LO Funds – Global Climate Bond

2023 Impact Report

Contents

Published 2023

Management commitment to impact

The transiton to a CLIC® economy – circular, lean, inclusive and clean – is gathering speed as a new innovation cycle emerges, driving systemic change.

Such change is being driven by an understanding, founded on broad and robust scientific consensus, about the actions required to address the state of the planet. Policymakers, companies, capital allocators and consumers are responding. Ultimately, the effort to meet global climate and nature goals underpins what we define as 3+1 system changes:

- **Energy**: we must electrify 70% of our economy by 2050
- **Land and oceans**: we must return 1bn hectares of land and 30% of oceans to nature by 2030
- **Materials**: we must reduce impact by 90%

The pricing of externalities is accelerating such transformation, with carbon markets currently the more effective mechanism. Set to affect 95% of our universe, the environmental transition is a core investment conviction for Lombard Odier Investment Managers (LOIM). We believe the economic change it necessitates is creating significant growth opportunities for companies as industry profit pools are disrupted and new ones emerge.

Designed to focus on the clean dimension of CLIC, LO Funds – Global Climate Bond ("the Fund") invests in the deep universe of labelled green bonds and non-labelled climate-aligned bonds. In 2022, some 98% of the portfolio was composed of impact bonds and the fund supported more than 2,700 projects in 165 countries. In terms of impact, our investments helped generate 340,000MWh of clean energy and install 134MW of clean-energy capacity.[1]

Over the course of the year, the fund supported 15 out of 17 Sustainable Development Goals (SDGs). As a predominantly green portfolio, it concentrated on SDG 7 (affordable and clean energy), SDG 9 (industry, innovation and infrastructure), SDG 11 (sustainable cities and communities) and SDG 13 (climate action).

2023 marks the seventh year of LOIM's partnership with Affirmative Investment Management (AIM) for the Fund. The collaboration relies on AIM's expertise and experienced team, which is solely focused on investing in, and expanding, the impact-bond market. AIM uses a specialised and rigorous approach to building impact-bond portfolios and generating returns.

We hope you enjoy reading our 2022-2023 Impact Report and discovering the positive developments generated by the proceeds from the Fund's bond investments.

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LOMBARD ODIER
INVESTMENT MANAGERS

We are delighted to release our sixth annual Impact Report for the LO Funds – Global Climate Bond and to highlight the environmental and social impact that it has supported, alongside investing for mainstream financial returns.

2022 brought some big developments for us at Affirmative Investment Management (AIM). In December 2022, we were acquired by MetLife Investment Management (MIM), MetLife Inc.'s institutional asset management business. MIM has integrated all of AIM's personnel, including portfolio management and sustainability teams, to drive excellence in sustainable investing. We see this as an exciting opportunity to apply our best-in-class ESG, impact and transition-investment solutions to a broader opportunity set given MIM's assets under management and involvement in a wider range of asset classes, such as private debt and real estate.

We have continued to manage the LO Funds – Global Climate Bond with the same processes as before our acquisition, including: our proprietary verification process; SPECTRUM (see page 14), our in-house assessment of positive impact; and, the issuer's ESG profile. We also continue to fully apply our impact-reporting processes for the creation of this report to give an annual update on the impact our investment has supported.

This has once again resulted in us achieving a high coverage rate of 97% of the portfolio, an increase of two percentage points on last year, and our receiving the industry accolade of 'Impact report of the Year (for investors)' from Environmental Finance in its 2023 Bond Awards – the fourth consecutive year our impact reports have been recognised as best in class.

We continue to develop our impact reporting and this year have made several enhancements. Last year we conducted a net zero alignment study for the first time. Running it for the second year has sharpened our understanding of the data needs of this study and we have developed our data collection system to flag critical data points. We have continued to conduct an annual thematic engagement – this year on human rights in the electric-vehicle supply chain. We have also expanded our EU Taxonomy work to quantify EU Taxonomy alignment as well as eligibility. Finally, we have reported against our Net Zero Asset Managers target for the first time in this year's report.

Thank you for your ongoing support. We are excited to continue delivering financial returns with impact and to assist with the transition to a better world.

AIM Affirmative Investment Management | MetLife Investment Management

[1] Portfolio figures from AIM's data collection, sourced from issuer reporting.

Our recognitions

Environmental Finance Bond Awards 2023 Winner – Impact report of the year (for investors)

Environmental Finance Sustainable Investment Awards 2022 Winner – Best sustainability reporting by an asset or fund manager: medium and small (fixed income)

Environmental Finance Bond Awards 2021 Winner – Impact report of the year (for investors)

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

Environmental Finance Sustainable Investment Awards 2019 Winner – Best fixed income firm initiative for ESG investment process

cfi.co 2022 – Best Social Impact Investment Manager Winner UK

cfi.co 2016 – Best Green Bond Team Winner UK

Morningstar – Morningstar ESG Commitment Level of Leader. For AIM – December 2022

'Impact asset manager of the year' at the Australian Impact Investment Awards (2021)

Towards Sustainability – Toward sustainability label for our flagship fund

SFDR Article 9 – classification for all European funds. EU Sustainable Finance Disclosure Regulation, effective 10 March 2021

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Overview

LO Funds – Global Climate Bond by numbers

140
impact-bond frameworks

2,708
projects/initiatives partially or fully supported by impact bonds held in the portfolio

165
countries receiving impact-bond commitments and disbursements

15/17
Sustainable Development Goals (SDGs) supported

8/8
environmental sectors supported[1]

5/6
social sectors supported[2]

97%
of the portfolio covered in this report

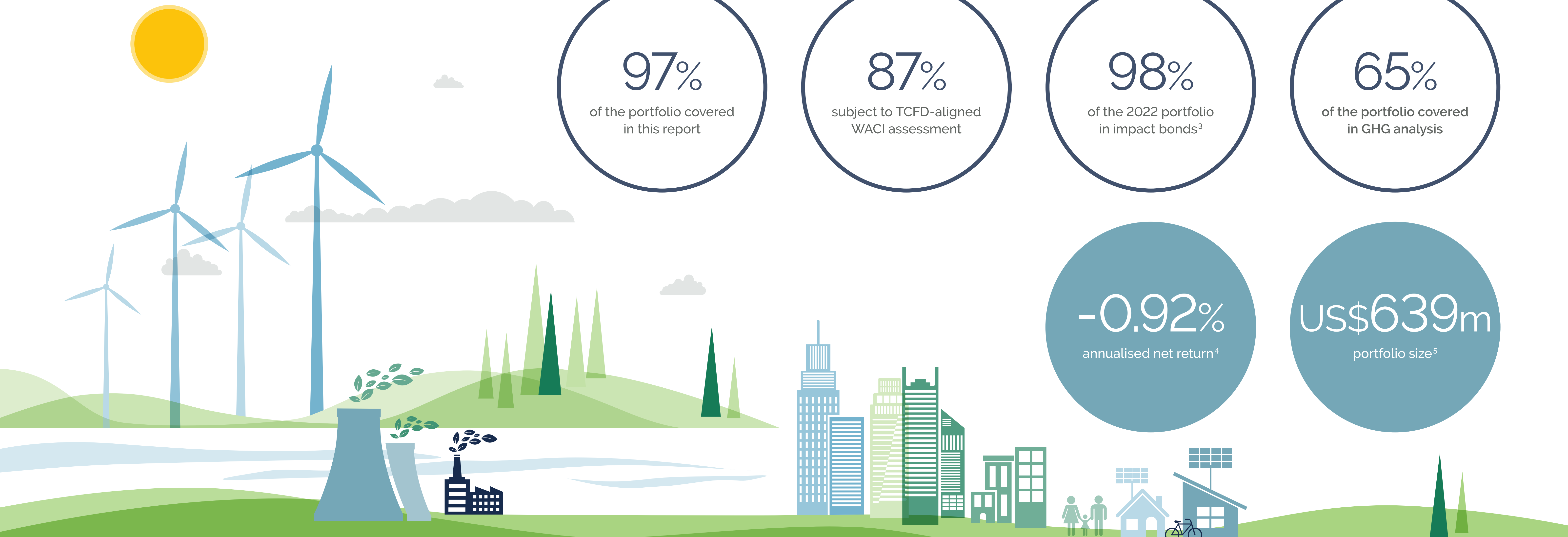
87%
subject to TCFD-aligned WACI assessment

98%
of the 2022 portfolio in impact bonds[3]

65%
of the portfolio covered in GHG analysis

-0.92%
annualised net return[4]

US$639m
portfolio size[5]



[1] See page 72 for details of AIM Taxonomy and the eligible environmental sectors.
[2] See page 73 for details of AIM Taxonomy and the eligible social sectors.
[3] The remaining 2% was in cash.
[4] Inception to 31 Dec 2022.
[5] As at 31 Dec 2022.

LO Funds – Global Climate Bond impact highlights

340,000MWh
estimated clean energy generated[1]
Enough electricity to power 117,241 UK households for a year[2]

134MW
clean-energy capacity installed
The total solar installed capacity of Ireland[3]

3,375MWh
thermal energy generated
Enough thermal energy to heat 274 UK households for a year[4]

13,200ha
land managed
39 times the area of New York's Central Park[5]

31,426t
waste treated each year
The weight of over 30,000 Toyota Yaris[6]

122,250,000m³
water treated each year
Enough to fill 48,900 Olympic swimming pools[7]

CARBON YIELD

73tCO₂e
potential avoided emissions under the Net Zero Emissions Scenario, leading to 42% GHG emission savings[8]

121tCO₂e
potential avoided emissions under the Stated Policies Scenario, leading to 54% GHG emission savings[9]

TCFD

41tCO₂e/US$m
Weighted Average Carbon Intensity (WACI) of our corporate holdings

Sovereign WACI is 17.9tCO₂e/PPP GDP US$m
(see page 42 for more detail)

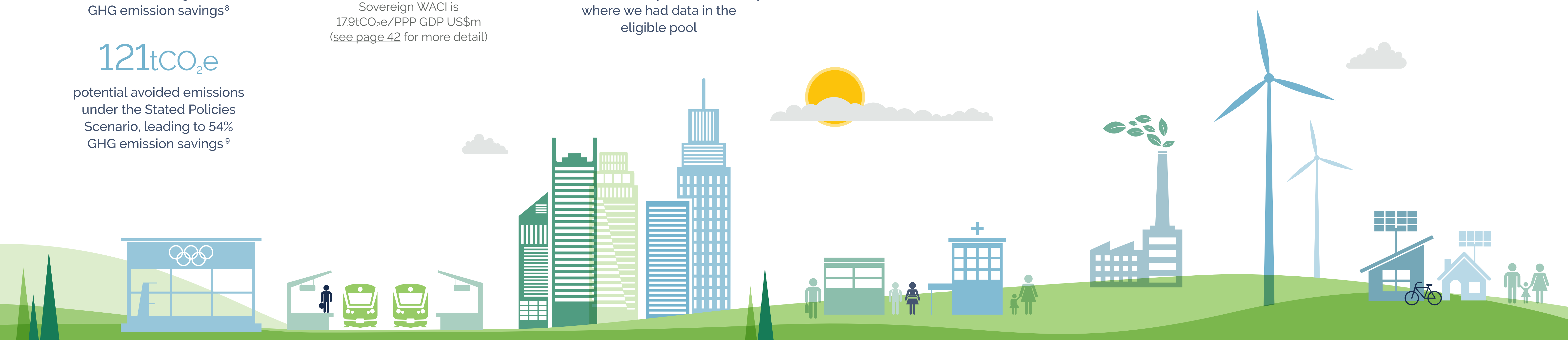
NET ZERO

90%
of projects considered aligned, aligning or expected to align with a net zero-by-2050 trajectory, where we had data in the eligible pool

5,900
children immunised

430
jobs created/retained

- Environmental
- GHG metrics
- Social



[1] Estimate based on portfolio–weighted clean-energy installed capacity using IRENA Renewable Energy Capacity Factors, IRENA, Renewable Power Costs 2021, 2022. https://www.irena.org/publications/2022/Jul/Renewable-Power-Generation-Costs-in-2021

[2] Ofgem (2022) estimates average household energy use as 2900KWh annually https://www.ofgem.gov.uk/information-consumers/energy-advice-households/average-gas-and-electricity-use-explained

[3] The solar installed capacity of Ireland was 135MW in 2022. IRENA (2022) Trends in Renewable Energy. Available: https://www.irena.org/Data/View-data-by-topic/Capacity-and-Generation/Technologies

[4] The median heat consumption of a UK home in 2021 12,300KWh a year. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1018725/efus-Household-Energy-Consumption-Affordability.pdf

[5] Central park is 340ha.

[6] Weight of a 2020 Toyota Yaris is approx. 1000kg. https://www.auto-data.net/en/toyota-yaris-xp210-1.5-120hp-38795

[7] The volume of an Olympic swimming pool is approximately 2500m³.

[8] https://www.iea.org/reports/global-energy-and-climate-model/net-zero-emissions-by-2050-scenario-nze

[9] https://www.iea.org/reports/global-energy-and-climate-model/stated-policies-scenario-steps

Sustainable Development Goals alignment

The portfolio supported 15 of the Sustainable Development Goals (SDGs) that set out a blueprint for peace and prosperity for people and the planet.[1]

The largest share of holdings are in climate-related green bonds, so the heaviest concentrations fall to a number of the climate-related SDGs, such as:

SDG 7: Affordable and Clean Energy (24%)

SDG 9: Industry, Innovation and Infrastructure (16%)

SDG 11: Sustainable Cities and Communities (20%)

SDG 13: Climate Action (16%)

To assess portfolio alignment to the SDGs, we complete our own tagging of funded projects to the SDGs that they support. This allows us to implement a consistent assessment of which SDGs are supported by which projects or activities, ensuring that we review critically the issuer's tagging to underlying SDGs. Our approach identifies primary and additional SDGs supported by the underlying projects in which our holdings invest and weights SDG alignment by order of relevance per project to limit double counting.

