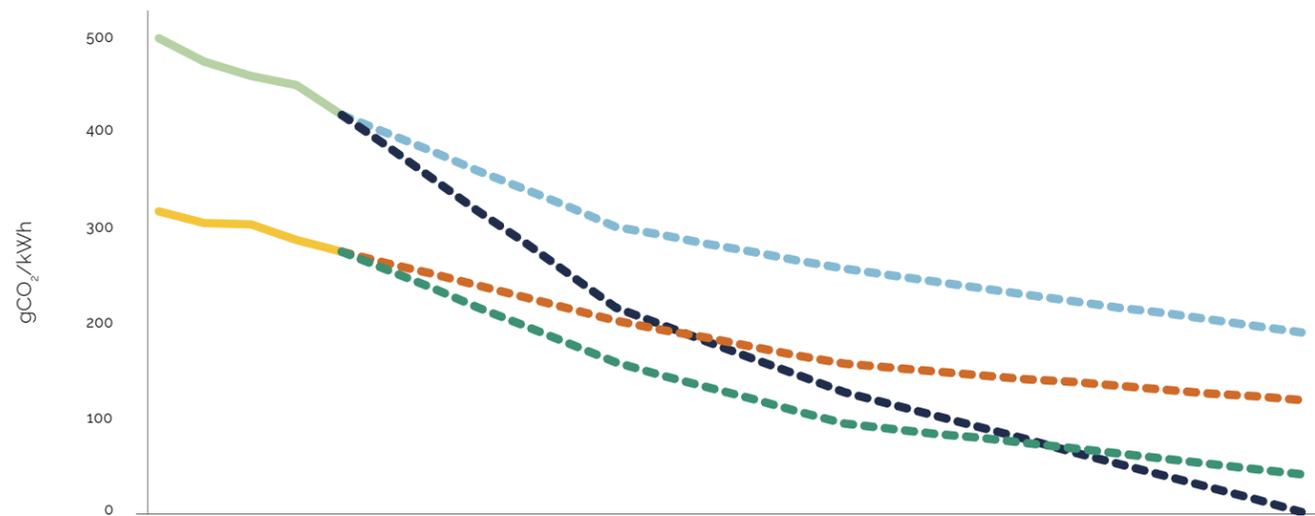
A central element of the funded projects' GHG analysis is represented by the 'reasonable' baseline-setting exercise. In 2020, we implemented an ambitious upgrade to our approach. In previous years, we conducted the analysis by assuming a static, business-as-usual scenario that implied the use of a 'status quo' baseline over the lifetime of a given funded project. For renewable energy projects in 2020, we decided to replace business-as-usual baselines with dynamic baselines that take into consideration future changes in the composition of electricity grids across the globe, and consequent changes in their emission intensity, under rigorous scenarios.

For a renewable energy power-generating asset, avoided emissions are represented by the GHG emissions savings that are potentially enabled by the substitution of grid electricity (baseline scenario) with electricity from renewable sources generated through the funded project—i.e. the difference between the emissions arising from the use of grid-based electricity and those arising from the use of electricity from renewable sources.

The generation mix of electricity grids across the globe has changed considerably in recent years. In the United Kingdom, for instance, the carbon intensity of the electricity grid has decreased from 462 to 255 gCO₂e/kWh between 2015 and 2019⁴, following a sharp decline in generation from fossil fuels and a rise in generation from renewable sources. The graph below shows the recent development of grid emission factors in the United States and the European Union as well as future estimated emission factors derived from IEA projections under different scenarios as defined in the 2020 World Energy Outlook (WEO).⁵ Both grids, to different extents, have undergone substantial decarbonisation paths. This global trend is then projected to be reinforced by the increased ambition of climate policies, technology progress and market development that will lead to a larger uptake of renewables and lesser reliance on fossil fuels.



Carbon intensity of the electricity grid in the US and the EU
- recent development and scenario-based projects



Source: AIM elaboration based on EIA and EEA (historical data), and IEA 2020 WEO (future projections). For illustrative purposes only⁶.

In light of the above, we deemed that static, business-as-usual baselines—i.e. point-in-time grid emission factors—should be replaced with emission factors reflecting the expected evolution of the energy mix during a given project's lifetime. For 2020, our dynamic baselines were based on the IEA's Stated Policies Scenario (STEPS)⁷. The STEPS scenario 'reflects the impact of existing policy frameworks and today's announced policy intentions'. In addition, the same analysis was undertaken using the IEA's Sustainable Development Scenario (SDS)⁸ as a baseline, reflecting the development of a Paris-aligned electricity mix. Both baselines were normalised figures of the expected grid composition during a project's lifetime.

Table 1: Avoided emissions for a renewable energy project with generation of 100GWh/year

In the adjacent example, avoided emissions are calculated for renewable energy project whose electricity generation is estimated to be 100 GWh/year under three different hypothetical scenarios: business-as-usual; moderate decarbonation; and high decarbonation.

The operational emissions (ie Scope 1&2) of a renewable energy power-generating asset tend to be negligible. Therefore, the avoided emissions potentially enabled by a renewable energy project generally correspond the entirety of GHG emissions that would arise if the same amount of power generated by the funded project were instead resourced from the grid.

In practice, avoided emissions (tCO₂e) can be computed by multiplying the (estimated) generation⁹ (GWh) by the regional grid emission factor (tCO₂e/GWh)

Baseline scenario	Grid emission factor (tCO ₂ e/GWh)		Calculation	Per annum avoided emissions (tCO ₂ e)
Business-as-usual	270	Point-in-time, historic emission factor	270 x 100	27,000
Moderate decarbonisation	180	Lifetime-normalised projected emission factor	180 x 100	18,000
High decarbonisation	120	Lifetime-normalised projected emission factor	120 x 100	12,000

As the example above shows, the more decarbonised electricity grids are expected to become, the lower the avoided emissions potentially enabled by renewable energy projects. As the STEPS estimates a larger renewable energy uptake in the electricity grid over time, the resulting avoided emissions are lower than the static business-as-usual baseline. Because the SDS assumes an even higher renewable energy component in electricity grids, estimated avoided emissions are lower than the STEPS baseline.



The Carbon Yield[®] that was estimated in previous years is therefore not comparable with the Carbon Yield[®] presented in this year's impact report. Although this may indicate fewer GHG emissions saving are delivered, it is really the result of a sophisticated and conservative baseline-setting exercise. Although a business-as-usual baseline was in the past considered more appropriate as the word was significantly misaligned with a 2-degree scenario, a scenario incorporating a certain degree of decarbonisation, such as the IEA's STEPS can now be regarded as more suitable, given encouraging trends such as the 'greening' of power supply and countries' more ambitious climate pledges, even though we are still not on track with a Paris-aligned pathway.

Overall, this methodological development for calculating the avoided emissions of renewable energy projects is in line with our commitment to best-practice impact reporting, even when upgraded methodologies may, at first glance, shed an unfavourable light on the impact achieved by our investments, such as their potential for climate-change mitigation. In future, we will consider extending this scenario-based approach to other green project categories.

⁷ <https://www.iea.org/reports/world-energy-model/stated-policies-scenario>

⁸ <https://www.iea.org/reports/world-energy-model/sustainable-development-scenario>

⁹ The amount of electricity generated (GWh) during the project's lifetime is estimated based on technology-specific average data.

• Each technology is assigned an average capacity factor—a measure of the energy that an installed technology can produce in a given time interval compared with the total installed capacity.

• The maximum lifetime during which a technology can be considered to enable avoided emissions has been set at 20 years, even though the technical lifetime can be longer (eg hydro is usually considered to have a 50-year lifetime). This is due to insecurities surrounding the real-world effects of a product or service and the applied baseline after this period, because of technological and social advancements in their environments.

• If relevant for the technology, a degradation factor is applied, considering the average yearly loss of performance affecting the technology.

⁴ The data were sourced from the UK government GHG conversion factors provided by BEIS & DEFRA.

⁵ IEA (2020), World Energy Outlook 2020, IEA, Paris <https://www.iea.org/reports/world-energy-outlook-2020>

⁶ Both historical and projected electricity grid carbon intensities presented in the graph were derived based on data on electricity generation and emissions from the electricity generation sector in the US and the EU. The use of multiple sources implied differences eg in the definition of the electricity sector perimeter. Moreover, projected carbon intensities have been linearly extrapolated based on IEA data for 2025, 2030 and 2040.

The data presented in the graph may differ from the emission factors used in the funded projects' GHG analysis.

Physical risk screening and adaptive capacity engagement

Climate change will have lasting physical impacts on the operation and performance of real assets around the world. Physical climate risks can be both acute and chronic, manifesting in extreme weather events as well as long-term changes in weather patterns and other earth systems. Although attention to physical climate risks has grown in recent years through the advent and take-up of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and other forms of standardised reporting, residual gaps in transparency and process implementation present challenges for investors wishing to assess physical risk at the portfolio level.

Our funds and portfolios contribute directly to climate change mitigation - for example, through the funding of renewable energy, clean transport and green building projects. However, contribution to climate change mitigation does not mean that these projects and assets are themselves immune to the risks posed by climate change.

To better understand the physical risks faced by projects funded by bonds held within our portfolios, and in turn the long-term impact potential of those projects, we have embarked on a multi-year partnership with South Pole to develop and implement a systematic, transparent methodology to assess risk and engage with bond issuers on their resilience planning and ability to adapt to a changing climate.

Our approach includes three steps.

Step 1: forward-looking physical risk assessment

The first part of the three-step process is a forward-looking climate scenario analysis to assess physical risk under four global warming pathways: 1°C, 2°C, 3°C and 4°C, on a 2040 time horizon. The assessment uses geospatial climate modelling of localised climate impacts for each asset and provides a measure of physical risk as a negative percentage change in output. The output risk score provides a high-level indicative measure of the exposure of a specific asset to disruptive and potentially destructive impacts of climate change.

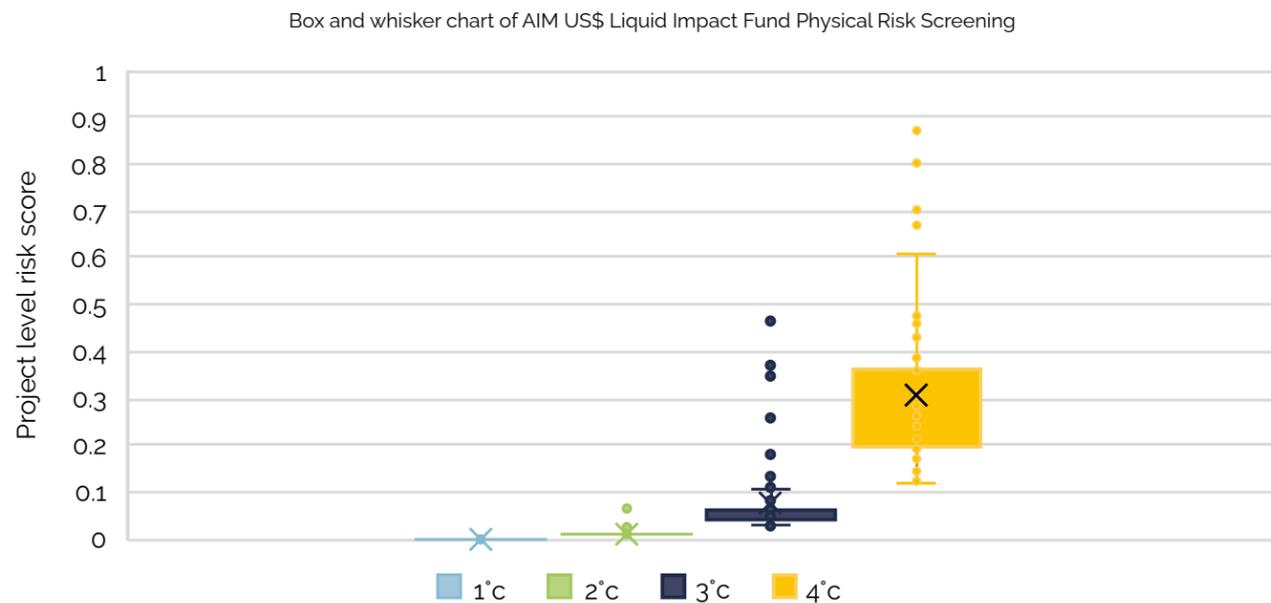


Figure 1: Forward-Looking Physical Risk Assessment for projects funded by green bonds held. Each box plot illustrates the range of potential physical climate risk under different warming scenarios, with each point representing assets and projects funded by a given green bond framework.

Figure 1 presents the results of the forward-looking scenario analysis for projects funded by green bonds held in the Fund. Each box plot presents the range of framework-level risk scores for a different warming pathway: 1°C, 2°C, 3°C and 4°C, on a 2040 time horizon. As the figure illustrates, the median level of risk across the group of projects rises significantly with each degree of warming, as does the overall range between upper and lower quartiles.¹ Outliers in each scenario highlight the potential for catastrophic risk impacting the performance of some projects under 3°C and 4°C.

These results underscore the urgency of accelerating the low carbon transition to limit warming to below 2°C.

Percentage of AIM US\$ Liquid Impact Fund covered by analysis (%)	Portfolio risk score at 1°C	Portfolio risk score at 2°C	Portfolio risk score at 3°C	Portfolio risk score at 4°C
39%	0.3%	1.8%	8.8%	28.4%

Step 2: hotspot analysis

The second step of the methodology is the hotspot analysis, which takes a "deep dive" approach to assess the potential future exposure of projects and assets to specific climate-related hazards. This year, we looked at five hazards directly related to the impact performance of renewable energy assets, assessing the change in frequency or intensity of the hazard under different climate change scenarios. The hazards and relevant indicators are outlined in the table below.