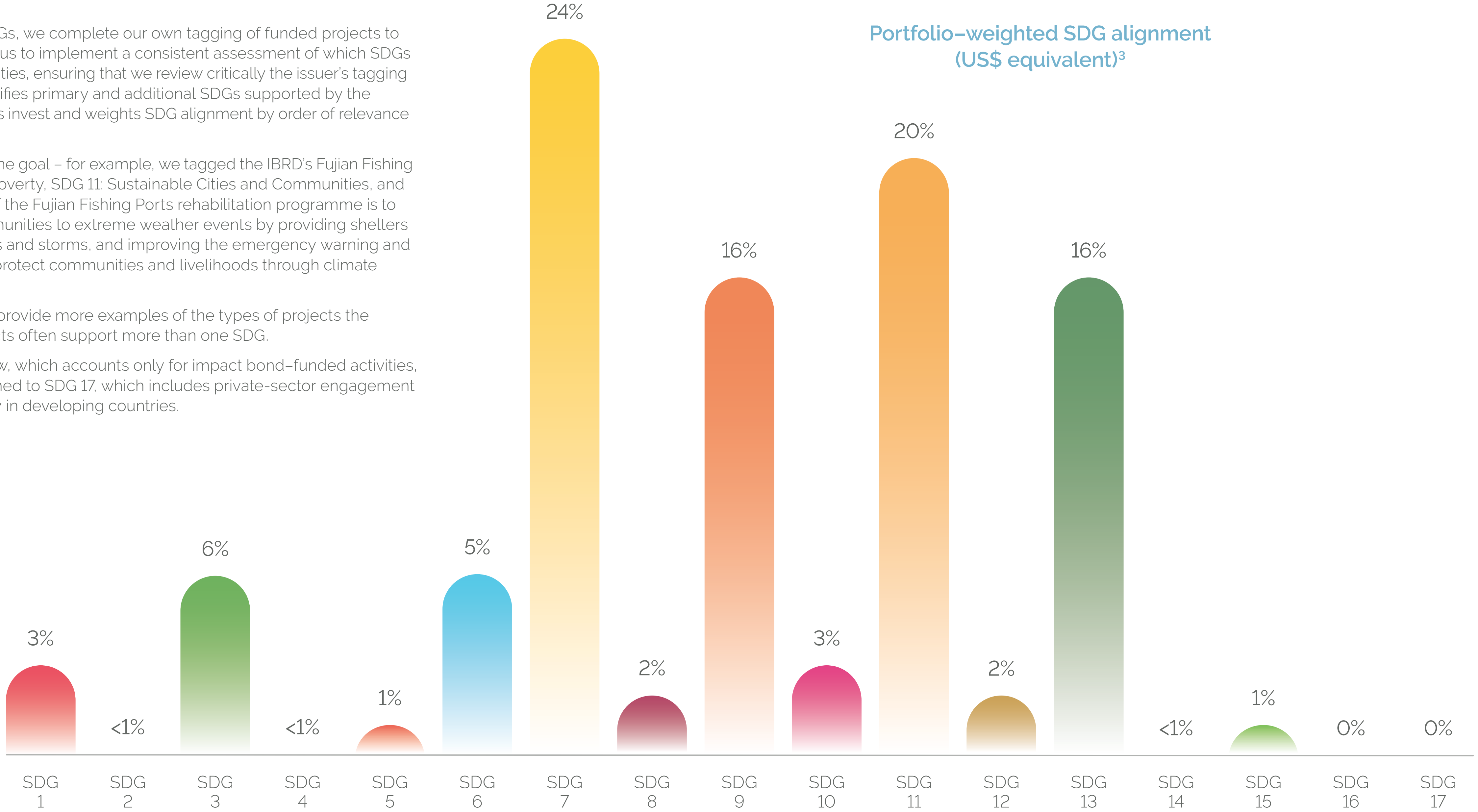
Projects frequently support more than one goal – for example, we tagged the IBRD's Fujian Fishing Ports project as supporting SDG 1: No Poverty, SDG 11: Sustainable Cities and Communities, and SDG 13: Climate Action. The objective of the Fujian Fishing Ports rehabilitation programme is to reduce the vulnerability of fishing communities to extreme weather events by providing shelters to protect fishing vessels from typhoons and storms, and improving the emergency warning and response system. Projects like this will protect communities and livelihoods through climate resilience and adaptation.[2]

The project case studies (pages 52-57) provide more examples of the types of projects the portfolio funds and illustrate how projects often support more than one SDG.

Although not included in the chart below, which accounts only for impact bond-funded activities, AIM's mission and partnerships are aligned to SDG 17, which includes private-sector engagement in sustainable development, particularly in developing countries.

The UN formally adopted 17 Sustainable Development Goals in 2015

Portfolio-weighted SDG alignment (US$ equivalent)[3]



SUSTAINABLE DEVELOPMENT GOALS

[1] UN, Department of Economic and Social Affairs: Sustainable Development – the 17 Goals https://sdgs.un.org/goals
[2] Fujian Fishing Ports https://projects.worldbank.org/en/projects-operations/project-detail/P129791
[3] Coverage ratio of 89% of 2022 average portfolio holdings.

Source: Issuer Impact Reports.

Impact bond verification overview

S — SUSTAINABLE
Aligned with our purpose to support the UN SDGs and Paris Agreement on climate change

P — POSITIVE EXTERNALITIES
Positive environmental and/or social externalities associated with the issuance

E — ETHICS AND 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 AND MEASURABLE
Issuers with reporting on material and measurable environmental and social impact

Sustainability Credit

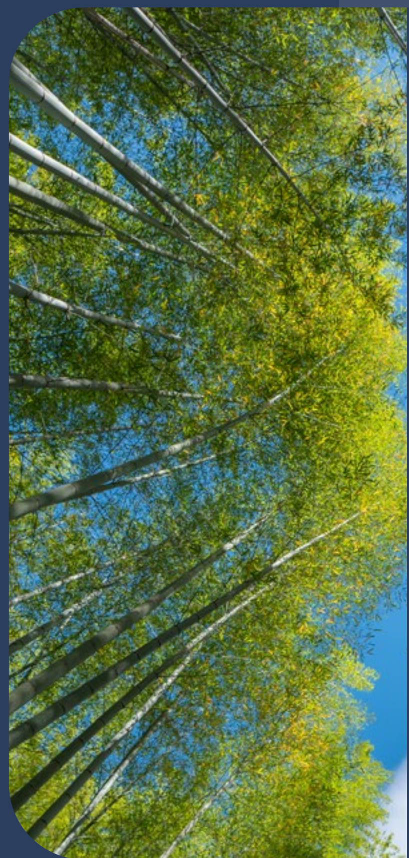
All portfolios are subject to our proprietary SPECTRUM Bond® analysis. Within SPECTRUM, we combine three types of analysis – Impact, ESG and Credit. This analysis is completed on both the impact-bond frameworks and the issuers. A bond must pass all three elements of analysis to be included in our investment universe.

We designed the SPECTRUM framework as an independent in-house verification for impact bonds, which includes labelled, use of proceeds green, social and sustainability bonds, and unlabelled pure-play bonds.

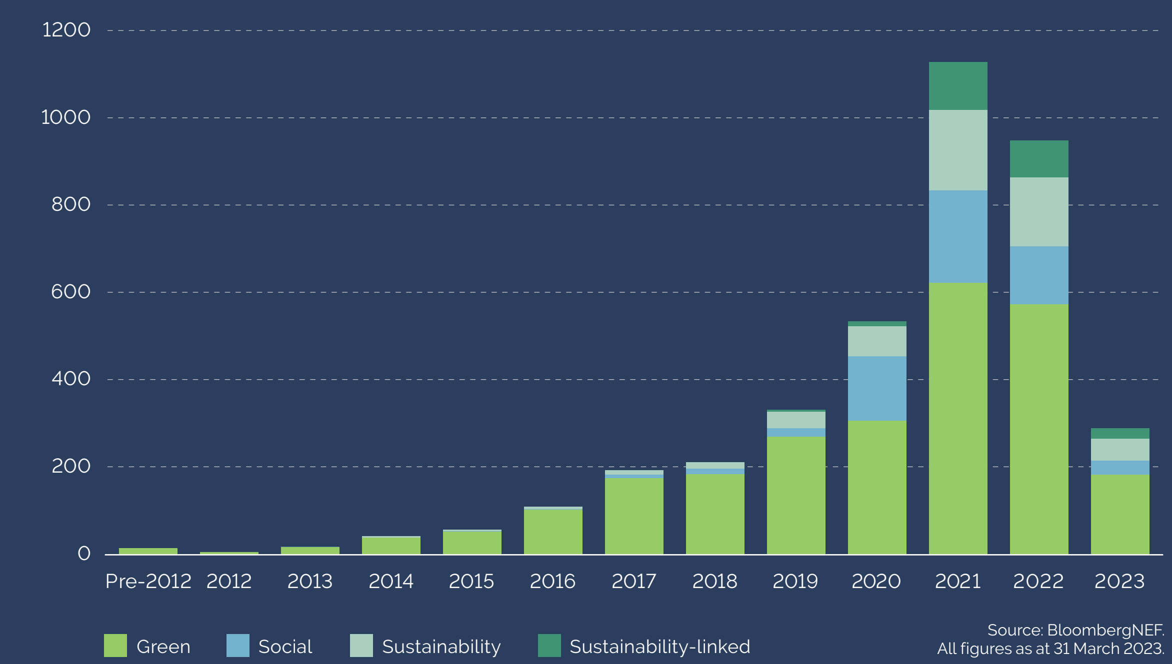
Since its inception over 10 years ago, the labelled impact-bond market, which consists of green, social, sustainability, and sustainability-linked bonds (SLBs), has grown substantially to include many different sectors, currencies, and countries, at all points across the main yield curves.

Turbulence in global capital markets in 2022 slowed the pace of new-issue debt volumes compared with 2021. According to a recent Moody's report, global bond issuance contracted by 27% in the first nine months of 2022 compared to the same period in 2021, reflecting the greater caution of borrowers and investors amid heightened macroeconomic and geopolitical uncertainties.[1] During the same timeframe, the labelled-bond market also saw a 17% fall in new-issue volumes.[2]

As a result, labelled bonds have actually increased as a proportion of the overall bond market; testament to the ongoing structural shift in investor demand and borrower supply to serve sustainable environmental and social priorities. The labelled-bond market grew at record pace in 2021, eclipsing 2020, the previous record year, and 2022 also saw issuance volumes well above those of 2020. There is broad expectation that labelled issuance in 2023 will exceed that of 2022, with between US$900bn and US$1trn coming to market.[3] In our view, this speaks to the resilience of the labelled impact-bond market as it continues to expand.



Labelled impact-bond market growth US$bn



Source: BloombergNEF. All figures as at 31 March 2023.

[1] https://live.moodys.io/emerging-markets-insights/sustainable-bonds-to-hit-record-135-trillion-in-2022
[2] BloombergNEF data as of 30 November 22.
[3] S&P Global, Feb 2023, Sustainable Bond Issuance Will Return To Growth In 2023.

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Engagement

Engaging for impact

As impact investors, we see engagement with issuers as an important action for achieving positive environmental and social impact.

Engagements enable us to build closer relationships with issuers and gain a more granular understanding of their sustainability strategies. They also provide a platform for us to encourage issuers to adopt the highest levels of ambition and transparency around sustainability. We also engage with issuers that are excluded from our SPECTRUM investable universe, to promote sustainability beyond our portfolios.

Engagement is a core part of our verification and impact-reporting processes. The majority of our engagements take place at issuer roadshows and during our impact reporting cycle, though they can take other forms, such as our thematic engagement initiatives, which this year focused on human rights in electric vehicle supply chains (see page 20).

In addition, we help to advance the impact-bond market more broadly through our market-development engagements at, for example, industry events where we can communicate our views and expectations with a wider audience. We also actively respond to intermediaries on sustainability and impact-bond-market queries. This dialogue has helped us to build strong relationships with several intermediaries.

New impact bonds are commonly oversubscribed when coming to market and many investors' orders are scaled back. However, our review of data for orders on primary market issues indicates that we have received consistently higher allocations relative to the expected pro rata percentage – on average 26.8% higher.[1] We attribute this to the relationships we have built with issuers and brokers through our engagements.

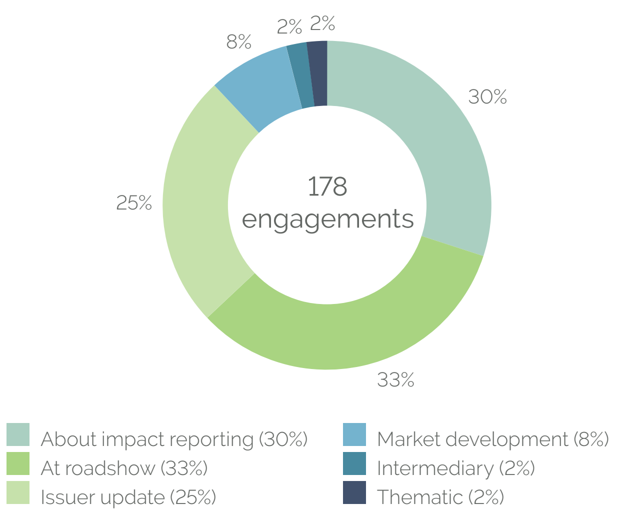
This increased allocation, relative to competitors, supports more effective implementation of trade ideas and more robust risk and portfolio management on a day-to-day basis, which ultimately benefits our clients and their assets.

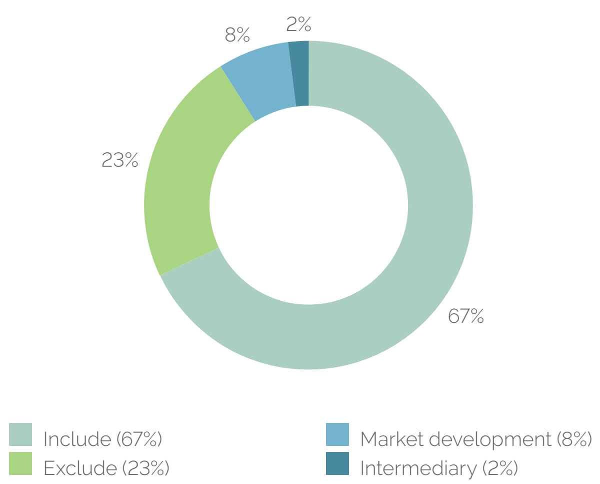
In December 2022, AIM was acquired by MetLife Investment Management (MIM). This development enhances our ability to engage with issuers. The Sustainability team will maintain its process of independent verification and continue to conduct its own sustainability-focused engagements. However, as a part of MIM, we now have more opportunities to engage with issuers.

Our engagements in the last 12 months

In the 12 months to the end of June 2023, we carried out 178 engagements. We primarily engage through:

- issuer-roadshow engagements, which saw the largest increase over last year, reflecting our growing engagement with issuers coming to market
- issuer-update engagements, which also increased last year
- impact-reporting engagements, which enabled us to achieve high coverage for our impact data and gave us an opportunity to feedback to issuers regarding their reporting





[1] Data for period end 2019 – June 2023.

Examples

Engagement type	Description	Outcome
Impact reporting	We engaged with an Italian multi-utility asking for preliminary allocation or impact data for a green bond we held.	The issuer shared allocation information that meant we were able to cover the bond in our impact reporting ahead of the issuer's own report.
Collective /market engagement	We are participating in the Carbon Disclosure Project's (CDP) Non-Disclosure Campaign. The Campaign is a collective engagement programme in which groups of investors contact issuers to request that they disclose ESG data on a relevant topic. We have been selected as the lead engager for three issuers.	We aim to open a constructive dialogue with these issuers and will monitor to see if they provide disclosures to the CDP going forward. This would make important sustainability data more accessible and allow for a more effective assessment of the issuers in question.
Thematic	As part of our most recent thematic engagement series, we spoke to an issuer from the automotive sector regarding its management of human rights in the supply chain for electric vehicles.	We gained deeper insights into the issuer's systems for identifying human rights risks in its supply chain, particularly around conflict minerals. We learned that supplier surveys are an important tool and that it engages with suppliers in cases that are seen as higher risk. We sent the issuer detailed feedback, including strengths and areas for improvement.
Excluded issuer	We engaged with a government development agency at its latest investor roadshow. The issuer is excluded from the SPECTRUM investable universe, but we were keen to engage, both to hear of any developments in its strategy and to highlight areas where we would like to see improvement.	The issuer explained some new exclusion policies it had introduced, which we noted as an improvement. We identified further exclusions we would want to see, as well as more specific criteria in its impact-bond framework. We gained a helpful update on the issuer's sustainability profile, enabling us to provide advice on the steps required for it to be included in SPECTRUM.
Intermediary	A bank contacted us to ask whether we deem sustainable sourcing to be an impactful activity. It was keen to know if we thought that issuers could include it as an eligible category in their green-bond frameworks.	We explained our view, noting that it can certainly have a positive impact, and that investors can gain comfort from sustainable material certifications and specific attention to regional risks. Responses like this provide intermediaries with insights into investor opinions and can contribute to the evolution of the impact-bond market.
Issuer roadshow	We engaged with a European bank during a recent investor roadshow. The issuer had recently updated its sustainability-bond framework and we were keen to discuss the changes to the framework and the issuer's sustainability strategy more broadly.	The issuer explained the rationale for updating the eligibility criteria in some categories, providing us with greater comfort on the impact potential of the framework. We also obtained detail on the issuer's approach to reducing its financed emissions. We gave feedback on its impact reporting and how we would like to see a more granular explanation of the technologies financed within each category.
Market engagement	We spoke to a broker that is developing a new use of proceeds bond structure. The broker was keen to understand how we would view the proposed structure and to gain our feedback.	We asked questions about how it would work in practice and highlighted what we would need to see to verify this type of bond for SPECTRUM. It was a positive discussion that demonstrated innovation in the impact-bond market and gave us an opportunity to feed into the development of new products.

Thematic engagement: human rights in electric-vehicle (EV) supply chains

Intent

The rapid growth of the EV market has drawn attention to the comparatively weak human rights protection in some jurisdictions where metals and mineral supply chains are concentrated.

The International Energy Agency (IEA) forecasts a fourfold rise in demand for metals and minerals for clean-energy technologies by 2040, with particularly high growth for EV-related minerals such as lithium and cobalt.[1] Other materials with roles to play in electrifying transport, such as bauxite, copper and iron, are also in high demand. Some of the supply chains for these materials are concentrated in jurisdictions with weaker human-rights protection and have been implicated in violations, including child labour and poor or hazardous working conditions, and controversies relating to pollution, unsustainable exploitation of natural resources and negative impacts on indigenous communities.

Countries, regulators, NGOs and companies are increasingly recognising that the rising demand for these minerals poses severe environmental and social risks, despite their key role in the climate transition. Several mineral and material-specific initiatives have emerged, as well as improved guidance on responsible mineral sourcing.[2]

Our thematic engagement for 2023 focuses on human rights risks in the complex global EV supply chains.

Our intention is to:

1. Deepen our understanding of how key players identify, manage and disclose human-rights risks
2. Advocate for industry-leading standards
3. Engage on human rights as part of our role as a participant in the Principles for Responsible Investment (PRI) Advance initiative (see page 69)

Approach

We are taking both a thematic and a collective approach to engaging on human rights issues in the EV supply chain. Our definition of human rights is grounded in the International Bill of Human Rights.

When considering enterprises, we also refer to the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work and the UN Guiding Principles on Business and Human Rights. Human-rights risks can present in many forms, from modern slavery and child labour to health and safety, working conditions and community rights. We tailor our human-rights risk assessment to the geographies and activities in which the issuers are involved, and their position in the supply chain. For example, a mining company in higher-risk regions is more directly exposed to human-rights risks than an automotive manufacturer, whose exposure is likely to be through its suppliers.

advance
A stewardship initiative for human rights and social issues

Collective approach

We joined the PRI's Advance initiative (see page 69) as a participant in the metals and mining sectors. Advance is a stewardship initiative in which institutional investors work together to take action on human rights and social issues. As a participant, we endorse the Advance investor statement and commit to joining engagement opportunities with companies as a lead or collaborating investor.

Thematic approach

We selected issuers along the EV supply chain in all the major regions for targeted one-on-one engagements on human-rights risk management and disclosures. The automotive manufacturers had global supply chains, including facilities and suppliers in high-risk areas, while the mining companies were more geographically concentrated in their operations and suppliers. We engaged with issuers both within and outside our SPECTRUM universe and tailored our questions to each issuer to improve the quality of the conversation.

Our engagements asked questions such as:

- If violations are found against the human-rights/responsible-sourcing policy, what action does the issuer take and can it give specific examples?
- Does the issuer have a human-rights/responsible-sourcing policy?
- How effective has the human-rights due diligence been?
- Has the issuer mapped its metals and mineral supply, and to what level – e.g. down to refinery/smelter?
- How will human rights-related disclosure be enhanced/improve going forward?
- Does the issuer have exposure to high-risk areas, such as the Democratic Republic of Congo, and, if so, how does it ensure human-rights policies are applied?

Outcomes

We have completed a number of thematic engagements and will be conducting more this year.

We also look forward to participating in the collective engagements under the PRI Advance initiative.

- Each issuer in our engagement aligns its human-rights policy with UN Guiding Principles on Business and Human Rights.
- Issuers have widely varying levels of development in their ability to identify, manage and disclose on human-rights risks, with some able to comprehensively map related human-rights risks, and others with much less-developed capabilities. All the issuers we engaged with did so constructively and were open about the challenges in identifying and managing risks.
- All the automotive manufacturing issuers we spoke to regularly engaged with investors on human-rights risk management. However, several of the mining issuers, for example copper miners, had not previously received targeted investor interest on the topic.
- Issuers' remediation efforts range from pausing operations on specific sites to terminating relationships with suppliers along their supply chain that are found to be in violation of the issuer's human-rights policy.
- Issuers' disclosure on human-rights risk management and performance across their business and supply chain varies widely. We provided recommendations on best practices and encouraged meaningful and material reporting on this important topic.

Human-rights risk management is a long-standing critical component of the Responsible Issuer pillar of our SPECTRUM verification analysis (see page 14). The launch of this thematic engagement series on human rights introduces a more-targeted effort to systematically deepen our understanding of, and push for higher standards on human-rights policy, performance and disclosures from issuers. We aim to continue our engagements on the theme for the rest of the year and as part of the five-year PRI Advance initiative.

[1] https://iea.blob.core.windows.net/assets/24d5dfbb-a77a-4647-abcc-667867207f74/TheRoleofCriticalMineralsinCleanEnergyTransitions.pdf
[2] Such as the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

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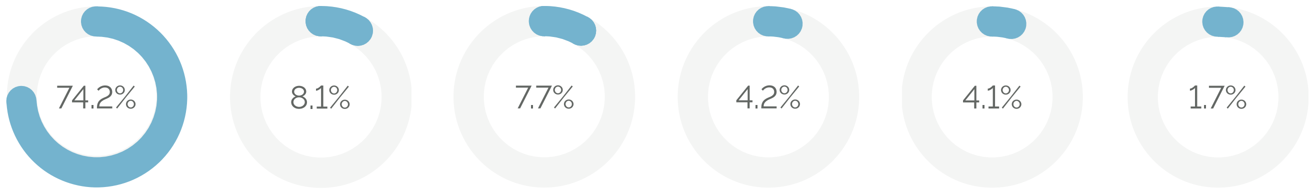
Portfolio deep dive

Portfolio composition

Our mission is to manage fixed income portfolios that generate positive environmental and social impact towards achieving the Paris Agreement and the SDGs. The fund predominantly holds labelled use of proceeds bonds, with green bonds outweighing other types of impact bonds in the portfolio.

2022 portfolio holdings by bond type



Green	Aligned	Unlabelled	Sustainability	Social	Cash
labelled use of proceeds bonds permitting investment in environmental sectors	bonds from responsible issuers with over 50% of revenues aligned to the AIM environmental and social taxonomy	bonds from issuers with approximately 95% of revenues aligned to the AIM environmental and/or social taxonomy (see pages 28-29)	labelled use of proceeds bonds permitting investment in environmental and social sectors	labelled use of proceeds bonds permitting investment in social sectors	

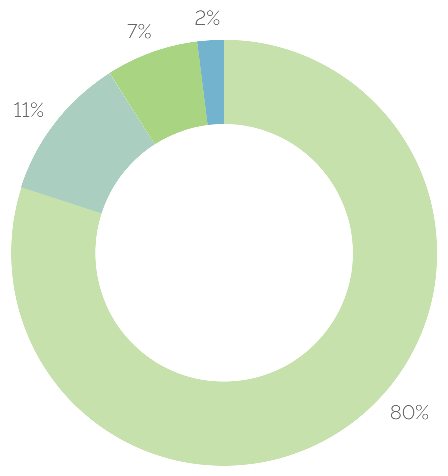
Each year, we review all holdings and collect allocation and impact data on projects and activities supported.

For 2022 holdings, we were able to collect data covering 97% of the portfolio.

The uncovered portfolio weight comprises cash and held bonds for which allocation and impact data was not available during our data collection period. This is usually because less than a year has passed since issue and so the first impact reporting has not been due.

The projects and activities supported by the portfolio can be broadly split into three impact categories: mitigation, adaptation and social. Some projects are categorised as both mitigation and adaptation. Green bonds largely fund projects with an impact focus of mitigation and adaptation, so those categories make up the majority of the impact focus. Categorising projects in this way offers a high-level picture of the types of impact supported, while the key performance metrics, sectors supported and case studies in this report provide more detailed information.

2022 impact focus[1] (portfolio weight)



- Mitigation (80%)
- Social (11%)
- Adaptation (7%)
- Adaptation and mitigation (2%)

[1] Coverage ratio of 89% of 2022 average portfolio holdings.

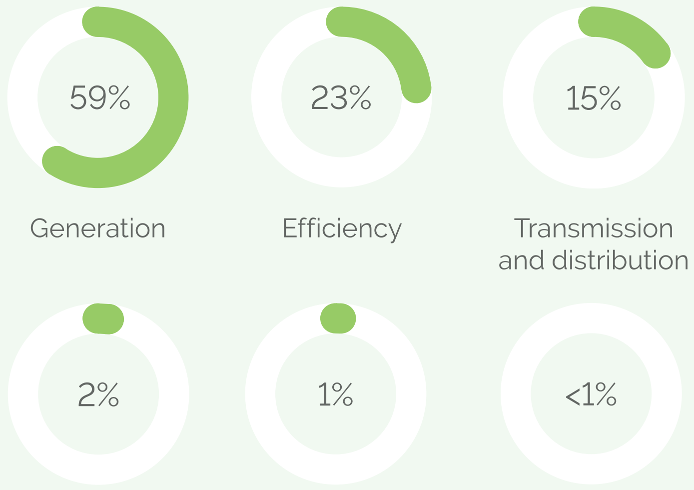
Portfolio sector distribution

The portfolio invests in a range of environmental and social sectors that support the Paris Agreement, climate resilience and the SDGs (see pages 72-73 for examples of AIM-eligible sectors).

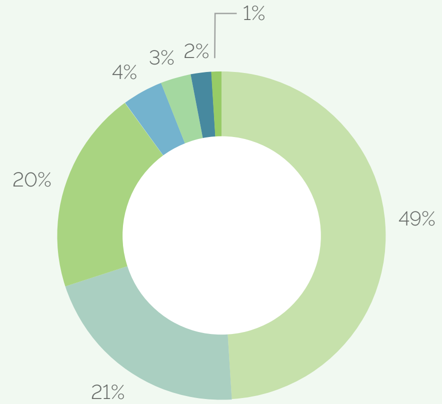
In 2022, the top three sectors to which impact-bond proceeds were allocated were all environmentally focused:[1]

Energy	Buildings	Transport
31%	23%	20%
Over 343,000MWh of renewable energy generated	66,000m² of green building area supported	Added daily passenger capacity of clean transport of 7,900

Energy comprises:



Generation comprises:



- Wind (49%)
- Solar (21%)
- Unspecified renewable energy (20%)
- Waste to energy (4%)
- Hydropower (3%)
- Geothermal (2%)
- Biomass (1%)
- Other (<1%)
- Tidal (<0.01%)

Other sectors to which funds were allocated:

- Water and wastewater management (6%)
- Financial inclusion and sustainable enterprise (4%)
- Resilience (3%)
- Empowerment of women and vulnerable groups (3%)
- Information and communication (3%)
- Social housing (2%)
- Land management and marine environment (2%)
- Resource efficiency (1%)
- Global health (1%)
- Education, training and employment (<1%)

[1] Coverage ratio of 89% of 2022 average portfolio holdings.