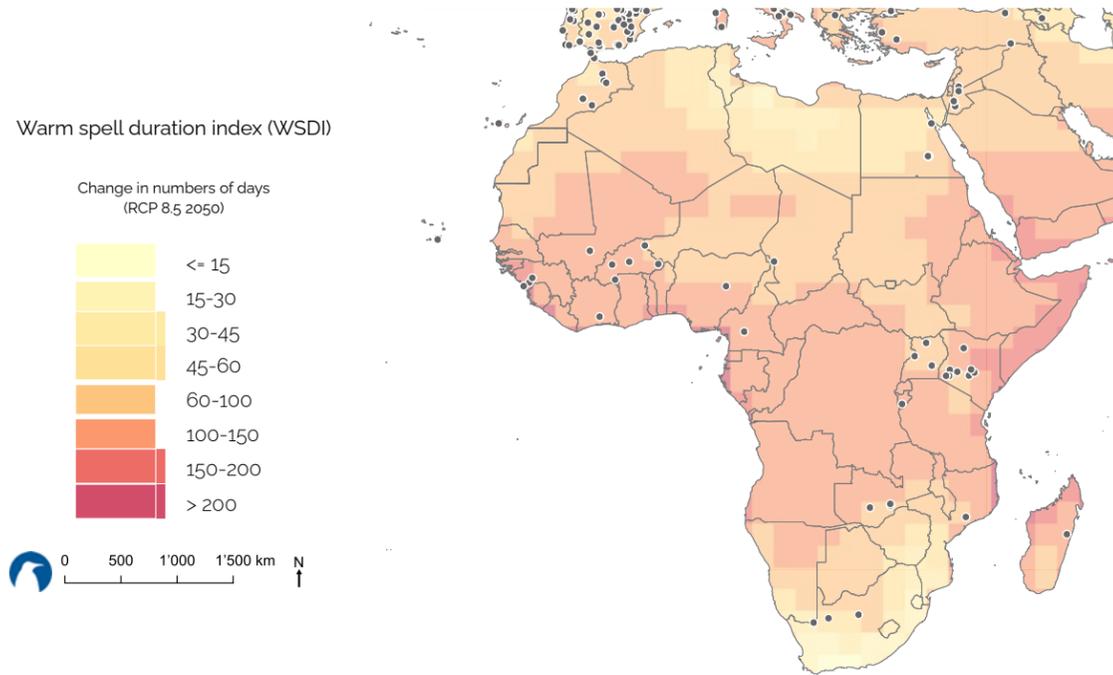
Hazard	Indicator
Heavy precipitation	Monthly maximum consecutive five-day precipitation (Rx5day)
Floods (river)	Inundation height for 100-year return period
Coastal flooding (sea level rise + storm tides)	Inundation height for 100-year return period
Heatwave	Warm spell duration index (WSDI)
Mean temperature	Daily mean temperature

Table 2: Hazards and indicators used in the Hotspot Analysis

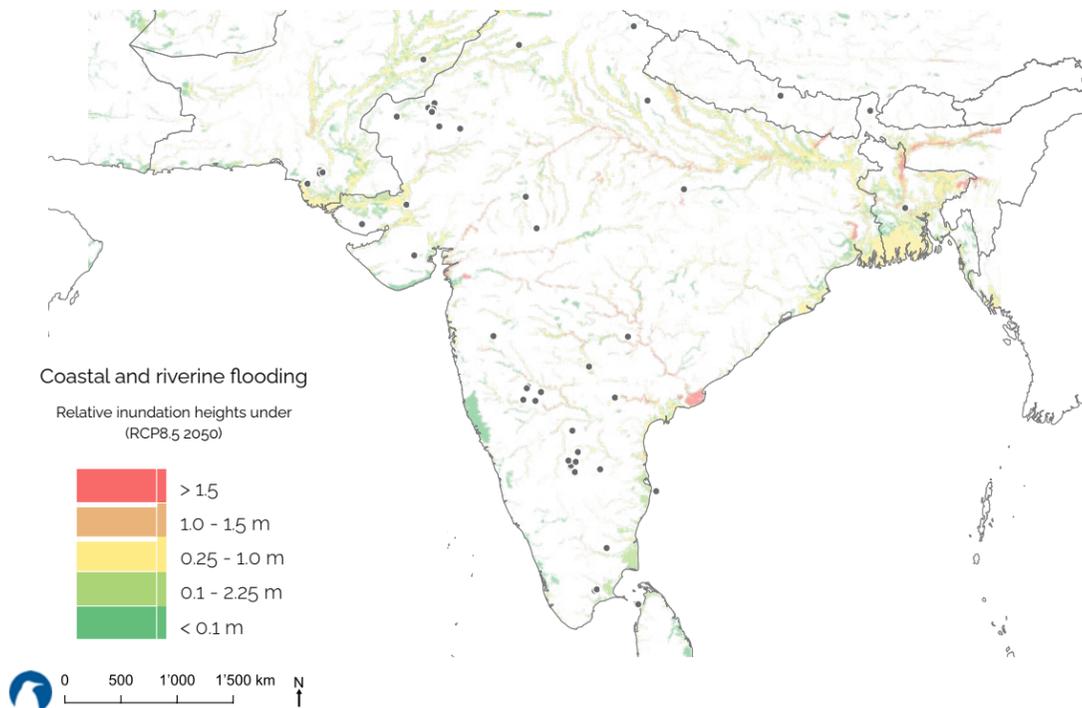
The hotspot analysis provides a more granular portrait of how risks expressed in the forward-looking risk assessment may materialise under real-world conditions, and how these risks may affect the impact performance of funded assets. Using geospatial analysis enables us to identify how changes in conditions at the physical site of a given asset may effect that asset's performance.



Heatwave risk in Africa by 2050 under Representative Concentration Pathway (RCP) 8.5, from the physical climate risk hot-spot analysis



Coastal and riverine flood risk in South Asia by 2050 under Representative Concentration Pathway (RCP) 8.5, from the physical climate risk hotspot analysis



Step 3. Adaptive capacity engagement and assessment

While physical climate risks will show large variation both by geography and hazard, they will affect the operation and integrity of projects, infrastructure and systems around the world. Forward-looking scenario analysis is one tool to enable project developers, companies and investors to identify risks for specific types of assets, but more importantly to develop and put in place sufficient resilience plans to protect the integrity of projects under future climatic conditions. AIM and South Pole have therefore developed a methodology to identify and engage with impact bond issuers to assess their adaptive capacity to future climate change.

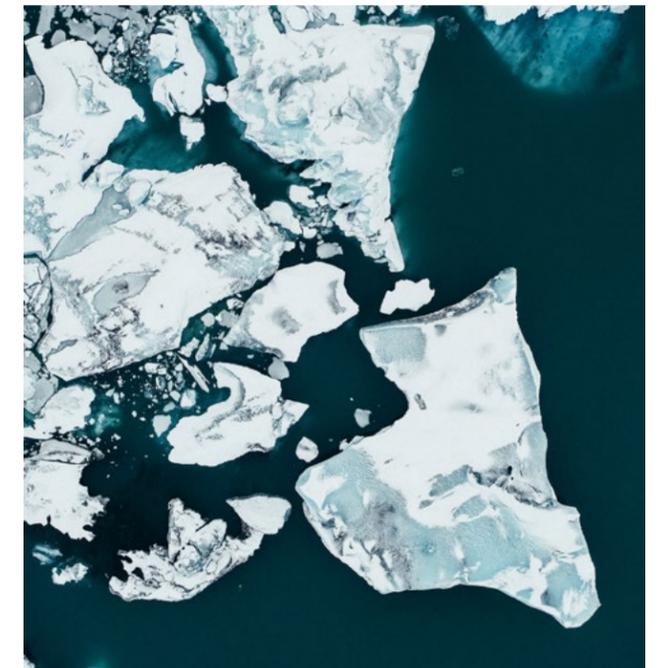
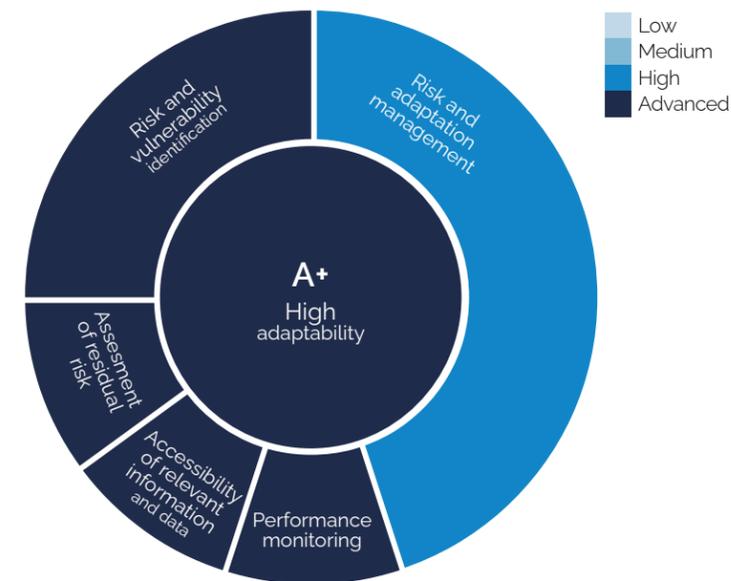
Adaptive capacity is defined as the capacity of an organisation, project or asset to adjust to "actual or expected climate and its effects", as outlined by the Intergovernmental Panel on Climate Change (IPCC) definition of adaptation. To assess the adaptive capacity and resilience planning in place for projects funded by green bonds within our portfolios, we implemented a targeted thematic engagement with seven key issuers. The engagement endeavoured to identify the actions, if any, taken by the projects under consideration to respond to these risks, such as early warning systems, special design choices to increase resilience, and other measures. The assessment sought to incorporate an issuer's awareness and any actions taken that related to specific climate risk exposure and vulnerability for the project(s) identified. High exposure to climate-related hazards could negatively impact an asset's ability to deliver benefits by causing partial or complete damage to equipment and infrastructure. The aim of the engagement was to collect data related to adaptation and resilience measures, which in turn served to guide the assessment and scoring process.

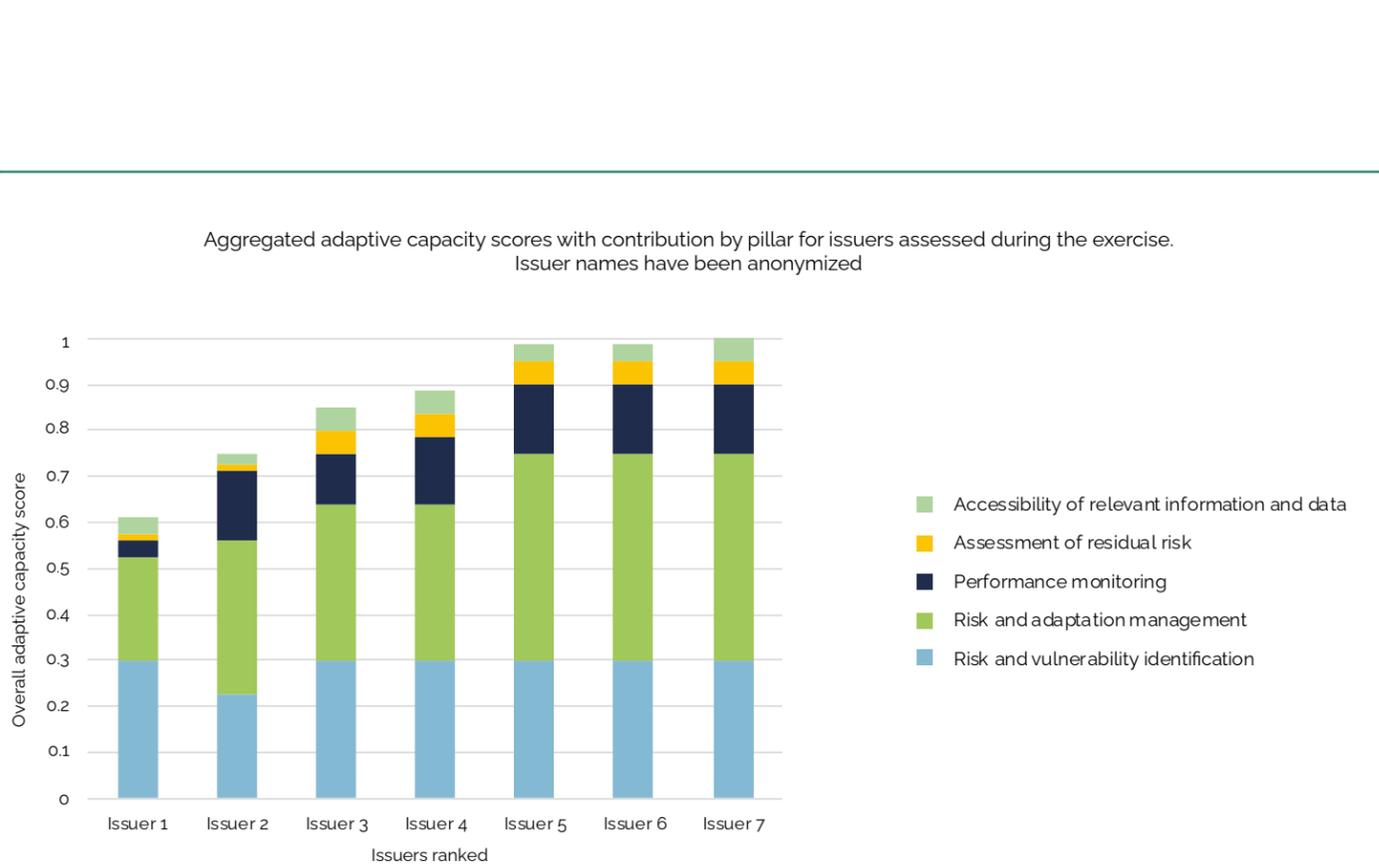
The process is built on five pillars:

- | | |
|--|---|
| 1. Risk and vulnerability identification | 4. Assessment of residual risk from the incorporated measures |
| 2. Risk and adaptation management | 5. Accessibility of relevant information and data |
| 3. Performance monitoring | |

Each pillar is scored based on the robustness of policies and procedures in place. Scoring at a more granular level and providing supporting documentation within our internal reports allows us to perform more robust and informed engagement. The score for each pillar is then weighted and aggregated to produce a final issuer-level score, which allows further scalable comparisons across issuers and sectors.

Adaptive capacity matrix. Each pillar in the matrix is weighted to produce a final score for a given issuer





Each pillar is scored based on the robustness of policies and procedures in place. Scoring at a more granular level, and providing supporting documentation within our internal reports, allows us to perform more robust and informed engagement. The score for each pillar is then weighted and aggregated to produce a final issuer-level score, which allows further scalable comparisons across issuers and sectors.