Global distribution of project commitments[1]

We invested in impact bonds supporting sustainable activities in 165 countries. Here are just a few examples of the projects our investments support.

This impact report map uses the Winkel-Tripel projection. While not perfect, Winkel-Tripel significantly reduces the distortions present in other projections, notably Mercator, and provides a more accurate picture of the world's land masses in terms of both their relative size and location.

(See SDG cases studies pages 52-57 for more detail)

Invested in **165** countries

Top three countries supported:
Germany
Netherlands
UK

1 Offshore wind

Caixabank

Supporting France's diversification from nuclear energy with a 497MW offshore wind farm

SDG alignment 7 13

2 Clean recycling

Kommunalbanken

Maximising the impact of recycling through a low-carbon, no-fossil-fuel recycling centre

SDG alignment 7 9 12 13

3 Energy security

BNP Paribas

Enhancing energy security and maximising clean energy through a 1,400MW UK-Denmark energy interconnector

SDG alignment 7 9 13

4 EV batteries

Export-Import Bank of Korea

Expanding lithium-ion battery production in Europe to support the growing market for electric cars

SDG alignment 3 8 9 13

5 EV safety and efficiency

Denso

Clean-energy production of components that enhance electric-vehicle safety and efficiency

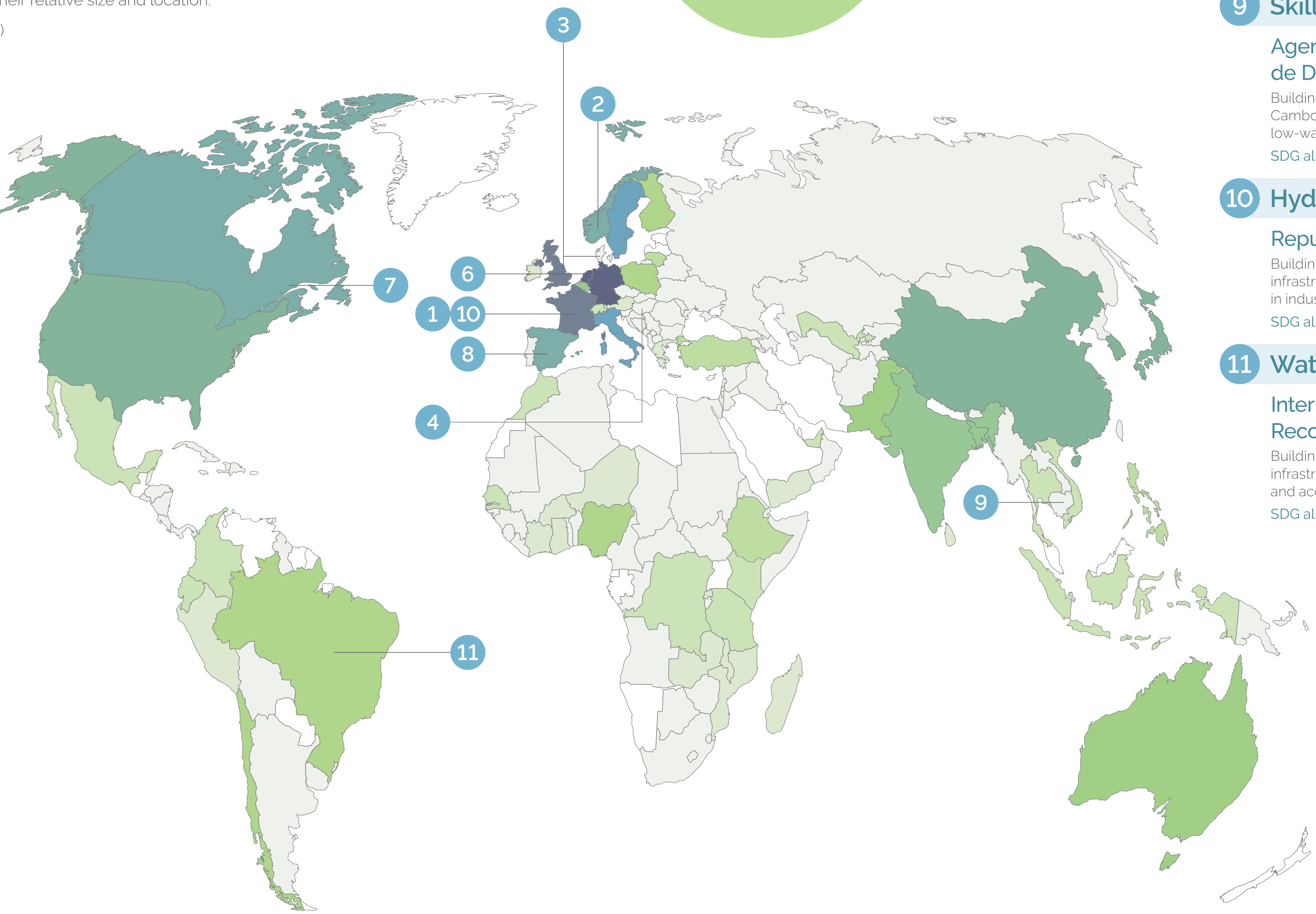
SDG alignment 3 7 9 13

6 Low-carbon logistics

Prologis European Logistics Fund

BREEAM Excellent-certified low-carbon distribution centre

SDG alignment 7 9 13



[1] Coverage ratio of 89% of 2022 average portfolio holdings.
Source: Issuer Impact Reports, AIM Engagement.

7 Clean public transport

Province of Quebec

Building Montreal's hybrid and electric bus fleet to increase access to clean transport, and cut GHG emissions and air pollutants

SDG alignment 3 9 11 13

8 Women's refuges

Comunidad de Madrid

Providing support services for vulnerable women and victims of gender violence

SDG alignment 5 11

9 Skills and training

Agence Française de Développement

Building skills-training capacity to support Cambodia's move away from a low-skill, low-wage economy

SDG alignment 4 8

10 Hydrogen infrastructure

Republic of France

Building hydrogen-production and distribution infrastructure to support decarbonisation in industry and haulage

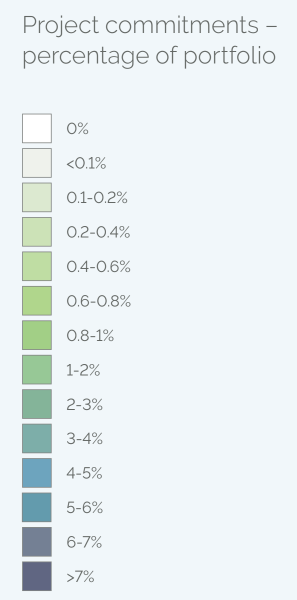
SDG alignment 9 11 13

11 Water and sanitation

International Bank for Reconstruction and Development

Building water-management and treatment infrastructure to improve drought resilience and access to water and sanitation

SDG alignment 3 5 6 9 11



EU Taxonomy alignment and eligibility

This year we have expanded our EU Taxonomy study to cover alignment and eligibility, rather than merely give an indication of eligibility. This is a move from commenting on where EU Taxonomy guidance exists to commenting on where projects and activities align to the EU Taxonomy, and is the first time we have reported on the portfolio's EU Taxonomy alignment.

Given that our portfolios are predominantly held in labelled bonds, we report taxonomy alignment on a use of proceeds basis (i.e. this is the EU Taxonomy alignment of the projects and activities receiving allocations from the labelled bonds held) using information from issuer reporting. Full taxonomy alignment requires an issuer to confirm alignment with three criteria: (i) substantial contribution, (ii) do no significant harm (DNSH), and (iii) minimum social safeguards. We found that confirmation of alignment with substantial contribution, and specifically substantial contribution to mitigation, was, at times, reported without a confirmation of DNSH and/or minimum social safeguards. For this reason, we are showing alignment with each of these three criteria on the page opposite, which clearly shows higher alignment with substantial contribution than with DNSH or minimum social safeguards. The main chart shows where alignment has been confirmed with substantial contribution to mitigation and then indicates our view on the eligibility and potential alignment of the remaining portfolio. The smaller charts show alignment confirmation to the DNSH and minimum social safeguards.

Comprehensive reporting by issuers of EU Taxonomy alignment still has quite a way to develop and we expect that the true alignment of the portfolio will actually be higher than what is reported here. However, we are not able to conduct an alignment assessment ourselves due to limited information and rely instead on issuer-reported data. We would not expect our portfolios to reach complete alignment with the EU Taxonomy in its current state for a couple of reasons. First, the taxonomy remains underdeveloped on the social side and we want to continue to support socially focused projects and activities in line with our remit to support the SDGs. Second, we hold issuers outside of the EU and complying with the criteria in the EU Taxonomy, particularly under the DNSH criteria and where there is reference to EU regulation, is challenging for non-EU-domiciled issuers.

We have categorised supported projects and activities into five groups:

Aligned

The issuer has confirmed alignment of this project or activity with the substantial contribution to mitigation criteria in its labelled-bond materials.

Eligible – likely aligned

There is guidance for these types of projects in the EU Taxonomy and we consider them likely to align with the EU Taxonomy's thresholds. For example, solar projects have been categorised in this group as it is likely they will meet the gCO_2e/kWh threshold set in the EU Taxonomy.

Eligible – potentially aligned

There is guidance for these types of projects in the EU Taxonomy, but a full alignment analysis has not been completed. For example, green buildings-related projects have been categorised in this way.

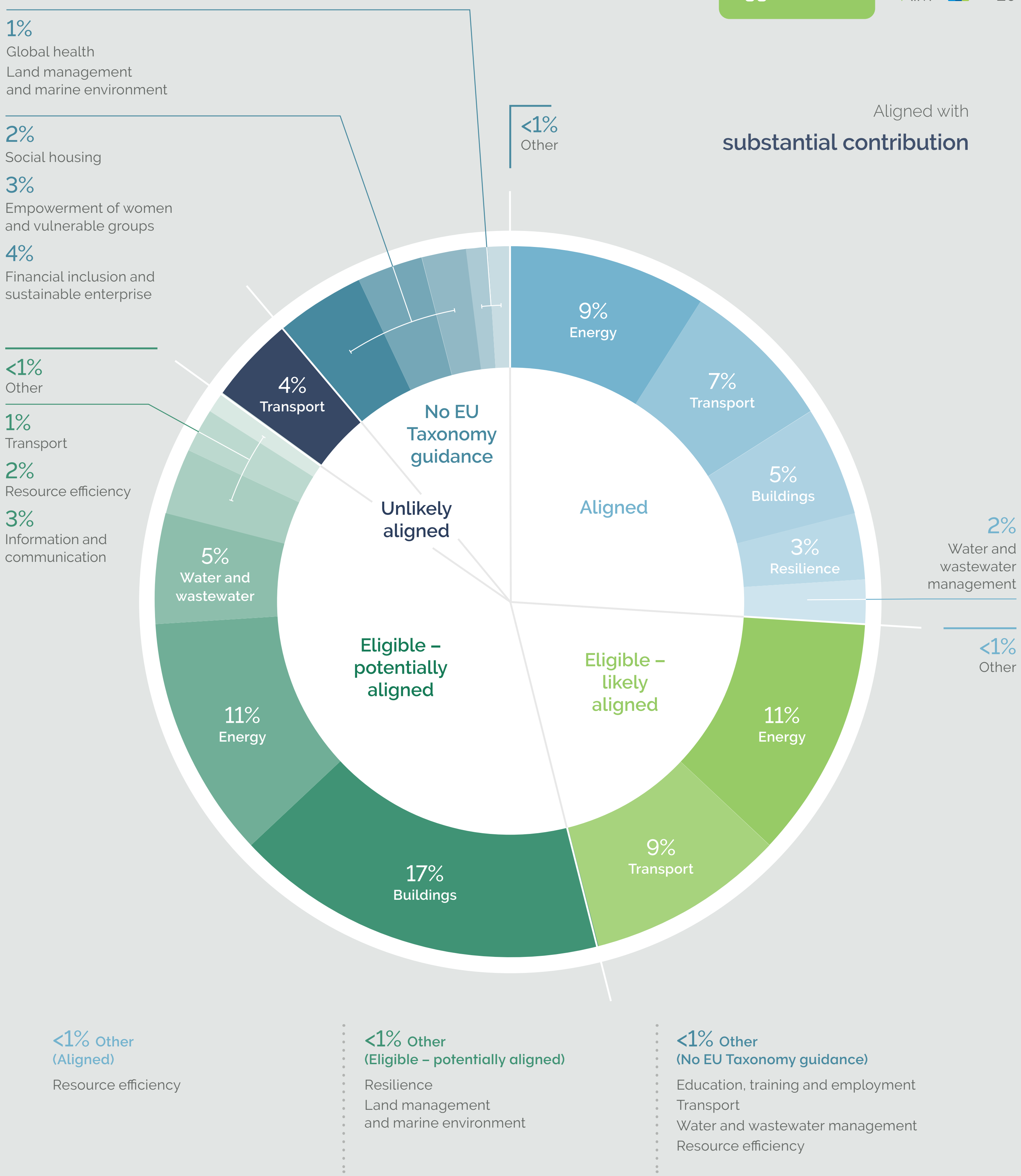
Unlikely aligned

There is guidance for these types of projects in the EU Taxonomy, but we consider that these projects are unlikely to align with the EU Taxonomy's threshold. The bulk of this category are rail projects where there is no clear indication as to whether electrification is planned.

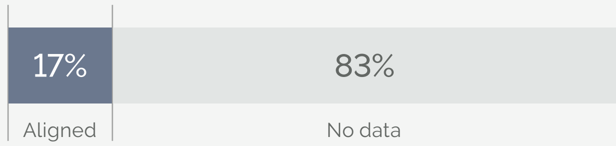
No EU Taxonomy guidance

These types of projects do not have guidance under the EU Taxonomy yet. For example, healthcare projects have been categorised in this way.

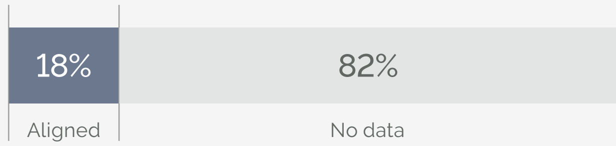
Aligned with
substantial contribution



Aligned with
do no significant harm



Aligned with
minimum social safeguards



Coverage ratio of 89% of 2022 average portfolio holdings

31

Climate performance

Measuring greenhouse gases

Greenhouse-gas (GHG) metrics are important indicators of our progress in generating positive climate-mitigation impact and managing the carbon risks associated with our portfolios.