Case Study: Issuer A

Issuer A is an electric utility with its primary business in developed markets, with additional facilities in Europe, North and South America, Australia, Asia and Africa. The issuer has a strong ESG profile and has set Science-Based Targets (SBTs) in line with a 1.5°C warming scenario. Issuer A has issued multiple green bonds, which finance the development and expansion of renewable energy assets around the world. In addition to its green financing, the issuer has undertaken innovative programmes to increase its ability to deploy renewable energy assets, underpinning a robust forward looking sustainability strategy.

In addition to its strategic push to decarbonise its operations, the issuer integrates physical risk assessment into its project planning and risk assessment. In its assessments, the issuer distinguishes between acute and chronic risks. Acute risks focus on a short time frame, whereas chronic risks are assessed in the longer term (2030 onwards). Risk assessment is carried out at both a system and project level. The issuer employs forward looking risk assessments that encompass three scenarios for physical risk: RCP 2.6, 4.5 and 8.5.

Issuer A applies a risk management process (processes, tools and responsibilities), control processes to ensure compliance, separation of roles and lines of defence. Adaptive measures are categorised by business lines, providing a rationale for the selection of the adaptive measures and why they are at the system or project level. For some projects, adaptation measures have already been implemented; for others, these measures are still under implementation.

In addition to risk assessment and quantification, Issuer A takes actions to reduce the impacts that the business may suffer following catastrophic extreme events. The issuer has also implemented targeted measures at specific sites and established specific management activities and processes. These measures also benefit from activities including, for example, monitoring of grid status against physical phenomena, site-specific reassessments for power plants and weather forecasts. This approach allows Issuer A to improve resilience and readiness to act in case of a climate event.

Overall, the issuer has high levels of transparency, and reports against TCFD, Global Reporting Initiative (GRI) and the guidelines on reporting climate-related information published by the European Commission in 2019.



Project case studies

SDG 3 project case studies

Ensure healthy lives and promote wellbeing for all at all ages

3 GOOD HEALTH AND WELL-BEING



Sectors

Global Health



Universal health coverage is a major factor in reducing inequality and fighting poverty. Globally, coverage had been improving in all regions and across all income groups. However, the Covid-19 pandemic has had devastating consequences for global health, with 186 million cases and four million deaths as of July 2021.¹ It has compelled many countries to define a core set of essential health services that must be maintained while building out effective mass-testing systems and beginning the process of vaccinating their populations against the virus, along with other measures. Some countries have the resources to do this in a more effective and timely manner than others, and it is currently predicted that many countries' populations will not be widely vaccinated until 2023.² Responding to the Covid-19 pandemic while maintaining other health service provision is a challenge and many countries have responded by allocating additional funds to the health services.³

Project

Kommunalbanken (KBN) – Green Bond

Lesja nursing home⁴

KBN is a Norwegian state-owned agency that provides funding for local governments. This loan was provided to Lesja municipality to help fund the renovation of Lesja nursing home. The home was an outdated and inefficient building which had poor quality windows and light fittings, and a sub-standard indoor environment. As this was the largest investment in the municipality's history, it went towards the best technologies possible to make the home energy efficient. A new energy plant was installed using ground-source heating to replace the building's electric heating. Additional insulation was also installed, and other energy-saving measures were implemented both inside and outside of the building. These measures have made the home a more pleasant environment for its residents, and it can now be heated and powered more efficiently, resulting in financial savings for the municipality.

Context

Location – Norway

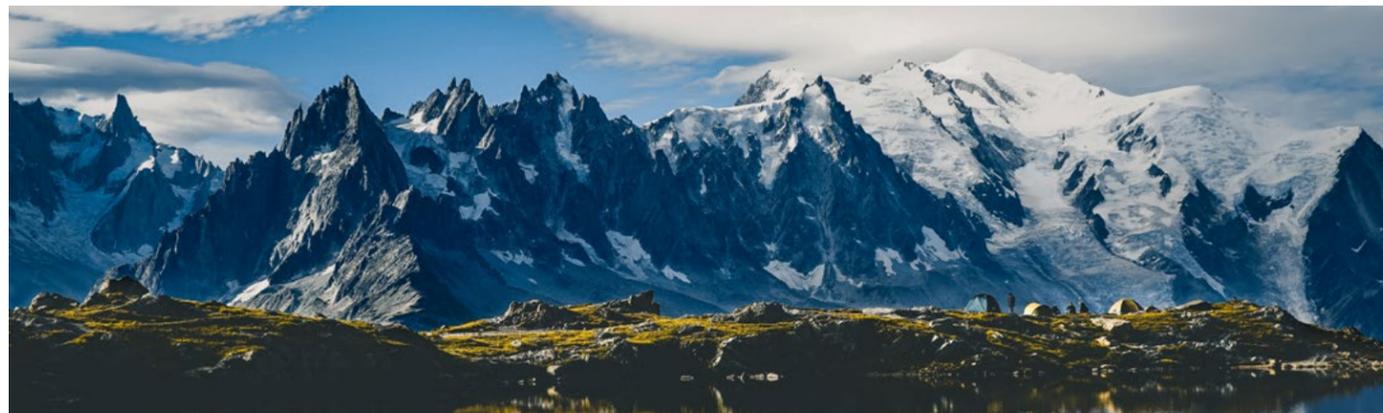
- Norway has the 9th highest life expectancy at birth in the world, at 82.6 years.⁵
- The share of Norway's population that is 67 or older is now 15.8%, compared to 12.9% ten years ago.⁶
- Norway ranks top in the OECD's Better Life Index, scoring particularly well in the categories of safety, life satisfaction, and health.⁷

Impact

Output (Issuer KPIs)⁴

- 3,100m² of renovated building area.
- 382 MWh saved each year.

Related SDGs



¹UN DESA (2021). World Economic Situation and Prospects as of mid-2021. Available at: <https://www.un.org/development/desa/dpad/publication/world-economic-situation-and-prospects-as-of-mid-2021/>
²World Bank (2021). Unemployment, total (% of total labor force) (modelled ILO estimate). Available at: <https://data.worldbank.org/indicator/SLUEM.TOTL.ZS>
³WHO (2021). WHO Coronavirus (COVID-19) Dashboard. Available at: <https://covid19.who.int/>

⁴KBN (2020). 2019 Impact Report
⁵World Health Organisation (2021). Life expectancy at birth (years). Available at: [https://www.who.int/data/gho/data/indicators/indicator-details/GHO/life-expectancy-at-birth-\(years\)](https://www.who.int/data/gho/data/indicators/indicator-details/GHO/life-expectancy-at-birth-(years))
⁶Statistics Norway (2021). Key figures for the population. Available at: <https://www.ssb.no/en/befolkning/nokkeltall/population>
⁷OECD (2021). Better Life Index: Norway. Available at: <https://www.oecdbetterlifeindex.org/countries/norway/>

Project

International Finance Facility for Immunisation (IFFIm) – Vaccine Bond Support for the COVAX programme⁸

IFFIm is a public/private partnership that raises funds for Gavi, the Vaccine Alliance. IFFIm issues vaccine bonds to increase Gavi's access to credit for immunisation programmes and other initiatives. By creating a larger market and promoting greater competition among manufacturers, IFFIm has helped to significantly reduce the cost of vaccines in low-income countries since 2000.

In spring 2020, Gavi partnered with the World Health Organisation and the Coalition for Epidemic Preparedness Innovations to implement COVAX, a facility designed to ensure the people in all countries, particularly those with limited resources, had access to Covid-19 vaccines. IFFIm has secured financing for the COVAX Advance Market Commitment, which is a fund created to procure Covid-19 vaccines for poorer countries. By pooling the proceeds from three Covid-19 response bonds, the Advance Market Commitment gave COVAX the buying power to reserve a significant portion of Covid-19 vaccine doses, and to procure these at a favourable price. COVAX has shipped nearly 100 million doses so far across more than 90 countries, and its ultimate target is to secure at least 1.8 billion vaccine doses for lower-income countries by early 2022.⁹

Context

Location – South Africa

- There have been 185m cases of Covid-19, resulting in 4m deaths as of July 2021.¹⁰
- By the end of April 2021, over 1 billion vaccine doses had been administered, but only 18.3 million of these were in countries with humanitarian settings.¹¹
- The US and much of Europe are expected to achieve widespread vaccination coverage by late 2021, but most of Africa, Central and Southeast Asia, and some of Latin America are only expected to reach this point in 2023.¹²

Impact

Output (Issuer KPIs)⁸

- Over 95 million vaccine doses shipped.¹³
- More than 35 countries received their first Covid-19 vaccine doses thanks to COVAX.

Related SDGs



⁸IFFIm (2021). IFFIm helps COVAX bring fair, global access to Covid-19 vaccines. Available at: <https://iffim.org/news/iffim-helps-covax-bring-fair-global-access-covid-19-vaccines>
⁹WHO (2021). COVAX Joint Statement: Call to action to equip COVAX to deliver 2 billion doses in 2021. Available at: <https://www.who.int/news/item/27-05-2021-covax-joint-statement-call-to-action-to-equip-covax-to-deliver-2-billion-doses-in-2021>

¹⁰WHO (2021). WHO Coronavirus (Covid-19) Dashboard. Available at: <https://covid19.who.int/>
¹¹Gavi (2021). Global Health Cluster Position on Covid-19 vaccination in Humanitarian settings
¹²The Economist Intelligence Unit (2021). The EIUs latest vaccine rollout forecasts. Available at: <https://www.eiu.com/n/eiu-latest-vaccine-rollout-forecasts/>
¹³Gavi (2021). COVAX Vaccine Roll-Out. Available at: <https://www.gavi.org/covax-vaccine-roll-out>

SDG 7 project case studies

Ensure access to affordable, reliable, sustainable and modern energy for all



Sector

Energy



Renewable energy has a crucial role to play in meeting the Paris Agreement targets. Globally, energy remains the single biggest source of GHG emissions by sector¹ and, while the installed capacity of renewable energy shows encouraging growth, its share of global electricity generation remains around 28%.² Rapid scaling up of renewable energy capacity is essential to meet the world's growing energy demands while reducing overall GHG emissions.

Lack of access to electricity hampers economic development leading to severe impacts on people's health and wellbeing. As developing countries push forward with efforts to build universal access to safe, reliable energy, investments in renewables are more important than ever, to improve lives, stimulate economic growth and avoid locking in GHG-intensive infrastructure. With rapid improvements in technology and growing attention from investors, renewable energy increasingly looks like a 'win-win' solution to achieve Paris Agreement goals and improve the lives of people around the world.

Project

African Development Bank (AfDB) – Green Bond

Lake Turkana wind power project, Kenya³

The Lake Turkana wind power project involves the construction of a wind farm in north-western Kenya. It will comprise 365 wind turbines with a combined energy capacity of 300 MW, making it the largest wind farm in Africa. The farm is situated in a large valley which creates a wind tunnel effect, enabling higher efficiency of energy generation. In addition to the turbines, a 33 kV electrical collector network and a 428 km transmission line from Lake Turkana to Susua substation will also be constructed. The project will benefit Kenya by providing clean and affordable energy.

Context

Location – Kenya

- National target of achieving universal electricity service to all households and businesses by 2022.⁴
- Wind and solar make up 17% of Kenya's energy mix.⁵

Impact

Output (Issuer KPIs)³

- 300 MW energy installed capacity.
- Emissions reduction of 736.615 tCO₂e per year.
- Increase in Kenya's national power generation capacity by approximately 17%.

Related SDGs



Project

Export-Import Bank of Korea – Green Bond

Loans to LG Electronics for production of solar modules⁶

Export-Import Bank of Korea uses its green bond proceeds to provide loans to a range of companies that are producing sustainable technologies such as solar panels and electric vehicle batteries. Proceeds from this bond helped to finance a loan to LG Electronics which was used to expand its production capacity for solar modules by 222 MW. These solar modules are produced in LG's facility in Gumi, South Korea, and are exported globally to both residential and commercial customers. Increasing solar photovoltaic production will play an important enabling role in the transition to a low-carbon economy.

Context

Location – South Korea⁷

- South Korea's third 'Energy Master Plan' aims to increase the renewable electricity share to 20% by 2030, up from 3% in 2017.
- Electricity and heat production accounts for over half of South Korea's CO₂ emissions.⁸
- National target of reducing emissions 37% below BAU by 2030.

Impact

Output (Issuer KPIs)⁹

- Additional production capacity for 222 MW of solar modules.
- LG Electronics has a target of reducing carbon emissions in the production stage by 50% by 2030 compared to 2017 levels.
- The company has solar photovoltaic energy generation facilities in South Korea with a total capacity of 6.7 MW.

Related SDGs



SDG 9 project case studies

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation



Sectors

Transport



Energy



According to the IEA, transport is responsible for 24% of direct GHG emissions from fuel combustion.¹ Road vehicles—cars, trucks, buses and two- and three-wheelers—account for nearly three-quarters of transport carbon emissions. Rail is one of the most energy-efficient transport modes, accounting for 15% of global transport, but only 2% of transport energy use.

Electrification is at the forefront of clean-energy transitions, providing access to the 860 million people currently deprived of modern energy, as estimated by the IEA, helping cut air pollution and meet climate goals.² The global electricity supply is undergoing transformation with the increase of variable renewable sources of generation such as wind and solar these changes will require a new approach to our power transmission systems. Energy infrastructure investments are required as the generation mix changes, and ageing infrastructure is upgraded to minimise losses and promote efficiency and security.

Project

Eurofima – Unlabelled Bond
Loan to SBB Bern, Switzerland³

Eurofima has a non-profit mission to support the development of rail transportation in Europe, largely through financing the maintenance and renewal of rolling stock. This project is supporting SBB, which is the largest sustainable mobility solutions provider in Switzerland. SBB is an environmentally friendly railway operator, sourcing over 90% of energy for trains from hydropower. Loans made to SBB were used to finance 187 electric trains in total. The company has an ambition to have its entire rail network powered by renewables by 2025, and already has in place a sustainability policy that covers its entire value chain, from procurement to disposal.

Context

Location – Switzerland⁴

- National target of reducing GHG emissions by 48-50% by 2030 against 1990 levels.
- Transport accounts for almost one third of Switzerland's total emissions.
- Switzerland has the lowest carbon intensity of all IEA members, largely due to the prominence of nuclear and hydro in its energy mix.⁵

Impact

Output (Issuer KPIs)³

- 187 electric passenger trains.
- Targets of having entire SBB network powered by renewables by 2025 and achieving climate neutrality by 2030.