This section includes several GHG metrics to assess our progress along both dimensions and demonstrate our commitment to supporting the Paris Agreement. GHG metrics also benefit from being the most developed in terms of methodology and data availability compared to metrics for other types of impacts and risks. Further detail on GHG metrics can be found in our Methodologies report.

Carbon dioxide (CO_2) is the primary greenhouse gas emitted through human activities, hence its importance in measuring anthropogenic global warming and progress on climate change mitigation.[1] However, it is important to account for other GHG emissions as well, some of which have greater global-warming potential than CO_2. For this reason, it is best practice to measure and report on GHG emissions in terms of "carbon dioxide equivalent emissions" or CO_2e.

GHG emissions are categorised in three groups or 'scopes' by the most commonly used international carbon accounting tool for corporates, the GHG Protocol.[2]

Example:[3]

Scope 1 – direct

Covers emissions from owned or controlled sources

- Fuel combustion
- Company vehicles
- Fugitive emissions

Scope 2 – indirect

Covers emissions from purchased energy

- Purchased electricity, heat and steam

Scope 3 – indirect

Includes all other emissions associated with a company's value chain

- Purchased goods and services
- Business travel
- Employee commuting
- Waste disposal
- Use of sold products
- Transportation and distribution (up and downstream)
- Investments
- Leased assets and franchises

[1] https://www.epa.gov/ghgemissions/overview-greenhouse-gases
[2] We source scope 1, 2 and 3 emissions data from S&P. Figures may be as reported or estimated.
[3] Carbon Trust.

Net zero alignment

Following our pilot in 2021, this year we assessed for the second time the net zero alignment of our funded projects.

This analysis helps us understand how our projects align with a net zero-by-2050 future, which is required to achieve the Paris Agreement objective of limiting global warming to 1.5°C this century. Investing in line with these targets is a critical part of our mission.

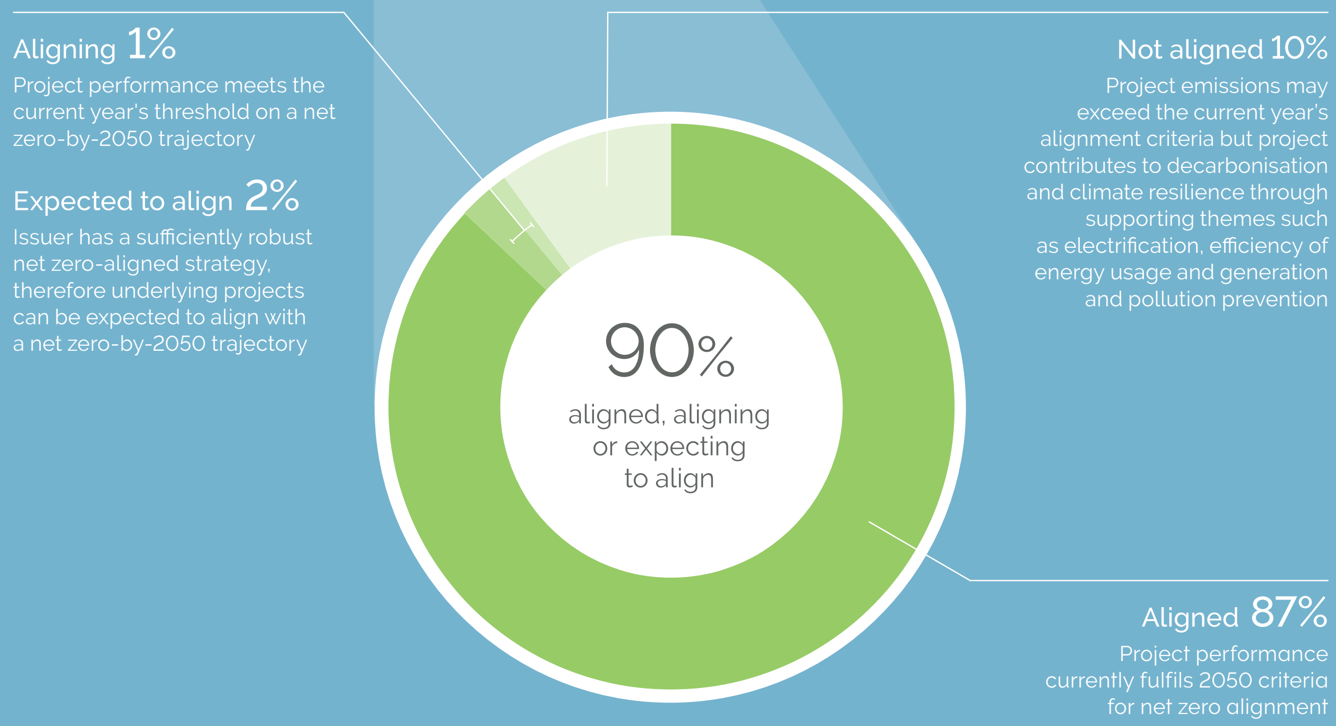
To be suitable for this analysis, projects have to have a climate goal. Social projects, which do not, are therefore not eligible. So, we have focused on the three sectors that make up most of our funded projects: energy, transport and buildings.

Out of the pool of eligible projects, 42% had data available. Within that component, 90% were aligned, aligning or expected to align with a net zero-by-2050 future. This evidences the effectiveness of our SPECTRUM verification process in selecting projects actively supporting the transition towards a net zero world.

We acknowledge that data is not sufficiently complete/available to fully run net zero-alignment analysis across our portfolios and will continue to engage with and encourage issuers to enhance disclosure to support such efforts.

Eligible pool data availability

Alignment of eligible pool with data



Net Zero Asset Managers initiative

In 2021, AIM joined the Net Zero Asset Managers Initiative (NZAM), an international group of asset managers committed to supporting the goal of net zero greenhouse-gas emissions by 2050 or sooner. In doing so, we continue to advance in our goal of supporting investing that aligns with the Paris Agreement and the SDGs. As part of this commitment, we have set interim targets to map our pathway towards net zero emissions.

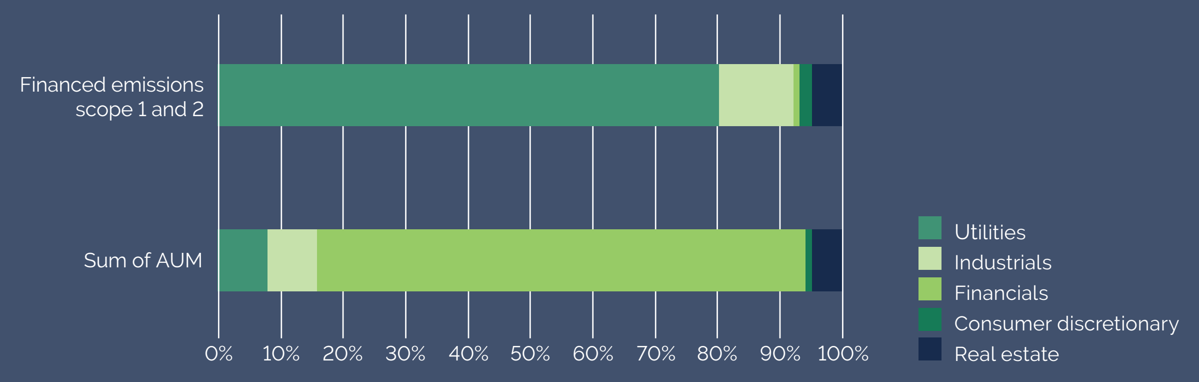
Our targets

By 2030, 85% of financed emissions from corporate bond issuers held in our portfolios will be invested in issuers that are considered Paris-aligned.

Progress so far

In 2022, 81% of our portfolio-financed emissions are from issuers considered Paris-aligned. This provides a strong basis to increase the coverage of our targets in the future.

Sector effects on financed emissions



Net zero alignment

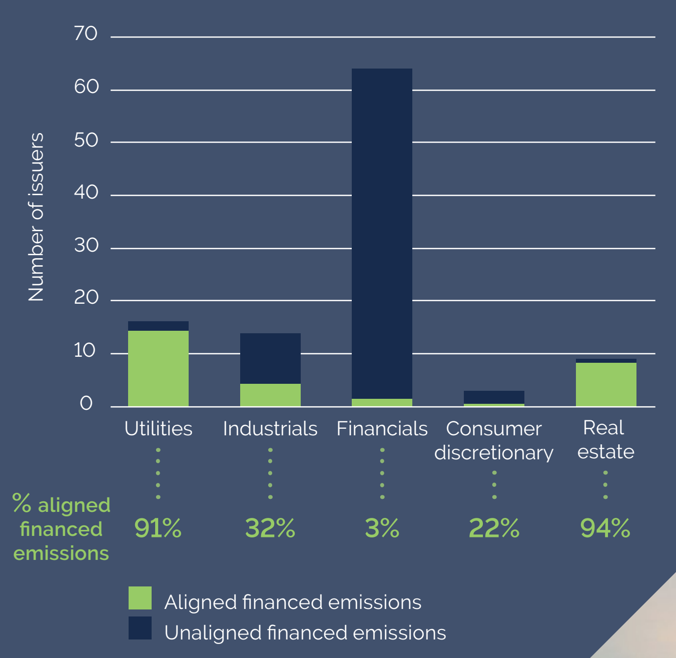
In determining whether a company is aligned with a net zero future, we use robust forward-looking assessments including the Science-Based Targets Initiative. These assessments compare an entity's targeted emissions reductions with the reductions required to achieve net zero emissions by 2050, to determine whether it can be considered aligned. This is supported by AIM's deep research approach, which allows us to consider not only the strength of the targets, but also the strategy to achieve them.

Financed emissions

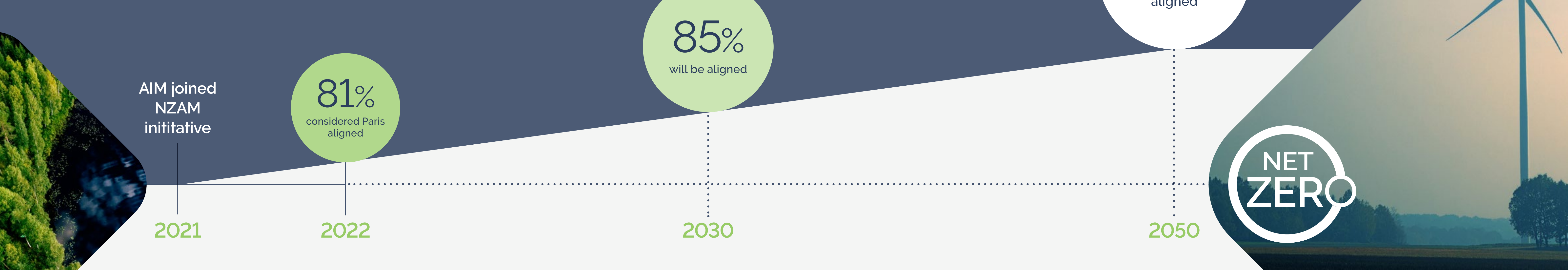
For our target, we have used finance emissions to apportion alignment across our portfolios. This helps to align our focus with the real-world emissions impact of portfolio companies, ensuring that we must target higher emitters first and foremost. Financed emissions can be viewed as the proportion of the invested entities total emissions that are attributable to our investment.

Looking forward, we note that alignment is currently heavily determined by sector. Those sectors that have more-advanced target-setting methodologies display very high coverage. Our focus must therefore be on industrials and financials in particular, which performed comparatively poorly. We also expect our present performance to be a marginal overestimate, as scope 3 emissions are currently not included in our financed-emissions assessment due to data issues. Once scope 3 data is sufficiently robust to be included, the GHG impact of financials will increase. We expect industrials to be the near-term focus as, across all portfolios, just 6% of financed emissions from industrials come from industrials that are committed to setting science-based targets soon. Given these systemic challenges in increasing coverage, it is great to see strong performance against our targets for those sectors that can be easily assessed, and we are confident in our pathway to achieving our targets.

Breakdown of intra-sector alignment



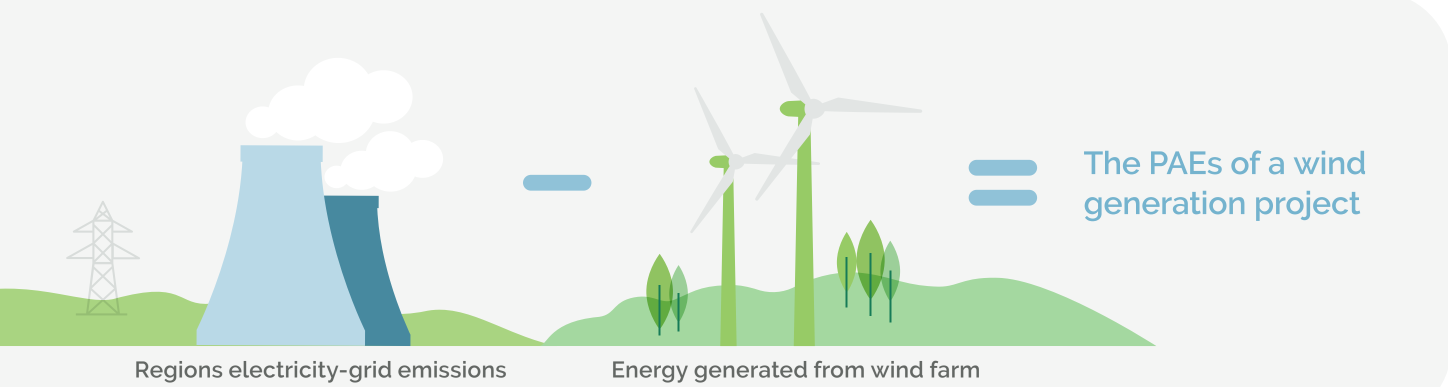
Pathway to net zero



Carbon Yield™

A project-level potential avoided-GHG-emissions assessment provides an important measure of the positive climate impact being delivered by applying the SPECTRUM methodology.