Related SDGs



Project

MuniFin – Green Bond
Mansikkala School⁶

The Mansikkala School is an 11,000 m² educational facility and the largest wooden school in Finland. Having opened in autumn 2020, the school can take 1,350 children. This is equivalent to three primary schools and one secondary school. The building comfortably exceeds the energy efficiency requirements of the Finnish Building Code. Additionally, the use of wood as the main building material allowed for a large degree of prefabrication, meaning less time was needed on the construction site. The project involves the ecological construction of the new school, but also its maintenance for the next 20 years. This will ensure that it will remain reliable and versatile despite its unconventional construction.

Context

Location – Finland

- National target of achieving carbon neutrality by 2035.⁷
- Finland's emissions have declined by 20% since 1990.⁸
- Finland's education system is consistently ranked among the best in the world.⁹

Impact

Output (Issuer KPIs)¹⁰

- Annual energy savings of 1,060 MWh.
- Annual avoided greenhouse gas emissions of 293 tCO₂e.
- School capacity of 1,350 pupils.
- Largest public investment to date for City of Imatra.

Related SDGs



¹WRI, Global Historical Emissions, 2019.
²IEA, Global Energy Review 2020

³African Development Bank, Lake Turkana Wind Power Project: The largest wind farm project in Africa. Available at: <https://www.afdb.org/en/projects-and-operations/selected-projects/lake-turkana-wind-power-project-the-largest-wind-farm-project-in-africa-143>

⁴IEA, Kenya Energy Outlook. Available at: <https://www.iea.org/articles/kenya-energy-outlook>

⁵IEA, Kenya. Available at: <https://www.iea.org/countries/kenya>

⁶Korea Exim Bank (2021), Sustainable Finance Impact Report.

⁷Climate Action Tracker, South Korea: Country Summary. Available at: <https://climateactiontracker.org/countries/south-korea/>

⁸IEA, Korea. Available at: <https://www.iea.org/countries/korea>

⁹Korea Exim Bank (2019), 2018-2019 LG Electronics Sustainability Report.

¹IEA, Tracking Transport 2019

²IEA, SDG7: Data and Projections, 2019

³Eurofima (2021), Green Bond Impact Reporting March 2021

⁴Climate Action Tracker, Switzerland: Pledges and Targets. Available at: <https://climateactiontracker.org/countries/switzerland/>

⁵IEA, Switzerland. Available at: <https://www.iea.org/countries/switzerland>

⁶Sweco, Mansikkala Wooden School. Available at: <https://www.swecofinland.com/en/our-offer/structural-engineering/design-and-consultancy-of-structural-engineering/mansikkala-wooden-school/>

⁷Ministry of Economic Affairs and Employment (2020), Finland's long-term low greenhouse gas emission development strategy, p2.

⁸IEA, Finland. Available at: <https://www.iea.org/countries/finland>

⁹OECD, OECD Better Life Index: Education. Available at: <http://www.oecdbetterlifeindex.org/topics/education/>

¹⁰MuniFin (2021), Sustainable Bonds Impact Report 2020, p34.

SDG 11 project case studies

Make cities and human settlements inclusive, safe, resilient and sustainable



Sectors



Buildings were responsible for 28% of global energy-related GHG emissions in 2018.¹ As extreme weather increases the demand for cooling and heating, it is important to decouple this increase in demand from increasing energy usage. Globally, two thirds of countries do not have mandatory building codes. In order to meet the IEA's 2 degrees scenario, it is estimated that energy efficiency must double for existing building stock and new high performance construction must increase 16-fold in terms of square metres constructed.



According to the IEA, transport is responsible for 24% of direct GHG emissions from fuel combustion.² Road vehicles—cars, trucks, buses and two- and three-wheelers—account for nearly three-quarters of transport carbon emissions. Rail is one of the most energy-efficient transport modes, accounting for 15% of global transport, but only 2% of transport energy use.

Project

European Bank of Reconstruction and Development (EBRD) – Green Bond

Financial package for Istanbul metro extension³

This project is financing a new metro line in Istanbul, one of the most densely populated conurbations in the world. The line will be 13 km long with 11 stations, and it will provide a link between the north and south sides of the city. Complementing the three existing metro lines, the construction of the new line will add capacity for an additional 350,000 passengers per day. This shift from private cars to public transport will help to reduce air and noise pollution, road accidents and congestion. Turkey's emissions from road transportation have tripled since 1990⁴, and this project will play a part in both improving connectivity in the city and reducing emissions from transport.

Context

Location – Turkey

- Istanbul has a population of 15 million people.⁵
- National target of reducing emissions 21% by 2030 against a 'business-as-usual' scenario. This means having net emissions of no more than 929 MtCO₂e by 2030.⁶

Impact

Output (Issuer KPIs)⁷

- Annual avoided greenhouse gas emissions of 42,000 tCO₂e.⁵
- Additional public transport capacity for 350,000 people daily.
- The construction of this project will create jobs for at least 250 young people.

Related SDGs



Project

Swedish Export Credit – Green Bond

121 Seaport, Boston, USA⁸

121 Seaport is a new 17-storey mixed-use building located in Boston's Seaport District. The building contains 400,000 square feet of office space and 58,000 square feet of retail space. It features multiple outdoor spaces including rooftop terraces and a pedestrian-only retail promenade, a fitness centre, underground parking with bicycle storage, and waterfront access. The building is certified LEED Platinum,⁹ which is the highest possible rating. This certification has been achieved through incorporating several sustainability features in the building's design. The building contains a rain recycling system, a natural daylight and chilled beam mechanical system to reduce energy consumption, and a curved structure to limit the impact of solar exposure.^{10,11}

Context

Location – USA¹²

- Among the highest per capita CO₂ emissions in the world.
- Buildings account for 12.2% total GHG emissions in the USA.
- Massachusetts is one of only two American states with net zero energy buildings targets.
- National target of reducing GHG emissions by 50-52% by 2030 against 2005 levels.¹³

Impact

Output (Issuer KPIs)

- 458,000 square feet of LEED Platinum certified building space.⁹
- 40,000-gallon cistern for collecting rainwater.¹⁴
- Uniquely shaped building both for aesthetic purposes and to reduce the need for cooling.¹⁰

Related SDGs



¹ IEA, Tracking Buildings 2019

² IEA, Tracking Transport 2019, 2019

³ EBRD, Financial package for Istanbul Metro extension. Available at: <https://www.ebrd.com/news/2019/financial-package-for-istanbul-metro-extension.html>

⁴ Climate Action Tracker, Turkey: Current Policy Projections. Available at: <https://climateaction-tracker.org/countries/turkey/current-policy-projections/>

⁵ EBRD, Istanbul Metro Project II. Available at: <https://www.ebrd.com/work-with-us/projects/psd/istanbul-metro-project-ii.html>

⁶ UNFCCC (2015), Republic of Turkey Intended Nationally Determined Contribution.

⁷ EBRD, Financial package for Istanbul Metro extension. Available at: <https://www.ebrd.com/news/2019/financial-package-for-istanbul-metro-extension.html>

⁸ Skanska, 121 Seaport. Available: <https://www.usaskanska.com/what-we-deliver/projects/121-seaport/>

⁹ CBTR, 121 Seaport. Available: <https://www.cbtrchitects.com/project/121-seaport>

¹⁰ UX Planet, 121 Seaport is Sustainable, Timeless, and Relentlessly Logical. Available at: <https://uxplanet.org/121-seaport-is-sustainable-timeless-and-relentlessly-logical-1dga799530f9>

¹¹ PTC, PTC's New Headquarters In One of the Greenest Buildings in the U.S. Available at: <https://www.ptc.com/en/blogs/corporate/121-seaport-efficient>

¹² Climate Action Tracker, USA: Current Policy Projections. Available at: <https://climateaction-tracker.org/countries/usa/current-policy-projections/>

¹³ The White House, FACT SHEET: President Biden Sets 2030 Greenhouse Gas Pollution Reduction Target Aimed at Creating Good-Paying Union Jobs and Securing U.S. Leadership on Clean Energy Technologies. Available at: <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/22/fact-sheet-president-biden-sets-2030-greenhouse-gas-pollution-reduction-target-aimed-at-creating-good-paying-union-jobs-and-securing-u-s-leadership-on-clean-energy-technologies/>

SDG 13 project case studies

Take urgent action to combat climate change and its impacts



Sector

Adaptation



Even under optimistic scenarios, climate change will present a wide range of challenges for human and natural systems, and the delicate links which bind them. The need for urgent action on climate adaptation is now widely recognised and is a key element of the Paris Agreement.

Developing countries will be particularly affected by climate change, as many will likely struggle to adapt vulnerable sectors. For example, according to the World Bank, while agriculture accounts for around 26.8% of global employment, this figure can be as high as 92% in developing countries.¹ Therefore, investment on a global scale is required to adapt systems and infrastructure, combined with efforts to reduce GHG emissions and mitigate the long-term threat of climate change.

Project

Netherlands Water Boards (NWB) Bank – Green Bond

Flood defences and water system adaptation project³

NWB Bank provides loans to the Dutch water authorities using its green bond proceeds. The water authorities are working together with municipalities, provinces, and the national government to improve climate resilience within the Delta Plan for Spatial Adaptation. This project contributes to these efforts by designing flood defences and water systems to be climate resistant. The Dutch water authorities manage and maintain more than 3,200 km of primary flood defences that protect against flooding from the sea, with an additional 14,500 km of flood defences that provide protection from other waterways. Furthermore, the authorities adapt water systems to prevent water shortages during dry periods through measures such as creating water shortage areas and increasing the capacity of pumping stations.

Context

Location – Netherlands

- The Netherlands rank 68th in the Climate Risk Index for 1999-2018.⁴
- Two-thirds of the Netherlands lie below sea level.³
- More than ten million people live in areas that are vulnerable to flooding.³

Impact

Output (Issuer KPIs)³

- Maintaining more than 3,200 km of primary flood defences that protect against flooding from the sea.
- Supplied more than 2.3 billion m³ of extra water during dry periods in 2019.

Related SDGs



Project

Kommuninvest – Green Bond

Botkyrka stormwater parks⁵

Kommuninvest provides credit to local authorities across Sweden to finance investments in areas such as housing, infrastructure and water management. This loan to Botkyrka Municipality, located on the outskirts of Stockholm, finances a project with the aim of improving the disposal and purification of stormwater. The Municipality currently experiences 210,000m³ of stormwater discharge each year, which flows into Lake Mälaren, the third largest lake in Sweden. This project addresses the problem through transforming two park areas into stormwater parks by constructing ponds, plantings and wetlands. The expected benefits of this project will be improved water quality, increased biodiversity, and resilient drinking water production. Beyond these environmental benefits, the project also seeks to improve park usage and community integration by making the parks accessible via footbridges and jetties, and by including exercise tracks and an outdoor gym.

Context

Location – Sweden

- Sweden currently ranks tenth globally in terms of sanitation and drinking water.⁶
- Sweden's lakes are among the largest in Europe.⁷

Impact

Output (Issuer KPIs)⁵

- Two new stormwater parks with exercise facilities.
- Prevention of 210,000m³ of storm water discharge annually.
- Resilient drinking water production to adapt to patterns of more extreme weather and increased demand for water.

Related SDGs



¹ World Bank, Employment in agriculture, 2020

² The Port Lands (2018), Background: Port Lands Flood Protection.

³ NWB Bank, Water Bond Report 2020

⁴ German Watch, Global Climate Risk Index 2020, p41.

⁵ Kommuninvest, Kommuninvest Green Bonds Impact Report December 2020, p42 & p44

⁶ Yale Center for Environmental Law & Policy, Environmental Performance Index: Sanitation & Drinking Water.

⁷ European Environment Agency, Large European lake and reservoirs.

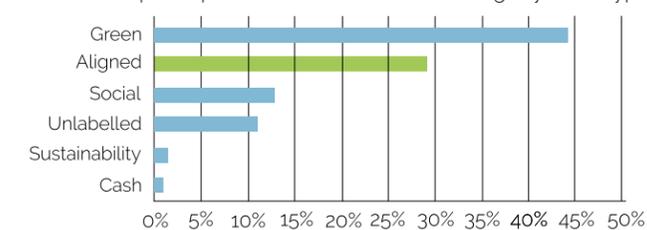
SPECTRUM aligned summary

SPECTRUM aligned investments

In 2020, 29.6% of the portfolio was invested in 10 SPECTRUM aligned issuers, defined as issuers who receive at least 50% of revenues generated from sectors aligned with the AIM taxonomy (see Annex 1).

SPECTRUM aligned issuers have a clear commitment to climate mitigation and adaptation, and to sustainable economic development, for example to the Sustainable Development Goals. SPECTRUM aligned bonds are an important portfolio management tool.

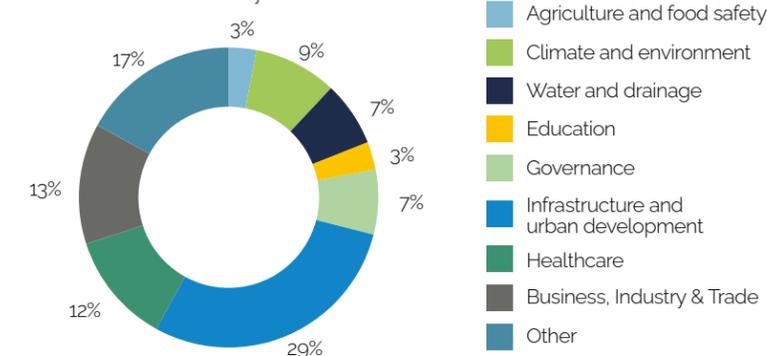
AIM US\$ Liquid Impact Fund 2020 Portfolio Holdings by Bond Type



Agence Française de Développement (AFD) – 1.01%

AFD is a public development bank that implements France's international development and solidarity policies. AFD's work involves providing loans, grants, expertise, and technical assistance to contribute to the economic, social and environmental development of low- and middle-income countries. AFD's funding strategy is focused on six "fields of action", including demographic and social transition, energy transition, ecological transition, digital and technological transition, political and civic transition, and economic and financial transition. The issuer has robust and highly transparent governance and policies. Beginning in 2017, AFD committed to aligning its activities with the goal of long-term and low-carbon development.

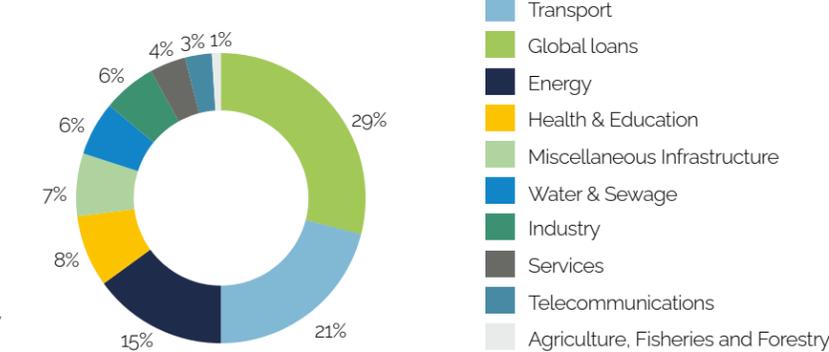
AFD commitments by sector FY2020



European Investment Bank (EIB) – 7.31%

EIB is a multilateral financial institution owned by, and representing the interests of, the 27 Member States of the European Union (EU). The bank supports implementation of EU policy, such as financial inclusion, employment, infrastructure, and urban and regional development. Its mission is to finance projects in less developed regions, in modernisation, and/or of common interest, that cannot be financed by individual members. Climate action is taken into consideration throughout the assessment and monitoring of all projects; EIB estimates and reports the carbon footprint for all directly financed projects that have material (undefined) emissions. Furthermore, an economic price of carbon is incorporated into the accounting for environmental externalities. In 2019, EIB updated its energy policy to cease new financing fossil fuel projects from the end of 2021.

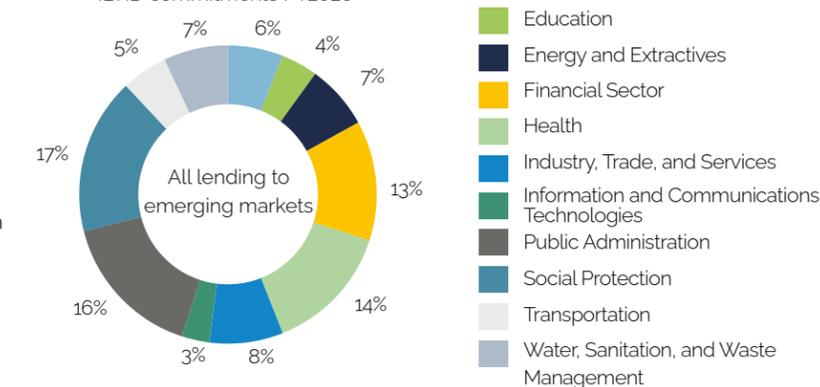
EIB Loans FY2020



International Bank for Reconstruction and Development (IBRD) – 7.16%

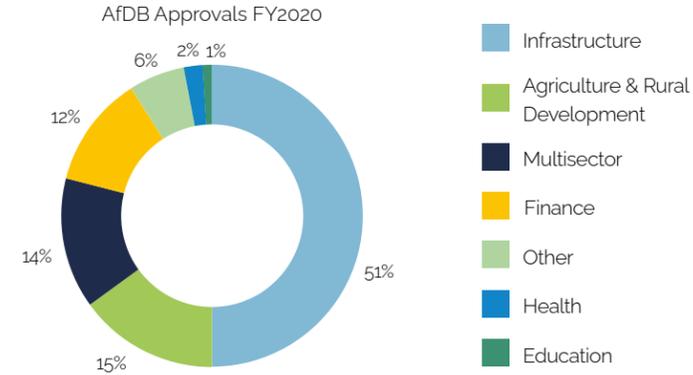
IBRD, part of the World Bank Group, is a mission-driven organisation that supports the dual goals of ending extreme poverty by 2030 and boosting shared prosperity for the bottom 40% of the population with sustainable solutions. IBRD provides loans, guarantees, risk management products and advisory services to middle-income countries around the world, as well as technical assistance and regional coordination. It is estimated that more than 70% of the world's poorest people live in middle-income countries, often in remote areas. IBRD was a trailblazer in the green bond market, being the first issuer in 2008 of the form of green bond recognisable in today's market.

IBRD commitments FY2020



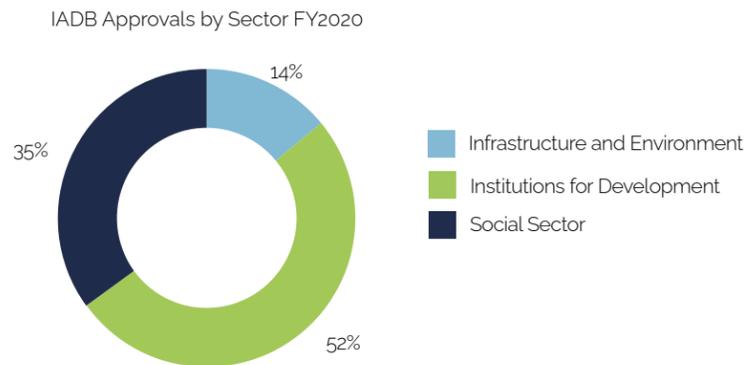
African Development Bank (AfDB) – 1.08%

AfDB is Africa's leading development institution. Its strategic priority is to achieve green and inclusive growth, with a special emphasis on climate resilience, gender equality, and reducing conflict and fragility. AfDB reaches some of the most vulnerable populations in the world. AfDB has strong ESG policies and procedures, which are well documented. The bank's governance and accountability mechanisms are very robust, evidenced by a comparatively moderate tally of ESG controversies.



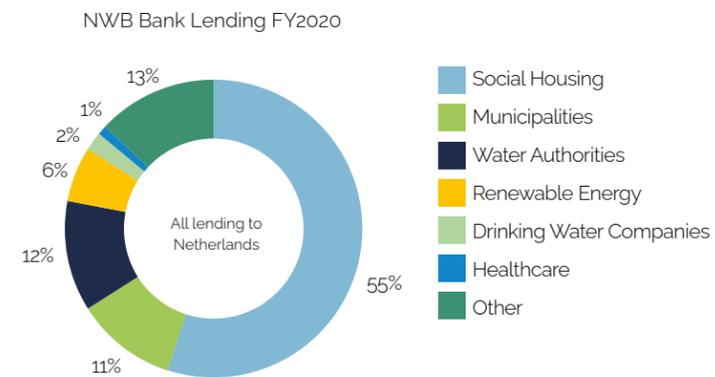
Inter-American Development Bank (IADB) – 1.08%

IADB is a leading multilateral development bank that works to improve lives in Latin America and the Caribbean. The bank provides financial and technical support for countries to improve health and education, advance infrastructure and achieve development in a sustainable, climate-friendly way. IADB's lending has a majority social focus, with a growing climate component (up to 30% by 2020). The bank's latest energy sector guidance focuses heavily on expanding renewables, including off-grid, as an energy access solution across the Latin American and Caribbean regions.



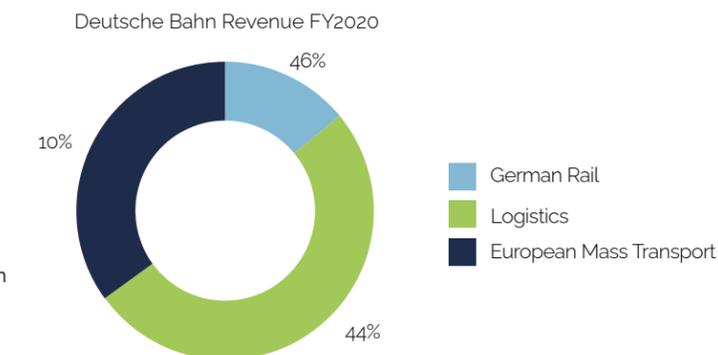
Nederlandse Waterschapsbank (NWB Bank) – 6.23%

NWB Bank is owned by Dutch public authorities and is a key financing entity in the Netherlands for water boards, municipalities, provinces, social housing, healthcare and educational institutions. Approximately 65% of NWB Bank's lending provides social housing, with the remaining share allocated to municipalities, the water sector, and healthcare. The bank also issues green and social bonds to fund its activities.



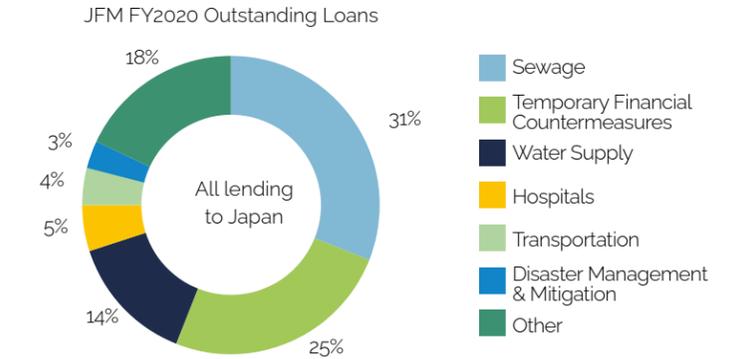
Deutsche Bahn – 0.83%

Deutsche Bahn AG is Germany's state-owned railway company. It primarily provides cargo and public transport services across Europe, but also operates a large global logistics business. Deutsche Bahn has a strong sustainability strategy, including greenhouse gas (GHG) emissions reduction targets, that extends across all its operations. The company provides a high level of disclosure and transparency in relation to both its services and its positive impact.



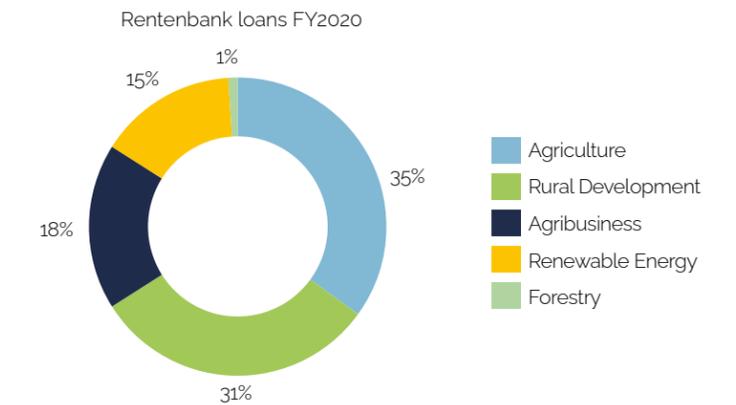
Japan Finance Organisation for Municipalities (JFM) – 0.56%

JFM is a funding organisation set up to optimise funding for local authorities in Japan. JFM focuses on long-term lending, reflecting the longer life cycles of social infrastructure projects for which local governments borrow. JFM expects an increase in funding demands from local governments for the repair and renewal of public infrastructure originally constructed in the post-war era, especially given the ageing and declining population in Japan. Key financing areas include sewage management, water, hospitals and elderly care, as well as disaster management for an earthquake-prone country with large areas vulnerable to rising sea levels.



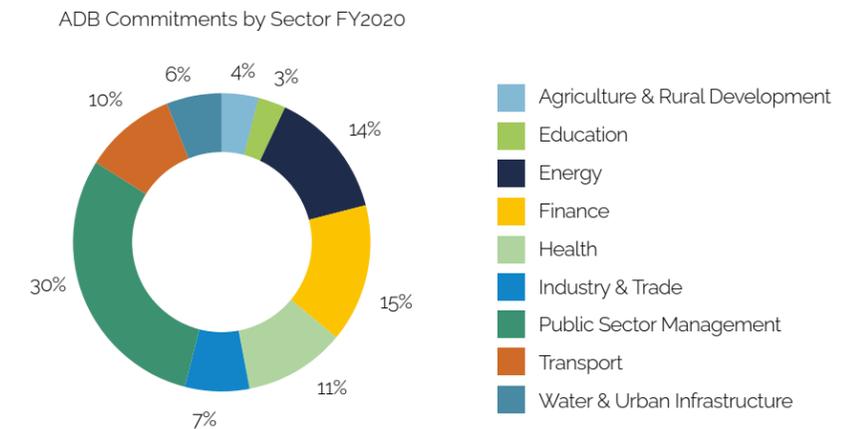
Landwirtschaftliche Rentenbank – 3.42%

LW Rentenbank is a German state-owned financial institution that provides loans and subsidies to the agriculture and food sectors, with a focus on SMEs. It also funds rural development and renewable energy. As a mission-driven organisation, LW Rentenbank creates positive impact in both the social and environmental spheres. The bank's mandate is underpinned by German governing law, giving confidence that overall alignment to AIM's sector taxonomy and sustainable development is strong.



Asian Development Bank - 0.92%

ADB is a leading multilateral development bank focused on sustainable development in the Asia Pacific region. The issuer's 2030 strategy is focused on seven operational priorities, including poverty reduction, gender equality, climate change adaptation and mitigation, urban resilience, rural development and food security, governance, and regional cooperation. ADB has high levels of transparency on its current funding as well as strategic priorities to increase its contributions to climate change mitigation and adaptation.



AIM corporate sustainability

At AIM, our mission is to mobilise mainstream capital to address the challenges the world faces. 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 we can measure our progress.



People



Climate



Clients



Community

Our people

	Diversity & inclusion	Professional development	Wellbeing	Charitable giving
2020 achievements	<ul style="list-style-type: none"> Gender balance at all levels Paid internships throughout the year Our People Policy was published for the first time 	<ul style="list-style-type: none"> Five new hires from a variety of specialist backgrounds Continual learning and participation in professional development initiatives 	<ul style="list-style-type: none"> Flexible working adopted by all employees Full parental leave utilised by two employees 	<ul style="list-style-type: none"> Charitable donations provided on behalf of all employees during the pandemic period

Our people drive our success. In what has been a challenging period, we are proud that we have continued to foster an environment of collaboration. Our People Policy sets out how our core values of transparency, integrity, fairness and intellectual rigour are integrated into our policies and behaviours.

We encourage our employees to pursue ongoing professional qualifications and development. We work with individuals on a personal basis to determine study leave and funding requirements. During the year, our team progressed with qualifications such as the CFA® Program and the ICMA Fixed Income Certificate, and participated in working groups and panels, including the SEB conference regarding the Covid-19 recovery, the Swedbank panel on investing in a 1.5°C world, and Impact Investment Summit Asia Pacific on Gender Lens investing.