Since 2016, we've been running a bottom-up avoided-emissions analysis following the Carbon Yield methodology, which we co-developed with funding from the Rockefeller Foundation. Carbon Yield calculates impact in terms of the "potential avoided emissions" (PAE) enabled by funded projects in terms of tonnes of CO_2e/year/US$1m. Using an example of a wind farm, PAE is calculated by deducting the energy generated from the operation of the wind farm from the country or region's electricity-grid emissions under a dynamic scenario for its expected working life.



This year, we continued to partner with ISS ESG to estimate project-level emission footprints covering scope 1 and 2 emissions (i.e. from project operations) and partial scope 3 emissions (i.e. from project construction and material use). We then use funded-project scope 1 and 2 emissions to derive avoided emissions, which are then allocated on a portfolio-weighted basis to our funds. The Carbon Yield calculation does not currently cover scope 3 emissions due to the complexities of comprehensively accounting for value-chain emissions for both funded projects and baseline scenarios.

Project GHG emissions footprint[1]

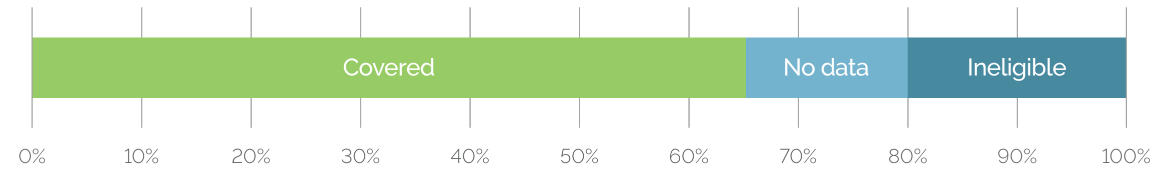
Scope 1 and 2
61,622tCO_2e
per annum

Scope 1,2 and 3
76,364tCO_2e
per annum

Our PAE assessment covers only projects that have a GHG emissions-mitigation objective, including renewable energy, energy efficiency and clean transport. Other projects that deliver different positive impacts, such as social projects, wastewater treatment and climate-adaptation projects, are not covered in this assessment, though they are an important component of our portfolios.

Our portfolio Carbon Yield calculations cover 65% of the portfolio holdings. The remaining proportion was deemed either ineligible, as those holdings related to activities not expected to have significant mitigation potential, or was not covered due to insufficient data.[2]

Potential avoided emissions portfolio coverage



We continue to use dynamic baselines instead of business-as-usual baselines in our Carbon Yield calculations to account for expected changes in the composition of electricity grids globally and related changes to grid-emission factors. Our dynamic baselines this year are based on the IEA's Stated Policies Scenario (STEPS) and Net Zero Emissions Scenario (NZE).[3] The STEPS scenario represents a conservative policy context that accounts for policies that have already been set, as well as those that have been announced by governments. Meanwhile, the NZE scenario is a more ambitious decarbonisation scenario setting out a trajectory where the energy sector achieves net zero emissions by 2050.

Last year, we only disclosed Carbon Yield results using the STEPS scenario as we saw this as a reasonable benchmark reflecting the likely trajectory in the context of current policy. This year, however, we are disclosing results for both the STEPS and NZE scenarios to provide a comparison between avoided emissions estimates under a conservative climate scenario (higher avoided emissions) and an ambitious scenario (lower avoided emissions). In line with this, our Carbon Yield estimates for the NZE scenario are 39% lower compared to our Carbon Yield using STEPS.

Our Portfolio Carbon Yields:

- STEPS
- NZE

STEPS:
Funded-projects avoided emissions
120.7tCO_2e
per US$1m per annum
→ This equates to 54% GHG-emissions savings

NZE:
Funded-projects avoided emissions
73.2tCO_2e
per US$1m per annum
→ This equates to 42% GHG-emissions savings

[1] Under STEPS

[2] Issuers provide their impact reports by bond frameworks, which are a collection of funded projects. The average project proportion covered by our Carbon Yield assessment for each framework is 67%.

[3] https://www.iea.org/reports/global-energy-and-climate-model/understanding-gec-model-scenarios

Weighted Average Carbon Intensity (WACI)

We calculate issuer GHG-emissions metrics for our portfolios in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations for asset managers. These metrics include the Weighted Average Carbon Intensity (WACI). Please refer to our TCFD report for the other issuer-level metrics linked to our portfolios.[1]

What is Weighted Average Carbon Intensity?

WACI provides a weighted average of the carbon intensity for each issuer held within the portfolio, calculated based on tCO_2e per US\$1m of revenue (for corporates) and tCO_2e per US\$1m Purchasing Power Parity-adjusted GDP (for sovereign-related issuers).[2]

WACI

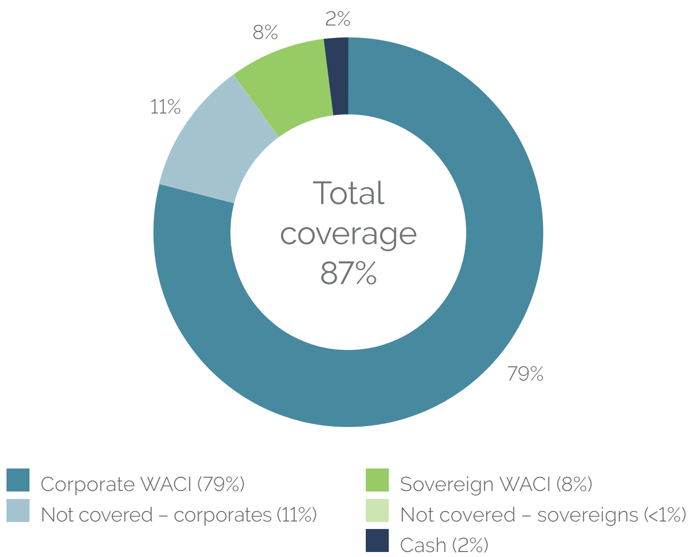
WACI is a snapshot metric; it shows a portfolio's carbon-intensity at one point in time and does not capture issuers' emission-reduction commitments or the decarbonisation trajectory. It is influenced by the portfolio's sectoral composition; some sectors are inherently more carbon intensive than others. While we do not rely on issuer WACI as a key to drive decisions within our SPECTRUM process, we see it as an indicator of the effectiveness of the climate assessment we perform at the issuer level within our SPECTRUM verification process.

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

In addition to our progress against our own net zero target, our portfolio also has a relatively low aggregated WACI. We were also able to raise the WACI coverage of our portfolio to 86.6%, an increase of almost seven points on last year's coverage.

Alongside our portfolio WACI, we have once again calculated separate WACI figures for sovereigns and regulators, and corporate and agency issuers. These two types of issuers pose different methodological and data-availability challenges, with the methodologies and data behind corporate WACI being more advanced than those of sovereign issuers. For this reason the two figures cannot be directly compared. Publishing both figures ensures that we are delivering the highest level of transparency in our reporting.

2022 WACI coverage by portfolio weights



[1] https://affirmativeim.com/wp-content/uploads/2022/12/AIM-2022-TCFD-Climate-Report.pdf
[2] The 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.

The portfolio had an aggregated scope 1 and 2 WACI of

58.9 tCO_2e/US\$m

When scope 3 emissions are included, the aggregated WACI increases by nearly five times to

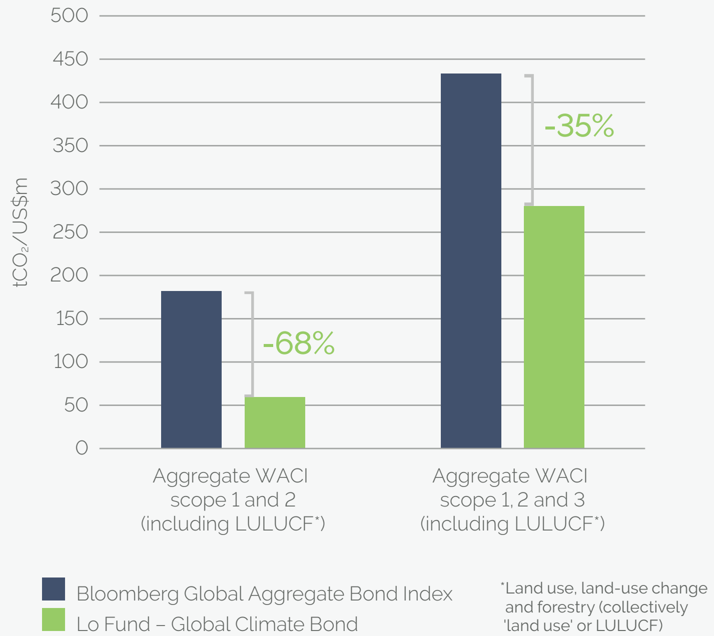
279.6 tCO_2e/US\$m

Benchmarking WACI results

In line with our previous reporting, we have continued to provide a benchmark for the portfolio WACI to help contextualise the portfolio's performance. The portfolio had an aggregated scope 1 and 2 WACI of 58.9tCO_2e/US\$m.[2] When scope 3 emissions are included, the aggregated WACI increases by nearly five times to 279.6tCO_2e/US\$m.[3]

Using the same data sources and methodology, we calculated an aggregated WACI for Bloomberg Global Aggregate Bond Index, achieving an 84% coverage. The Bloomberg Global Aggregate Bond Index's benchmark aggregated scope 1 and 2 WACI is 182tCO_2e/US\$ while its aggregated scope 1, 2 and 3 WACI is 433.3tCO_2e/US\$m. That means the portfolio's aggregated scope 1 and 2 WACI is 68% lower than the benchmark and its aggregated scope 1, 2 and 3 WACI is 35% lower than the benchmark equivalent. We caution that these figures should be taken as indicative only, as calculating WACI for a large global multi-asset class benchmark such as the Bloomberg Global Aggregate Bond Index continues to have inherent complexities.[4] Nevertheless, the comparison of our portfolio WACI with a mainstream benchmark provides solid evidence of the robustness of our verification from a responsible-issuer standpoint.

Portfolio vs Benchmark WACI



[2] Aggregated scope 1 and 2 WACI combines corporate scope 1 and 2 WACI and sovereign scope 1 and 2 WACI including sovereign emissions from LULUCF. Excluding LULUCF emissions leads to only marginal changes to aggregated WACI and has hence not been considered in this comparison. Aggregated WACI figures excluding LULUCF are however reported in the [summary table reference].
[3] Aggregated scope 1, 2 and 3 WACI combines corporate scope 1, 2 and 3 WACI and sovereign scope 1, 2 and 3 WACI including sovereign emissions from LULUCF.
[4] Challenges in calculating mainstream index WACI include data gaps and difficulties in mapping index constituents, which may feature several subsidiaries and/or special-purpose vehicles, to the ultimate issuing entity to better reflect its emissions profile.

Corporates and agencies WACI

The portfolio had a corporates and agencies (corporate hereafter) scope 1 and 2 WACI of 41tCO_2e/US$m revenue and a scope 1, 2 and 3 WACI of 242.7tCO_2e/US$m revenue in 2022.

Corporates and agencies:

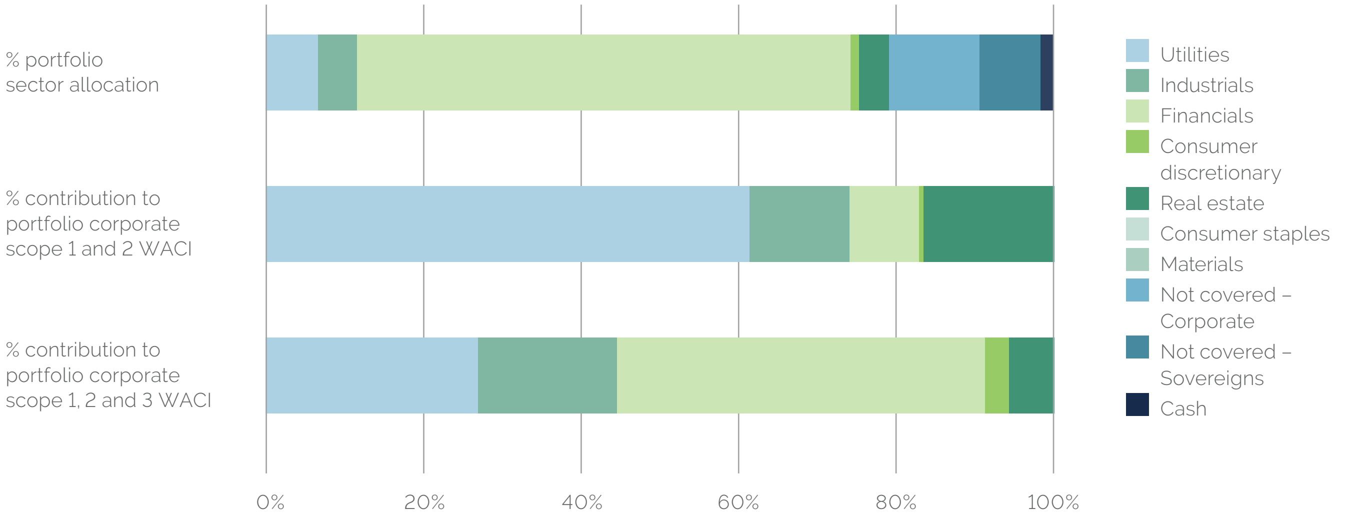
Issuers including utilities, industrials, financial institutions, supranationals and government-related agencies not covered under the "sovereigns and regulators" category.

Corporate scope 1 and 2 WACI of **41** tCO_2e/US$m revenue in 2022

Just 10 issuers contribute **66%** of the portfolio's corporate scope 1 and 2 WACI

Financials represent **63%** of portfolio allocations, but contribution to scope 1 and 2 WACI is **9%**

Corporate WACI contribution vs. portfolio sector distribution



In line with previous years, the main contributions to the WACI figure come from the limited portfolio allocations to a small number of sectors with high scope 1 and 2 emission intensities.