Flexible working has been a core value since AIM's inception. During 2020, our flexible working strategy was utilised by all our colleagues as working from home was undertaken globally. We promoted continued collaboration through all-team Zoom calls, which take place three times a week, and virtual social events. As government restrictions lift, we will continue to operate a flexible working model to facilitate in-person collaboration and varying working preferences.

We know the importance of giving back to the community, and in 2020 we encouraged all employees to nominate a charity of their choice to which we would donate on their behalf. Through this scheme, we donated to a diverse range of organisations across the globe.

50%

of senior management are women

43%

of employees are women

24%

of employees are Black, Asian and Minority Ethnic (BAME)

11

languages spoken

26 weeks

paid parental leave for both female and male employees

Our climate



	Net zero	Responsible travel	Circular world
2020 achievements	<ul style="list-style-type: none"> Continued commitment to operational carbon neutrality for Scope 1, 2 and 3 emissions 	<ul style="list-style-type: none"> Increased take-up of the Cycle to Work scheme for London-based colleagues Leveraging of technology in place of in-person meetings 	<ul style="list-style-type: none"> Electronic materials replaced paper copies as our standard Recycling and no single-use plastic in our offices

zero

net carbon emissions

100%

of London-resident employees use public transport or cycle to work

zero

single-use plastic in our offices

Our vision is to mobilise mainstream capital to address the major challenges the world faces. One of the most pressing is climate change, highlighted in 2020 by wildfires, hurricanes and flooding across the globe.

At AIM, we offset all Scope 1 and 2 emissions, and also Scope 3 (Category 6) – Business Travel emissions. This year, we offset our corporate carbon footprint by supporting a project that upgrades and maintains a composting facility in Okhla, Delhi. This project combines environmentally beneficial soil remediation and waste recycling with social benefits by reducing the burning of waste in the surrounding area. You can read more about this project and our operational carbon footprint in the following pages.

During 2020 and the implementation of social-distancing measures, more of our colleagues took advantage of the Cycle-to-Work scheme. This London-based benefits scheme provides employer-supported discounts on bicycles and cycling equipment. The number of our team members who cycle into the office, as and when restrictions allow, continues to increase.

As a business, we have always seen the value in technology and have operated an outsourced model from the start. While we are excited to visit clients face-to-face in the near future, we continue to leverage technology as a less carbon-intensive form of communication, whether via Zoom or by sharing all materials electronically. Reviewing the balance between electronic and in-person engagement is crucial for a cleaner planet.



Our clients

	Accountability	Insights	Impact delivery
2020 achievements	<ul style="list-style-type: none"> AIM Modern Slavery Statement published Continued innovation of our impact reporting Reporting aligned with the Task Force on Climate-related Financial Disclosures (TCFD) expanded to include the Weighted Average Carbon Intensity (WACI) of the benchmark 	<ul style="list-style-type: none"> Insights and thought pieces published on our website Held webinars for continued education and sharing of knowledge 	<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

Our clients come first. We continue to succeed in our mission to deliver mainstream financial returns with environmental and social impact.

We believe in the importance of accountability and authenticity and hold ourselves to the same standards as we do our issuers. In 2020, we published our first Modern Slavery Statement which details how we assess modern slavery in both our verification process and our supply chain. We acknowledge that the assessment of modern slavery risks is an ongoing process and will continue to review and refine our approach.

We share our knowledge with our clients and publish insight pieces and commentaries on our website throughout the year. In 2020, these included an introduction to Covid-19 bonds and our view on the importance of decarbonising real estate.

Our annual Impact Reports underpin our commitment to transparency for our clients and we continue to enhance the depth of our analysis each year. As part of these reports, we measure the WACI, as recommended by the TCFD. This year, we have extended our calculation to include the portfolio benchmark to provide greater comparability for our clients. We also continue to assess the physical risk of our portfolios, building upon our work with South Pole initiated in 2019. Further details can be found in our annual Impact Reports.

We are delighted to have been recognised for the quality of our impact reporting and our portfolios. We continued to receive a number of awards including 'Best ESG Investment Fund: Green bonds' at the ESG Investing Awards and 'Best Sustainability Reporting by an asset manager, medium and small (fixed income)' at the Environmental Finance Sustainable Investment Awards.

As a firm, we have recently received a Morningstar ESG Commitment Level of 'Leader'.¹ In their assessment, published in May 2021, we were the only asset manager to have received this commitment level. We are also proud to have received an A+ rating from the Principles for Responsible Investment (PRI) for the 2020 reporting cycle – the highest rating that can be achieved.

The new EU Sustainable Finance Disclosure Regulation came into effect on 10th March 2021. This regulation is applicable to European financial market participants, ranging from asset managers to financial advisers, and aims to increase transparency regarding ESG-focused products. It forces asset managers to reveal the differing levels of sustainability integration and focus of each investment strategy they offer. Our flagship fund, the LO Funds - Global Climate Bond, has been classified as an Article 9 Fund, the highest sustainable classification. We expect all of our vehicles for EU distribution to be classified under Article 9.



PRI rating across all modules



Morningstar ESG Commitment Level



SFDR classification for all European funds

Our impact community

	Agent for change	Collaborator
2020 achievements	<ul style="list-style-type: none"> Panel and working group participation Participation in investor surveys, such as ICMA social and transition bonds surveys 	<ul style="list-style-type: none"> Collaboration with peers to drive forward initiatives Active engagement with potential and current impact bond issuers



collaborations and events

We believe in the importance of collaboration and engaging with our impact community.

Throughout 2020, we continued to partner with our peers to drive initiatives. These included providing expertise to the Inter-American Development Bank for the creation of the Green Bond Transparency Platform and the New South Wales government expert advisory group for social impact. We contributed to reporting standards, such as the early adoption of the Sustainability Reporting Standards for Social Housing, and signed investor letters, for example, calling upon the UK government to issue green Gilts. We are pleased to see the United Kingdom has confirmed that the first green Gilt will be issued in 2021.



global partnerships

We see value in collaboration and participated in numerous surveys throughout the year. These included the S&P survey on the underlying metrics needed to uncover the climate information that matters to investors and corporations and the Environmental Finance survey on impact reporting. We subsequently participated in the Environmental Finance webinar on impact reporting best practices. We also spoke at virtual conferences, such as the Portfolio Construction Forum, where we proposed the notion that "ESG is about risk; impact is about outcomes" and the Responsible Investment Association Australasia (RIAA) conference in Australia, seeking to provide insights and educational tools for investors.



engagements held over the 2020 impact reporting period

Engagement is fundamental to our investment philosophy, and we engage with issuers and intermediaries both pre- and post-issuance. As outlined in the 'Engaging for Impact' section of our Impact Reports, we engage to promote impact ambition and robust disclosure. We use engagement as a medium to encourage best practice and transparency, and to develop strong relationships with our impact community.

You can read more on our partnerships, collaboration and engagement activity in our annual Impact Reports.

2021 initiatives

We believe in holding ourselves accountable and recognise the importance of setting measurable targets. We will continue to measure against the metrics detailed in our four pillars and we have set out the following 2021 targets:

Community initiative

We will launch an AIM community initiative in the coming year. This will include the nomination of a charity, selected by our colleagues. All members of the team will be able to take one day of paid leave to volunteer with this organisation.

Firm-wide TCFD reporting

We are continuing to develop our approach to TCFD reporting. We believe in the importance of standardising disclosures, and we seek to enhance our climate-related disclosures, recognising the importance of holding ourselves to the same standards that we expect from the issuers and bond issues we hold in our portfolios. We will be reporting across the four pillars as recommended by the TCFD: governance, strategy, risk management, and metrics and targets. We seek to hold ourselves accountable by articulating a framework through which to measure our activities and by setting firm-wide targets that apply to our investments and operations.

Gender pay equity review

While we promote gender equality, and have achieved gender equity at all levels of the firm, we believe it is important to formalise this with a review of salaries through a gender lens.

Impact collaboration

We will continue to collaborate with our peers and join initiatives that align with our mission. For example, we have recently signed up to the Net Zero Asset Managers Initiative.

AIM operational carbon footprint 2020

Scope 1

0 tCO₂e

Direct GHG emissions from sources that are owned or controlled by AIM¹

Scope 2

3.4 tCO₂e

Indirect GHG Emissions from the generation of electricity purchased by AIM

Source	2020 electricity consumption (kWh)	GHG emissions conversion factor (kgCO ₂ e per kWh)	GHG emissions (kgCO ₂ e)
Office (Scope 2)	14,678	0.233	3,422.03 (3.4tCO ₂ e)

Table 1: Approach for calculating 2020 AIMs Scope 2 GHG emissions compared to Scope 3 remote working

To derive Scope 2 GHG Emissions, a location-based approach was used in line with the UK Government's guidelines for corporate carbon footprint reporting. As shown in Table 1, AIMs office electricity consumption in 2020² was multiplied by the GHG emission conversion factor for the electricity supplied to the UK grid.

Scope 3

29.9 tCO₂e

GHG emissions resulting from assets or activities not owned or controlled by AIM

Due to the Covid-19 restrictions that have been in place over much of 2020, remote working has been the norm for us and many other businesses. This presents new challenges from a carbon footprinting perspective, as there is little established guidance on the appropriate reporting of emissions from remote working.

To address this, regional energy consumption data were used to estimate the usage of gas and electricity attributable to AIM for each staff member. This involved constructing regional average baselines for the UK³, and national baselines for other countries. The resulting gas and electricity consumption baselines were multiplied by the expected increase in consumption caused by working from home.⁴ This provided an estimate of the total consumption of electricity and gas attributable to our business.

To derive emissions data, separate electricity conversion factors were sourced or calculated from available data for each country.⁵ For gas emissions, the UK conversion factor was used for all regions, as emissions from natural gas vary less by location.⁶ This approach was applied for all staff members for a period of 40 working weeks, as remote working did not begin until March in the UK. Tables 2 and 3 shows some examples of the approach taken.

Region	Average gas consumption (kWh/person/day)	Average increase in gas usage due to remote working	Natural gas emissions conversion factor (kgCO ₂ e per kWh)	Working days	GHG emissions (kgCO ₂ e)
Maidstone (UK)	13.00	70.68%	0.18	200	338.01
Victoria (Australia)	5.06	60.10%			111.83
USA	12.71	38.39%			358.87

Table 2: Examples of approach for calculating 2020 AIM's remote working gas emissions

Region	Average gas consumption (kWh/person/day)	Average increase in gas usage due to remote working	Natural gas emissions conversion factor (kgCO ₂ e per kWh)	Working days	GHG emissions (kgCO ₂ e)
Maidstone (UK)	4.49	57.79%	0.23	200	120.89
Victoria (Australia)	6.52	26.24%	0.98		335.33
USA	12.24	62.57%	0.40		1,221.83

Table 3: Examples of approach for calculating 2020 AIM's remote working electricity emissions

The final estimate of emissions attributable to our remote working is an upper bound, as some upward bias resulted from the simplifying assumptions that allowed the baselines to be constructed. For example, the UK average consumption figures were calculated from annual data that included the high-consumption months of January and February, and this drove up average consumption despite no remote working during those months. However, given the significant role played by remote working over the past year, providing these data gives a more complete picture of our total emissions over 2020.

Source	2020 energy consumption (kWh)	GHG emissions conversion factor (kgCO ₂ e per kWh)	GHG emissions (kgCO ₂ e)
Remote working: gas	28,266.00	0.233	5,197.27 kgCO ₂ e
Remote working: electricity	11,137	Varies	3,388.83 kgCO ₂ e

Table 4: Total emissions from remote working by type of energy usage

21,285.65 kgCO₂e Category 6-Business Travel: GHG emissions from flights and trains by AIM staff

To derive Scope 3 GHG Emissions-Category 6: Business Travel, all our staff's flights and train trips were retrieved from the AIM shared calendar and records. GHG emissions conversion factors were sourced from the UK Government's guidelines for corporate carbon footprint reporting. For air travel, flights were categorised according to their haul and origin/destination, and corresponding average passenger conversion factors were applied based on distance flown.⁶ For land travel, rail trips were categorised according to whether they were domestic or international, and conversion factors were applied based on the distance travelled.⁷ Due to Covid-19 travel restrictions, fewer trips were taken over 2020, which accounts for the drop in emissions from business travel. Table 5 below displays several examples of the approach for calculating our GHG emissions from business travel.

Transport mode	Origin	Destination	Haul / Type	Distance travelled incl. return (km)	GHG emissions conversion factor (kgCO ₂ e per passenger.km)	GHG emissions (kgCO ₂ e)
Flight	Washington	Bogota	International, to/from non-UK	3,824 ²	0.18181	208.30
Flight	London	Washington	Long-haul, to/from UK	5,898 ²	0.19085	1,125.63
Train	New York	Washington	National rail ⁸	474	0.03659	17.51

Table 5: Approach for Calculating 2020 AIMs Scope 3 GHG Emissions-Category 6: Business Travel

Overall AIM corporate carbon footprint

Table 6 below summarises the results for the calculation of our corporate carbon footprint in 2020.

GHG emissions boundary	Description	GHG emissions (2019)	GHG emissions (2020)
Scope 1	GHG emissions from direct sources	0 tCO ₂ e	0 tCO ₂ e
Scope 2	GHG emissions from electricity purchased	4.5 tCO ₂ e	3.4 tCO ₂ e
Scope 3-Category 6	Business travel - flights and train trips	31.3 tCO ₂ e	21.3 tCO ₂ e
Scope 3	Emissions from remote working	Not applicable	8.6 tCO ₂ e
AIM corporate carbon footprint		35.81 tCO₂e	33.29 tCO₂e

Table 6: 2020 AIM corporate carbon footprint

Offsetting our corporate carbon footprint

Offsetting is a climate action that enables individuals and organisations to compensate for unavoidable GHG emissions by supporting projects that reduce GHG emissions elsewhere. Every year, in order to offset our unavoidable corporate carbon footprint, we purchase certified emissions reductions (CERs) generated by the Clean Development Mechanism (CDM) projects in developing countries. For 2020, we offset our corporate carbon footprint by supporting a project aiming to upgrade and maintain a composting facility at Okhla, Delhi, which processes municipal waste and diverts 200 tons of waste from dumpsites per day. By providing a facility to properly dispose of waste, the project hopes to reduce the burning of waste that contributes to the significant pollution problem in Delhi, and to reduce methane emissions from dumpsites.⁹

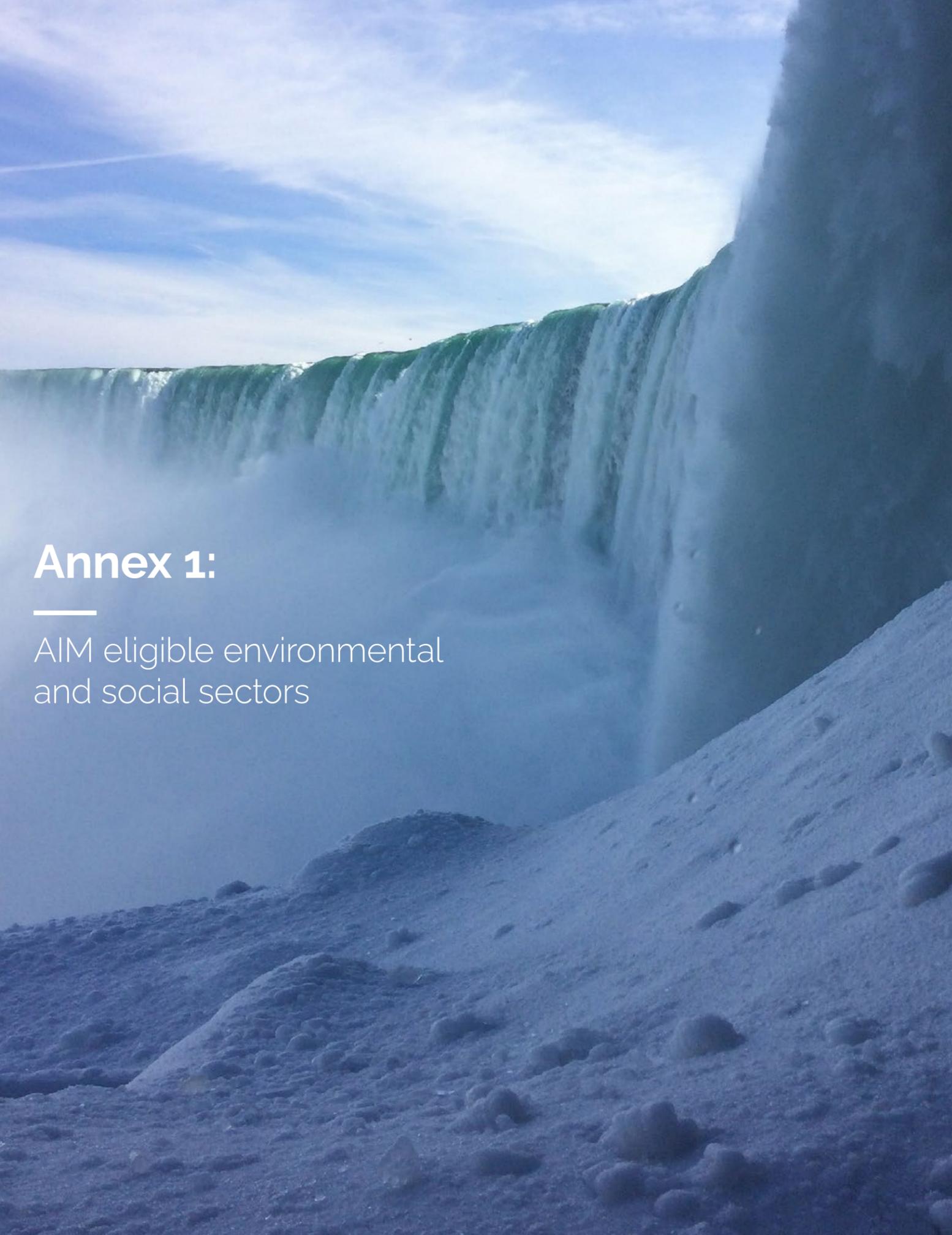


⁶Source: Business Travel - Air, 2020 Standard Set, UK Government GHG Conversion Factors for Company Reporting, BEIS & DEFRA - In particular, for air travel, GHG emission factors included radiative forcing (RF) - a measure of the additional environmental impact of aviation. As described in the source, 'organisations should include the influence of radiative forcing RF in air travel emissions to capture the maximum climate impact of their travel habits. However, it should be noted that there is very significant scientific uncertainty around the magnitude of the additional environmental impacts of aviation.'

⁷Source: Business Travel-Land, 2020 Standard Set, UK Government GHG Conversion Factors for Company Reporting, BEIS & DEFRA
⁸Should be noted this type of travel refers to the emissions factor used, not the operator of the rail. This cell refers to the category of national rail, in the UK Government GHG Conversion Factors, rather than the UK rail network of the same name.
⁹<https://offset.climateactionnow.org/upgrade-operation-and-maintenance-of-200-tpd-composting-facility-at-okhla-delhi-2470>

¹Scope 1 emissions are zero because the AIM office has no gas heating and therefore no direct emissions from this space.
²Source: AIM Office Manager - Electricity Consumption Data for 3rd Floor, 7 Birch Lane, London
³Source: Regional and local authority gas consumption statistics, Statistical Data Set, BEIS, UK Government

⁴Source: Estimating Energy Consumption & GHG Emissions for Remote Workers, Anthesis, February 2021
⁵Sources as follows: National Greenhouse Accounts Factors 2020, Australian Government; eGRID2019 Dataset for the District of Columbia, US EPA; WEO 2019 Annex A
⁶Source: greenhouse gas reporting: conversion factors 2020, BEIS, UK Government



Annex 1:

AIM eligible environmental and social sectors

Eligible environmental sectors

AIM has an internal sector taxonomy that is complementary, but not restricted to the EU Taxonomy for Sustainable Activities. Example of eligible sectors in the AIM taxonomy include:



Energy

- Renewable energy, such as solar, wind, wave, tidal, geothermal, hydropower and hydrogen (under certain conditions).
- Grid: transmission, distribution, and infrastructure efficiencies and resilience.
- Energy efficiency technologies, installations and systems design to reduce energy consumption.
- Clean energy access for underserved areas.



Infrastructure

- Transport: sustainable mass transit infrastructure, efficient and low carbon public and private fleets.
- Water supply and sanitation infrastructure.
- Coastal zone and flood area protection.
- Resilient built environment and green building stock.
- Soft infrastructure: telecommunications and broadband connectivity, internet of things (IoT).



Water resource management

- Watershed management and planning, including investment in catchments and aquifer recharge areas.
- Water use efficiency: new and retrofitted water supply and consumption infrastructure.
- Water restoration and water quality management, particularly with innovative materials and technologies, and practices.



Resource efficiency

- Sustainable, green materials management and substitution, including in green buildings.
- Pollution prevention and remediation: air, water and soil.
- Waste management, reduction and recycling.
- Responsible supply chains.



Land management

- Sustainable agriculture and forestry.
- Integrated landscape planning, maximising carbon efficiency, sequestration and ecosystem resilience.
- Regulatory conditions to promote diverse and resilient communities and landscapes (zoning, easements, etc).
- Biodiversity conservation and ecosystem restoration.



Marine environment & fisheries

- Pollution prevention and clean up in the marine environment.
- Biodiversity and fishing stock management and regulation.
- Environmentally sound coastal zone management.
- Chemical and biological restoration of critical marine areas.

Eligible social sectors

AIM has an internal sector taxonomy that is complementary, but not restricted to the EU Taxonomy for Sustainable Activities. Example of eligible sectors in the AIM taxonomy include:



Education, training & employment

- Access to education, safe schools, teaching materials and teachers, food programmes and financial incentives for families.
- Employment training for new and re-entering job seekers in green and new economy sectors.



Global health

- Access to immunisation and other medical resources and services, through financing, distribution infrastructure and training.
- Access to healthcare in the form of hospitals, clinics, trained healthcare workers and information.
- Innovation in healthcare products, financing, distribution and services.



Empowerment of women & vulnerable groups

- Activities promoting gender equality, eg education and training for women and girls.
- Access to improved maternal and child health services.
- Social and regulatory services to support protection and resilience of vulnerable and war ravaged groups.



Financial inclusion & sustainable enterprises

- Access to microfinance and financial services in underserved communities through regulation, financial institutions and technology.
- Access to funding for SMEs.
- Technical, energy and resource efficiency capacity building for SMEs.



Food security

- Crop insurance and risk sharing schemes to increase producer resilience to climate and other stresses.
- Water rights institutions to protect access by vulnerable groups.
- New cropping techniques and resilient crop varieties.
- Expanded market access through financial, regulatory and physical infrastructure.



Social housing

- Affordable housing for vulnerable groups.
- Access to credit for housing for disadvantaged groups.
- Shelter/temporary housing facilities.
- Activities and initiatives addressing homelessness.
- Integrated community planning.

Annex 2: Methodologies

AIM impact report methodology

Issuer reporting is heterogeneous, utilising different methodologies, reporting formats and performance indicators. This often means that we cannot compare reported impact data accurately, nor appropriately. However, where possible, we engage and harmonise impact indicators, including working with independent specialists such as ISS ESG and South Pole to adopt a common approach where appropriate.

The impact metrics included in this report can be considered underestimates for two key reasons:



Not all issuers are able to report on 100% of the portfolio. This may be due to a range of reasons, such as issuers having insufficient resources, or gaps in initial data collected to permit reasonable calculations, or lack of impact metric methodologies and expertise.

AIM and our partners (eg ISS ESG) were not able to use the supplied/reported impact data. This will be the case if, for example, there are differences in issuer reporting methods, or a lack of transparency in how the figures were calculated, or lack of comparability with other issuers.

The aforementioned barriers to impact reporting persist in the market. However, we engage with issuers to encourage market consistency in reporting, including adoption of industry best practices, such as disclosing their reporting methodologies, appropriate references to baselines and higher levels of disclosure—for example, prorated project-specific information, where available. This report has attempted to standardise the diverse methodologies and metrics used by issuers, where possible.

The overall methodology by which we collected, evaluated and processed impact data to present in this report is as follows:

- 1 Verified issuers' reporting and transparency of proceeds commitments as part of our SPECTRUM Bond® analysis. (Issuers with poor reporting practices are excluded or placed on the watchlist.)
 - 2 Collected impact bond issuer proceeds commitments and impact performance metrics. Issuers tend to report annually on the anniversary of the first impact bond issuance and use different reporting periods.
 - 3 Engage with invested impact bond issuers when necessary to request greater disclosure, targeting project specific data where possible. To limit double counting, we request that issuers determine their financing share of projects, permitting calculation of impact bond issuer prorated project information.
 - 4 Tagged and categorised issuer-reported impact bond data by our taxonomy sectors, sub-sectors, region, country and SDG alignment at the project level, per issuer. Projects and bonds can be aligned to more than one SDG and sector
 - 5 Estimated portfolio share of impact data as a percentage of portfolio holding amount to total relevant impact funding. For example, if the portfolio had an average time-weighted holding of US\$1m of a US\$500m green bond funding programme—the Fund will be allocated 0.2% of reported impact bond key performance indicators (KPIs).
 - 6 Calculated portfolio time-weighted sector, geographic and SDG distribution in USD equivalent terms, and portfolio-adjusted KPIs using the above data.
- NOTE: Where the issuer reports at bond level, we included only projects associated with the bond held in our portfolio. Otherwise, as a general rule, we take projects at the full framework level annually or, if annual reporting is not available, since inception.
- 7 Where relevant and possible, calculated independent portfolio metrics in adherence to international best practices, such as the greenhouse gas Protocol, with leading climate data specialists. Non-mitigation focused activities and social bonds are excluded from GHG emissions estimates currently.

Carbon Yield® methodology



The Carbon Yield® quantifies the environmental impact of a green bond in terms of greenhouse gas (GHG) emissions avoided through financed activities and was jointly developed by Lion's Head Global Partners, ISS ESG and AIM, with funding by the Rockefeller Foundation. Carbon Yield® is an open-access methodology, available for issuers and investors to use. AIM published a case study on our experience of applying the Carbon Yield®, which can be accessed at <https://affirmativeim.com/insights/>



The impact is expressed in Potential Avoided Emissions (PAE) enabled by the bond's use of proceeds in terms of tonnes of CO₂e/year/unit of capital. Full details on the Carbon Yield® can be found at <http://carbonyield.org/>



- 1 Projects and activities funded through the issuer's green bond framework are identified and categorised according to sector and technology.
- 2 Relevant baselines for each project/activity type are identified. A reference emissions baseline is applied to calculate the abatement potential of an activity.
- 3 The potential annual GHG abatement is calculated for each project (and/or activity). This metric is defined as the average GHG abatement for the underlying project's expected lifetime, or the operating GHG abatement, adjusted for the construction years (where relevant). Under the initial proposal, the Carbon Yield® is not adjusted for GHG emissions created during the construction phase, although in time, and as disclosure improves, the market may move to demand such an adjustment. The number of construction years is accounted for within the total project lifetime, however, such that the average abatement is an average over the lifetime of the whole project, including the construction phase.
- 4 The capital cost of the project is inputted. Where the full capital cost is not known, it can be imputed from technology benchmarks, published by entities such as the International Renewable Energy Agency (IRENA) and other industry organisations.
- 5 By combining the annual abatement potential with the capital cost of the project, the annual potential GHG abatement per unit of invested capital can be derived.
- 6 Once the annual potential GHG abatement per unit of invested capital is known, an issuer can allocate that potential abatement to the quantum of capital that they have invested in or committed to the project.
- 7 By taking a weighted average of the potential abatement impact per capital invested for each activity in the framework, the issuer can calculate the Carbon Yield® per unit of invested capital of their green bond framework, ie the Carbon Yield® of the green bonds issued under such a framework. Alternatively, if the issuer does not provide a Carbon Yield® for their security, the investor can still use this approach to calculate the Carbon Yield®, as long as certain base information regarding the use of proceeds is provided (through the green bond framework).
- 8 Individual bond Carbon Yields® are then aggregated to determine the portfolio-weighted GHG emissions avoided per unit of capital invested.

Physical risk assessment

In the 2019 pilot case study we conducted with South Pole to understand the physical climate risks faced by projects funded by bonds held within our portfolios, we concluded that despite a common misconception otherwise, green assets are vulnerable to physical climate risks.¹ Building on this case study, we have continued to work with South Pole to develop and implement a systematic, transparent methodology to assess risk and engage with bond issuers on their resilience planning and ability to adapt to a changing climate. The assessment tool relies on three stages of analysis, each of which provides actionable insights into the level and nature of physical risk for green assets:

- Step 1 Forward-looking physical risk assessment**
A risk score is calculated for every holding, combining global climate change data with country and sector-level vulnerability.
- Step 2 Hotspot analysis**
Expanding on the forward-looking risk assessment, the hotspot analysis assesses the exposure of projects and assets to specific material climate-related hazards.
- Step 3 Adaptive capacity screening**
The adaptive capacity assessment includes research and engagement with issuers to identify the actions taken to respond to these risks, such as early warning systems, special design choices to increase resilience and other measures.