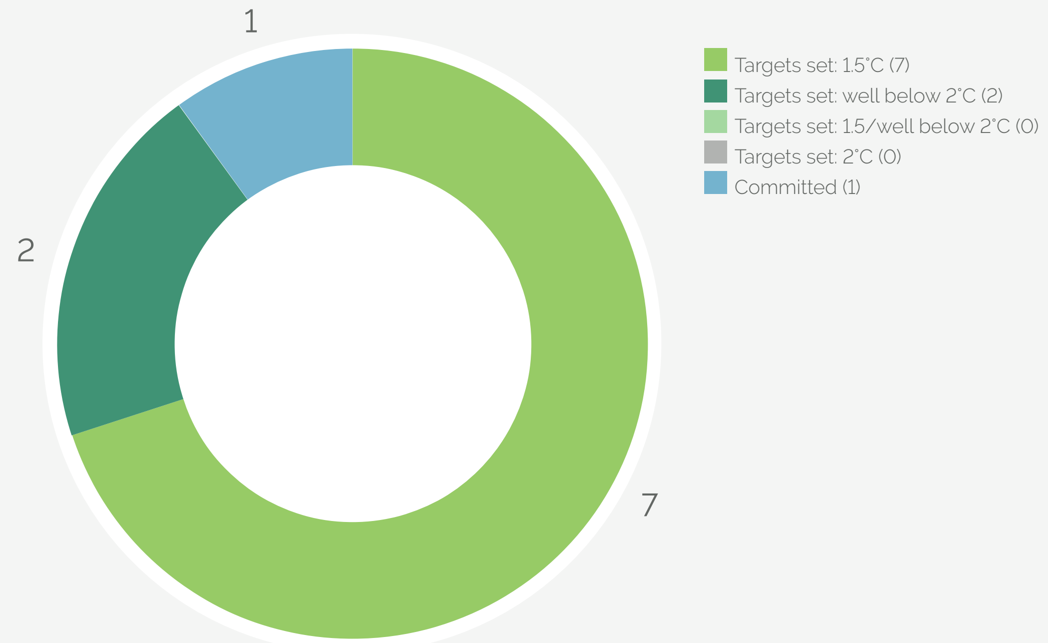
For example, while utilities represent just 6.6% of the portfolio allocation, they contribute over 61% of the scope 1 and 2 corporate WACI. Similarly, real estate is the second-largest contributor at around 17%, despite accounting for less than 4% of portfolio allocations.

Just 10 issuers – eight utilities, one real estate and one industrial corporate – contribute 66% of the portfolio's corporate scope 1 and 2 WACI.

These issuers all have a relatively high scope 1 and 2 emission intensity, which is in line with expectations given that they all operate within relatively emission-intensive sectors. However, despite this, all of the top 10 WACI contributors have either set or committed to setting a science-based target, with seven issuers having aligned their targets to a 1.5°C pathway. These targets are one indicator considered in our Responsible Issuer assessment, signalling that these issuers have set credible emission-reduction commitments as part of their forward-looking strategies and that we can expect their emission intensities to fall in the coming years.

At the other end of the scale, financials represent the largest share of portfolio allocations (62.6%) but their contribution to scope 1 and 2 WACI is just under 9%. However, when scope 3 emissions are included, the corporate WACI shifts quite significantly, with financials becoming the largest driver of WACI at almost 47%. This is in line with expectations, with the majority of emissions for financials being linked to their lending and financing portfolios.

Presence and ambition of science-based targets for top 10 WACI contributors



Sovereigns and regulators WACI

Our sovereigns and regulators (sovereign hereafter) WACI figure covers all sovereign-related entities, including central governments/treasuries, sub-sovereigns and municipalities.

This year, we have further refined our sovereign WACI methodology to be in line with Partnership for Carbon Accounting Financials' (PCAF) new definitions of scopes for sovereign emissions (see graphic below).[1] The updated definitions provide a more intuitive categorisation of sovereign scope 1, 2 and 3, while also aligning with the territorial approach for sovereign scope 1, 2 and 3 WACI that we adopted last year, which covered both production-based emissions and emissions attributable to imports. This approach has the advantage of addressing all demand and supply-driven emissions of a sovereign entity and neutralising carbon emissions biases towards either net importers or exporters.

Updating scope 1, 2 and 3 definitions

2021 PCAF definitions[2]

Scope 2 GHG emissions attributable to gross imports

Scope 3 GHG emissions attributable to gross exports

Updated 2022 PCAF definitions[3]

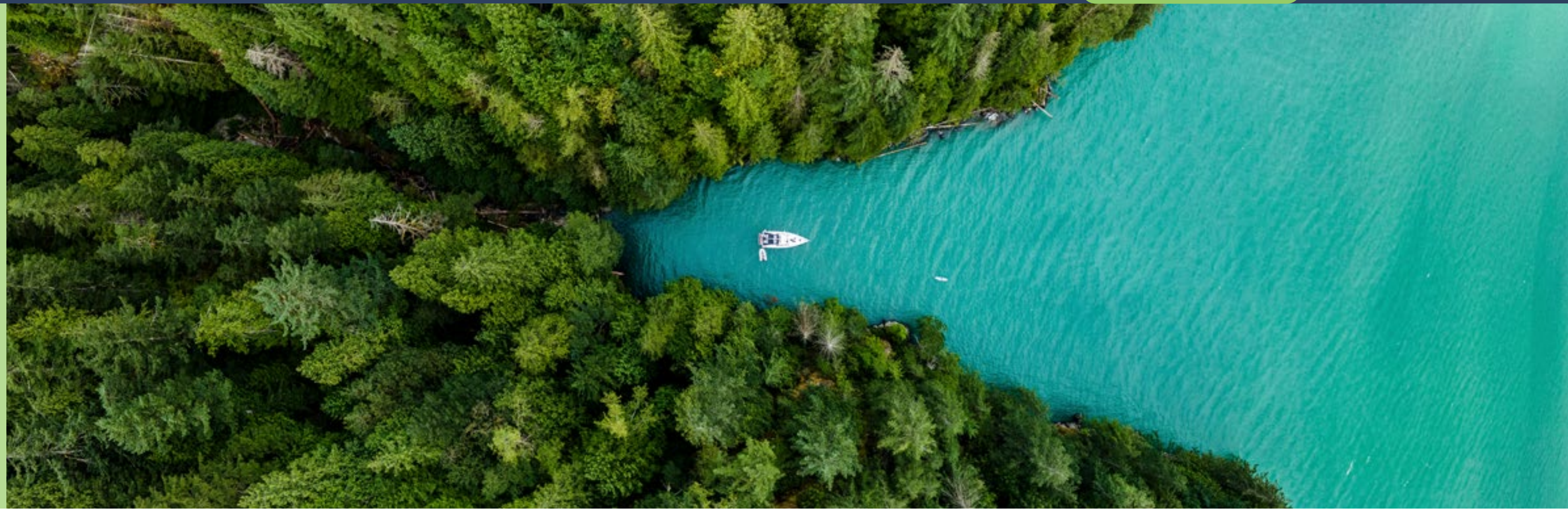
Scope 1 : 2022
Domestic GHG emissions from sources located within the country territory

Scope 2 : 2022
GHG emissions occurring as a consequence of the domestic use of grid-supplied electricity, heat, steam and/or cooling that is imported from another territory

Scope 3 : 2022
GHG emissions attributable to non-energy imports as a result of activities taking place within the country territory

Sovereigns and regulators:

Sovereign-related entities, including central governments/treasuries, sub-sovereigns and municipalities.

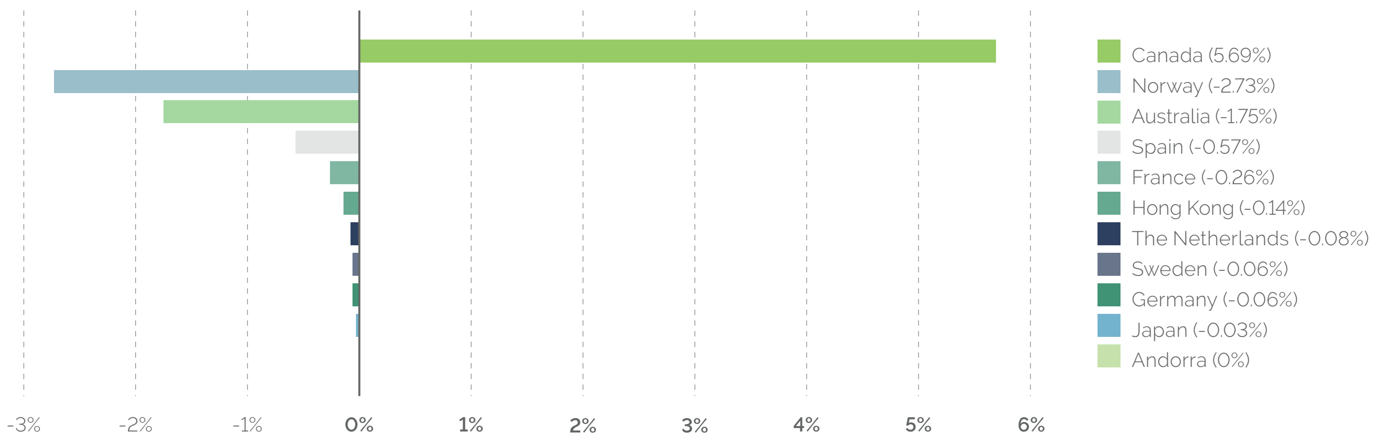


We have also followed PCAF's recommendation to report emissions both with and without land use, land-use change and forestry (collectively 'land use' or LULUCF).

Land use plays an important role in regulating GHG emissions as vegetation and soils act as carbon sinks by absorbing CO_2 from the atmosphere. Human activities related to land use can impact this process, leading to GHG fluctuations. LULUCF emissions aim to capture these human-induced carbon releases and removals from terrestrial systems.

The recommendation to report both with and without LULUCF emissions is intended to improve the clarity of the reporting, as there are variable views surrounding the carbon accounting of these emissions due to a degree of data ambiguity. Additionally, there is variance between different sovereigns' inclusion of LULUCF emissions in their mitigation strategies and targets, and LULUCF emissions can distort other emissions trends within countries. Last year, we only reported emissions including land use, but this year's chart shows that the portfolio WACI is slightly different when land use is excluded. The chart shows the significant contribution land use makes to WACI, and how the positive contribution of Canada balances out the negative contributions of other states, leaving the WACI figures excluding and including land use to be extremely close.

LULUCF contribution to portfolio sovereign WACI scope 1 and 2



Negative contributions **-5.68%**

Positive contributions **5.69%**

[1] PCAF (2022), The Global GHG Accounting and Reporting Standard for the Financial Industry: https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf
[2] https://carbonaccountingfinancials.com/files/consultation-2021/pcaf-draft-new-methods-public-consultation.pdf
[3] https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf

Sovereigns and regulators WACI country highlights

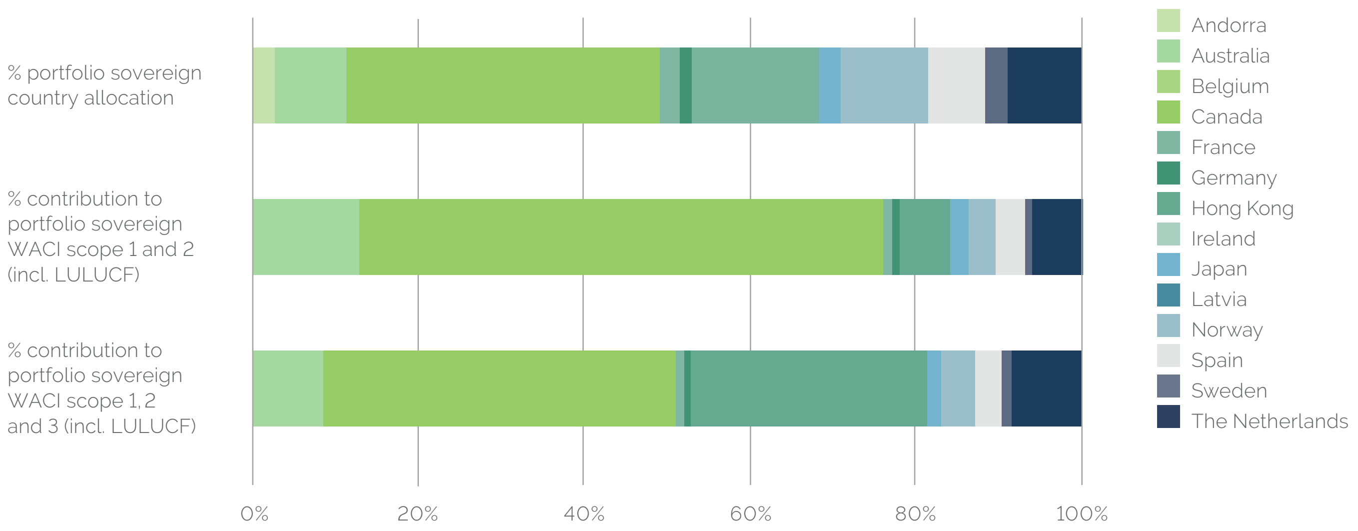
Sovereign scope 1 and 2 WACI stood at 17.5tCO_2e/PPP-adjusted US$m GDP when excluding LULUCF, and 17.9tCO_2e/US$m when including LULUCF. Scope 1, 2 and 3 WACI figures, unsurprisingly, are considerably higher at 36.5tCO_2e/US$m and 36.9t$CO_2e/USm excluding and including LULUCF, respectively.

The largest contributor to the portfolio's sovereign WACI figures is Canada, due to sub-national bonds issued by the provinces of Ontario and Quebec. While Canada does have the largest sovereign portfolio allocation, its contribution to both scope 1 and 2 WACI (63.2%) and scope 1, 2 and 3 WACI (42.5%) (including LULUCF) is disproportionate to its portfolio weighting.[1]

All sub-national entities have been mapped to their respective countries for WACI calculations. Hence, Canadian sovereign issuers' high emissions intensity reflects the country's resource-rich economy, with emissions being driven mainly by oil and gas activity, and the transport sector.[2]

Australian issuers provide the second-highest contribution to scope 1 and 2 WACI (including LULUCF), at 12.8%. Like Canada, the issuers held in this portfolio are sub-national issuers, including the governments of Queensland and New South Wales.

Sectoral breakdown % sovereign WACI allocation vs. contribution



Accounting for emissions of sub-national issuers presents significant data availability challenges. While mapping sub-national issuers to their relevant country provides an indication of an issuer's potential emissions intensity and allows us to cover them in WACI calculations, this mapping is not reflective of specific sub-national contexts. For example, the emissions of a state that is more or less heavily involved in carbon-intensive activities compared to other states within that country could be over or underestimated by this method of mapping. We are committed to continuing to refine our approach to sovereign WACI calculations as data availability for sub-sovereign issuers improves.