Background and initial data collection: As a first step, data is collected for an issuer's revenue generating activities and bond framework. This data is used to assign an industrial sector to the issuer's core business activities and all green bond projects. Where possible, asset-level data is sought.

The issuer's key economic parameters, including revenue or production capacity, are then analysed and mapped according to their geographical distribution, outlining risk distribution given the key areas of revenue generation for the issuer.

Forward-looking physical risk assessment: Global climate temperature projections are extracted from a global climate model ensemble, the Coupled Model Intercomparison Project Phase 5 (CMIP5), which includes 15 global climate models, and are linked to a global vulnerability database developed by South Pole to address every country and industrial sector. Together, these inputs result in a geospatial model which can provide an asset-level climate-risk assessment based on the asset's specific location.

A geospatial risk analysis is performed for both the issuer's overall activities and its green bond framework, using state-of-the-art data analysis tools. Infographics and physical climate risk maps are generated to show, for example, the geographical distribution of the framework's risk.

Project level hotspot analysis: The issuer's green projects are mapped, and an assessment is conducted of the impacts of major risks on these for a given point in the future, such as 2040.

Adaptive capacity screening: Given the risk indicators resulting from the hotspot analysis, we have engaged with seven selected issuers to understand and assess their adaptive capacity to adjust to "actual or expected climate and its effects", as outlined by the IPCC definition of adaptation. The adaptive capacity screening is based on documents disclosed by the issuer through its green bond, company-level and other reporting, and a detailed engagement involving reviewing the results of the hotspot analysis together with the issuer. The screening looks for evidence that the issuer carries out climate-related risk and vulnerability assessments, and that the issuer adheres to international environmental or risk management standards.



Forward-looking physical risk assessment

South Pole's climate-risk screening tool scales global climate change impacts at an asset, company or entity level. This is carried out by applying the concept of global damage functions, developed by economists to estimate the overall impact of climate change on the global economy. The score provides a strong indicator of potential future threats to a company or entity's ability to produce goods or services, create value and generate revenue, as a result of the physical impacts of climate change.

The climate risk assessment tool measures physical risk as a percentage change in output. This risk score represents the potential impact of climate change events on an entity or their investments.

The climate risk assessment is based on the aggregation of three inputs:

- | | | |
|---|---|--|
| Hazard <ul style="list-style-type: none"> • Global climate projections, based on the Coupled Model Intercomparison Project Phase 5 (CMIP5). | Vulnerability <ul style="list-style-type: none"> • Country-level vulnerability factors, including vulnerability and readiness assessments produced by ND-GAIN • Sector vulnerability factors, based on data provided by OECD | Exposure <ul style="list-style-type: none"> • Mapping of assets and operations, using issuer-provided location data. |
|---|---|--|

The risk score can be calculated for four separate temperature scenarios, providing a flexible and multi-scenario analysis tool which allows users to understand asset and portfolio impacts under multiple emissions pathways. Furthermore, by aggregating assets by issuer, and issuers by portfolio, the tool enables us to generate portfolio-weighted analyses, such as those presented in this report.

Hotspot analysis

The hotspot analysis takes a "deep dive" approach to assess the potential future exposure of projects and assets to specific climate-related hazards. This year, we looked at five hazards directly related to the impact performance of renewable energy assets, assessing the change in frequency or intensity of the hazard under different climate change scenarios. The hazards and relevant indicators are outlined in the table below:

Hazard	Indicator
Heavy precipitation	Monthly maximum consecutive 5- day precipitation (Rx5day)
Floods (River)	Inundation height for 100-year return period
Coastal flooding (sea level rise + storm tides)	Inundation height for 100- year return period
Heat wave	Warm spell duration index (WSDI)
Mean temperature	Daily mean temperature

The hotspot analysis provides a more granular portrait of how risks expressed in the forward-looking risk assessment may materialize under real world conditions, and how these risks may affect the impact performance of funded assets. Using geospatial analysis enables us to identify how changes in conditions at the physical site of a given asset may affect that asset's performance.

Adaptive capacity screening

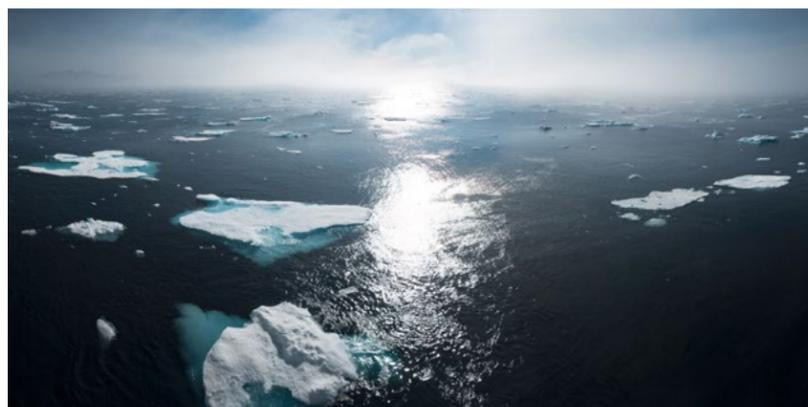
Building on the risks identified in the forward-looking physical risk assessment and the hotspot analysis, the adaptive capacity screening assesses and scores the demonstrated adaptive capacity of an issuer's projects across the following key areas:

- The issuer's identification and assessment of the relevant climate-related risks facing the assets and projects that its bond proceeds finance
- The development and implementation of risk management and adaptation strategies
- The issuer's level of reporting on its adaptive capacity strategies, placing attention on accessibility of the relevant documents and response to engagement

The criteria are applied at the highest level of detail possible according to the issuer's disclosure practices. As part of this, transparency and public disclosure are an important factor in the overall outcome of the adaptive capacity score.

As an example, pure play renewable energy issuers can apply certain risk management systems and standards across their entire framework, because the technologies have similar characteristics. Adhering to one international risk management standard for all projects enables an issuer to design and operate a green asset in a way that takes climate-related risks into account without having to apply individual project-level risk management strategies. Where an issuer carries out and reports on adaptation strategies across an entire category, all projects in this category will be scored the same, unless otherwise disclosed by the issuer. If risk assessment and adaptation strategies are developed and reported for each individual project, they will be scored individually.

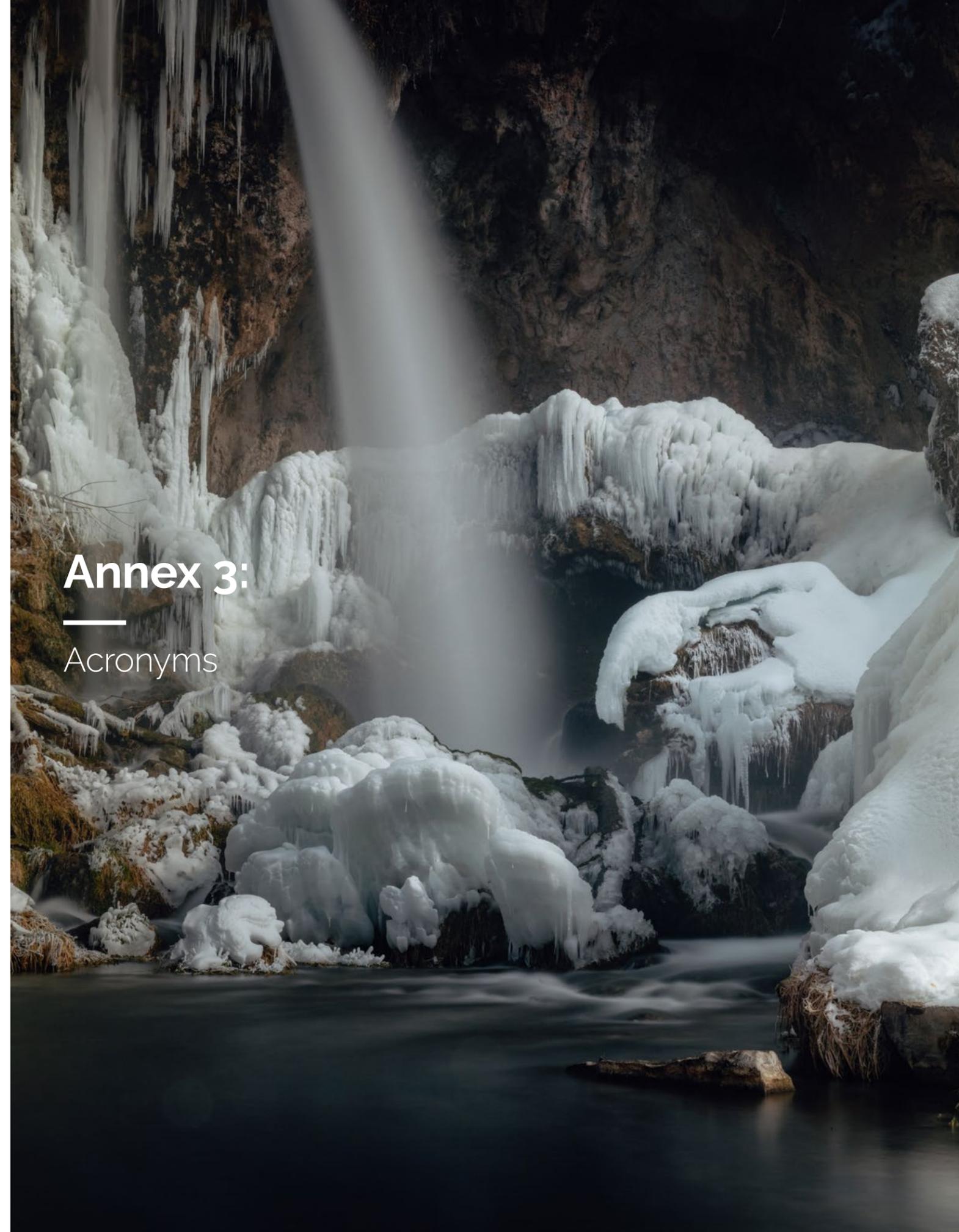
For our 2020 holdings, AIM and South Pole implemented a targeted thematic engagement with seven key issuers. The engagement is designed to identify the actions, if any, that the projects under consideration have taken to respond to these risks, such as early warning systems, special design choices to increase resilience and other measures. The assessment incorporates an issuer's awareness and any actions taken related to specific climate risk exposure and vulnerability for the project(s) identified. High exposure to climate-related hazards could negatively impact an asset's ability to deliver benefits by causing partial or complete damage to equipment and infrastructure. The aim of the engagement is to collect data related to adaptation and resilience measures, which in turn served to guide the assessment and scoring process. The process is built on five pillars:



- 1 Risk and vulnerability identification
- 2 Risk and adaptation management
- 3 Performance monitoring
- 4 Assessment of residual risk from the incorporated measures
- 5 Accessibility of relevant information and data

About South Pole

South Pole is a leading project developer and provider of global climate action solutions, with over 300 experts in 18 global offices. South Pole helps companies, capital markets, and the public sector reduce their impact on the climate while mitigating risk and creating value. South Pole is a science-based company and its expertise covers project finance, data collection, and climate risk analysis, as well as the development of environmental commodities, such as carbon and renewable energy credits. South Pole has mobilised climate finance to over 700 projects that reduce greenhouse gas emissions in areas such as renewable energy, energy efficiency and sustainable land use. For more information, visit www.southpole.com or follow them on LinkedIn, Twitter, Instagram and Facebook.



Annex 3: — Acronyms

Acronyms

List of acronyms

ADB – Asian Development Bank

AfDB – African Development Bank

AIM – Affirmative Investment Management

BNEF – Bloomberg New Energy Finance

CBI – Climate Bonds Initiative

CDM – Clean Development Mechanism

CERs – Certified Emissions Reductions

CMIP5 – Coupled Model Intercomparison Project Phase 5

CO₂ – Carbon Dioxide

EIB – European Investment Bank

ESG – Environmental, Social and Governance

EU – European Union

EVs – Electric Vehicles

GCB – Global Climate Bond Fund

GDP – Gross Domestic Product

GHG – Greenhouse gas

GSI – Greenness of Stimulus Index

GW – Gigawatt

GWh – Gigawatt hour

Ha – Hectare

IBRD – International Bank for Reconstruction and Development

ICMA – International Capital Markets Association

IEA – International Energy Agency

IMF – International Monetary Fund

IoT – Internet of Things

IPCC – Intergovernmental Panel on Climate Change

IRENA – International Renewable Energy Agency

ISS – Institutional Shareholder Services

JFM – Japan Finance Organisation for Municipalities

KPI – Key Performance Indicator

kW – Kilowatt

kWh – Kilowatt hour

LEED – Leadership in Energy and Environmental Design

LO – Lombard Odier

LOIM – Lombard Odier Investment Managers

MSCI – Morgan Stanley Capital International

MSME – Micro, Small and Medium-sized Enterprises

Mt – Million-tonnes

MW – Megawatt

MWh – Megawatt hour

MWp – Megawatt peak

NDC – Nationally Determined Contribution

ND-GAIN – Notre Dame Global Adaption Initiative

NIB – Nordic Investment Bank

OECD – Organisation for Economic Co-operation and Development

PCAF – Partnership for Carbon Accounting Financials

PRI – Principles for Responsible Investment

PV – Photovoltaic

R&D – Research and Development

RCP – Representative Concentration Pathway

SBT – Science-Based Target

SDGs – UN Sustainable Development Goals

SDS – Sustainable Development Scenario

SEB – Skandinaviska Enskilda Banken AB

SFDR – Sustainable Finance Disclosure Regulation

SLB – Sustainability-Linked Bond

SME – Small and medium-sized enterprises

STEPS – Stated Policies Scenario

TCFD – Taskforce on Climate-Related Financial Disclosures

tCO₂e – Tonnes of carbon dioxide equivalent

WACI – Weighted Average Carbon Intensity Assessment

WEO – World Energy Outlook

WSDI – Warm Spell Duration Index

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