[1] Contribution shares relate to WACI including LULUCF emissions.
[2] https://www.canada.ca/en/environment-climate-change/services/environmental-indicators/greenhouse-gas-emissions.html

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Sustainable Finance Disclosure Regulation reporting

Sustainable Finance Disclosure Regulation reporting

The EU's Sustainable Finance Disclosure Regulation (SFDR) sets out disclosure requirements that apply to investors and financial advisers. It affects EU financial market participants and non-EU financial market participants that are managing EU-domiciled funds or marketing into the EU.[1]

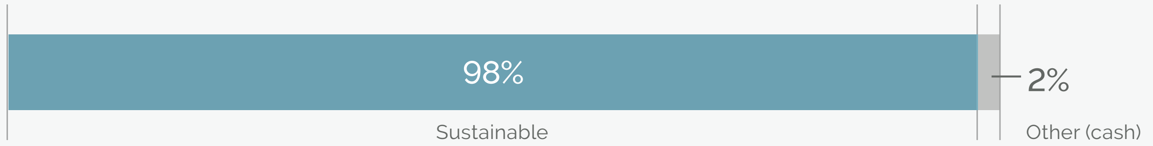
The table opposite reports against the mandatory Principal Adverse Impacts (PAIs) as stipulated by the SFDR. The LO Funds – Global Climate Bond is an Article 9 fund, meaning that it has a sustainability objective, has a minimum commitment to make sustainable investments, and fully complies with the disclosures required under SFDR. Since this year is the first year we have been required to report against the PAIs, we have not provided a comparison between this year and last year.

Defining sustainable investments

SFDR's definition of a sustainable investment is relatively broad. It must (i) contribute to an environmental or social objective, (ii) it must not significantly harm other environmental or social objectives, and (iii) it must follow good governance practices at the investee-company level.

We use our SPECTRUM process to determine whether an investment can be considered a sustainable investment and have not needed to make any adjustments to satisfy the SFDR principles. The LO Funds – Global Climate Bond commits to hold a minimum of 85% in sustainable investments. Over 2022 it significantly exceeded this minimum with 98% in sustainable investments.

Defining sustainable investments



We have included the coverage for each metric as the figures vary significantly depending on the metric and we believe it is important to understand the results in the context of the achieved coverage. Data products in this space are evolving rapidly and we have already seen coverage increasing and products improving since last year.

The EU's SFDR continues to develop. In April this year, the European Supervisory Authorities published a consultation paper proposing amendments.[2] This included clarification of what constitutes a sustainable investment, compliance with the Do No Significant Harm (DNSH) principle, GHG emissions-reduction targets and the use of Paris-aligned or climate-transition benchmarks in justifying the Article 9 label. The consultation closed in July 2023.

Other regions around the globe are now following the EU's lead. The US Securities and Exchange Commission (SEC) is working on ESG disclosure rules for investment companies and advisers, and rules to address misleading naming of investment products. The UK Financial Conduct Authority (FCA) conducted a consultation on its Sustainability Disclosure Requirements (SDR) and investment labels. Australia and New Zealand have announced plans to align sustainable finance frameworks and the Australian government recently included A$14.2m in its budget for establishing a sovereign green-bond programme, supporting the Australian Securities and Investment Commission's (ASIC) work on greenwashing and funding the development of a sustainable-finance taxonomy. While there is no specific legislation in Japan, there are sustainable-finance guidelines issued by governmental bodies, such as the Ministry of Environment, the Financial Services Agency and the Ministry of Economy, Trade and Industry. These follow international best practice such as ICMA's principles.

SFDR Article 9
classification for all European funds

PAIs[3]	Value	Coverage[4]	Data source[5]
Mandatory PAIs			
GHG emissions (scope 1)	6,037tCO_2e	79%	S&P
GHG emissions (scope 2)	1,577tCO_2e	79%	S&P
GHG emissions (scope 3)	31,799tCO_2e	79%	S&P
Carbon footprint	85.8tCO_2e/EURm	79%	S&P
GHG intensity of investee companies	284.6tCO_2e/EURm	79%	S&P
Exposure to companies active in the fossil-fuel sector (see below)	5%	29%	Clarity AI
Share of non-renewable energy consumption	53%	27%	Clarity AI
Share of non-renewable energy production	44%	5%	Clarity AI
Energy consumption intensity per high-impact climate sector	2.4GWh/EURm	11%	Clarity AI
Activities negatively affecting biodiversity sensitive area	1.5%	28%	Clarity AI
Emissions to water	0t/EURm invested	10%	Clarity AI
Hazardous waste ratio	0.9t/EURm invested	18%	Clarity AI
Violations to UNGCP and OECD guidelines	0%	28%	Clarity AI, ISS Datadesk and in-house research
Lack of processes and compliance mechanisms to monitor compliance with UNGCP and OECD guidelines	0%	26%	Clarity AI
Unadjusted gender pay gap	17%	21%	Clarity AI
Board gender diversity	34%	37%	Clarity AI
Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical and biological weapons)	0	31%	Clarity AI
Sovereign and supra PAIs			
Sovereigns and supras: GHG intensity incl. LULUCF	56.8tCO_2e/EURm	8%	S&P
Sovereigns and supras: GHG intensity excl. LULUCF	56.2tCO_2e/EURm	8%	S&P
Sovereigns and supras: investee countries subject to social violations	0	3%	Clarity AI
Optional PAIs			
Share of bonds not issued under EU legislation on environmentally sustainable bonds (see below)[6]	83%	89%	Issuer reported
Severe human rights issues and incidents identified	0 cases	28%	Clarity AI

Understanding PAIs

In our view, some of the PAIs can be misleading if presented without context, so we are providing additional detail for one:

Exposure to companies active in the fossil-fuel sector:
Given that our portfolios are impact portfolios with strong verification processes, it may seem surprising that there is any exposure to companies active in the fossil-fuel sector. Exposure in this portfolio comes from the following issuers and we think it is important to explain their levels of exposure since it could otherwise be inferred from the PAI that these are purely fossil-fuel companies. Our holdings in each of the issuers below are in labelled bonds only.

Issuer	Fossil-fuel exposure per SFDR definition[7]	Other fossil-fuel exposure[7]
A2A SpA	6.2% natural gas distribution, 1.7% thermal coal transmission and distribution,	13.8% natural gas power generation, 1.4% petroleum power generation, 0.6% thermal coal power generation
Hera SpA	52% natural gas power distribution	7.8% natural gas power generation
SSE Plc	10.1% natural gas distribution	19.7% natural gas power generation, 0.5% petroleum power generation

[1] PRI (Feb 2022), Investor Briefing: EU Regulation on Sustainability-Related Disclosures in the Financial Services Sector.
[2] The European Securities and Markets Authority (ESMA), the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA).
[3] For definitions of the PAIs please refer to 'Annex 1 principal adverse sustainability impacts statement' that can be found here: https://www.eiopa.europa.eu/publications/principal-adverse-impact-and-product-templates-sustainable-finance-disclosure-regulation_en
[4] The LO Funds – Global Climate Bond is held 91% in corporates and 8% in sovereigns. Coverage figures should be reviewed with this in mind, as 8% coverage on the sovereign metrics is high rather than poor coverage.
[5] Some data sources have been amended compared to last year's reporting so data is not directly comparable. Clarity AI data pulled 17/07/2023.
[6] This metric is based on our EU Taxonomy alignment study that can be found on pages 28-29.
[7] Revenue exposures from S&P.

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SDG aligned case studies

1 Offshore wind in France

Caixabank – Green bond[1,2]

Caixabank's green-bond programme has helped to finance the construction of the Parc Éolien En Mer De Fécamp wind farm.

The project is France's third offshore wind farm and will be located 13-22km off the north coast. Spread across 60km^2 of shallow water, the farm will comprise 71 wind turbines. The project will add to France's renewable-energy installed capacity, generating low-carbon electricity and helping to diversify from the country's large nuclear fleet. This will contribute to the national target of having 32% of final energy consumption supplied by renewables by 2030.[3]

Following discussions with the local fishing fleet, the turbines will be arranged in a location that limits the impact on fishing operations, as well as being away from main commercial shipping lanes. Additionally, during the construction phase, the project will create 1,400 jobs, while the operating phase will generate 100 permanent jobs, providing social as well as environmental benefits for local communities.

Impact

- Construction of France's third offshore wind farm, providing clean electricity for the majority of local households.
- Helping to meet France's renewable energy targets.
- Diversifying France's electricity grid from nuclear power.

KPIs

- 497MW wind-power installed capacity.
- Renewable energy generation to supply 770,000 households, over 60% of the Seine-Maritime region.
- Creation of 100 permanent jobs.

SDG supported

2 Clean recycling centre in Norway

Kommunalbanken – Green bond[4,5]

Proceeds from Kommunalbanken's green bonds have been used to finance the new Sørlandsparken Øst recycling centre in Kristiansand, southern Norway.

The new site provides local residents with a wide range of recycling services including plastics, glass, metals, and garden waste. The facility operates without the use of fossil fuels, having substituted conventional diesel-powered wheel loaders with electric compactors. This investment helps to avoid the consumption of around 20,000l of diesel per annum. This project also features on-site solar panels with annual generation capacity of 12,000kWh. The panels are supported with used car batteries in order to maximise the utilisation of the solar energy generated. In addition to low-carbon operations, the facility was built using wood and low-carbon concrete along with recycled steel and asphalt to minimise embodied emissions in its construction.

Impact

- Construction of a new recycling facility in Norway.
- Fully electrified site with no use of fossil fuels.
- On-site solar panels and batteries to supply clean electricity.
- Use of lower-carbon building materials in construction.

KPIs

- 12,204t per annum of recycling capacity.
- 12,000kWh of renewable electricity generated each year.
- Avoiding the consumption of 20,000l of diesel each year.

SDG supported

3 Energy security in the UK and Denmark

BNP Paribas – Green bond[6,7]

BNP Paribas' green-bond programme has supported the Viking Link, a new electricity interconnector between the UK and Denmark.

The new transmission cable will have a capacity of 1,400MW, enough to supply 1.4m households. The €2bn project is being developed by the UK's National Grid in partnership with Denmark's Energinet.

Alongside other international interconnectors, such as the North Sea Link, the Viking Link will enable more effective use of renewable energy, improved access to clean electricity, and potentially lower prices for consumers. As electricity grids shift from fossil fuels to intermittent renewables, increased interconnection will be critical for sustainability, security and reliability of energy supply. Since there is low correlation between wind-generation output in the UK and Denmark, the interconnector will mean that surplus energy can be utilised in either country.

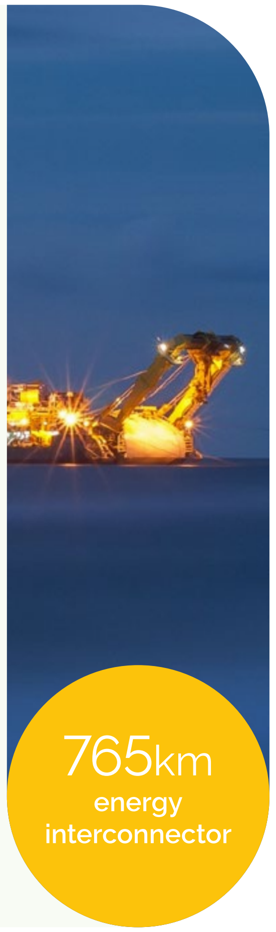
Impact

- New subsea transmission link between the UK and Denmark.
- Enhanced access to sustainable electricity.
- Promotes energy security.
- Potential for lower consumer prices at peak times.

KPIs

- 1,400MW high-voltage direct current electricity link.
- 765km transmission cable.

SDG supported



4 Electric vehicle (EV) battery manufacturing in Hungary

Export-Import Bank of Korea – Green bond[8,9]

Proceeds from the Export-Import Bank of Korea's green bonds have helped to finance an expansion of Samsung SDI's EV lithium-ion battery plant in Hungary.

This will add at least 10GWh per annum to the facility's capacity of 30GWh, enabling it to produce up to 1m batteries a year.[10]

In the EU, passenger vehicles account for 12% of GHG emissions. Batteries have a critical role to play in addressing this by enabling the transition to EVs. The recent Net Zero Industry Act set out an ambition of manufacturing at least 40% of Europe's green technology requirements, including EV batteries, within the continent.[11] The expansion of Samsung SDI's plant supports this goal and will help the European EV industry to secure its supply of batteries, while creating 1,200 direct jobs. The project recently received a European Commission-approved €89.6m investment from the Hungarian government, highlighting its strategic importance in Europe.

We recognise the environmental and social challenges that are prevalent in the EV supply chain (see our thematic engagement on pages 20-21) and all issuers must pass an ESG risk assessment.

Impact

- Expansion to a key lithium-ion battery factory in Europe.
- Supporting increased EV production in Europe and helping to address a large source of GHG emissions.
- Supporting EU's target of manufacturing 40% of the green technologies it needs within its borders.

KPIs

- Over 6m battery cells produced each month.
- Manufacturing of up to 1m EV batteries each year.
- 1,200 jobs created.

SDG supported

[1] Caixabank Green Bond Report 2021.
[2] https://parc-eolien-en-mer-de-fecamp.fr/
[3] London School of Economics (2020) France's Integrated Energy and Climate Plan. Available: https://climate-laws.org/geographies/france/policies/france-s-integrated-energy-and-climate-plan
[4] KBN (2022) KBN Impact Report 2022.
[5] https://avfallsor.no/levering-av-avfall/her-apnes-ny-gjenvinningsstasjon-varen-2022/

[6] BNP Paribas 2021 Green Bond Reporting & Methodology Notes.
[7] https://www.viking-link.com/
[8] Korea Eximbank (2023) Sustainable Finance Allocation & Impact Report.
[9] https://ec.europa.eu/commission/presscorner/detail/en/ip_23_1265
[10] Based on average battery size of 40kWh, as suggested by Octopus Energy and E.ON.
[11] European Commission (2023) Net Zero Industry Act. Available: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52023PC0161

5 Making passenger vehicles cleaner and safer

Denso – Sustainability bond[1]

Denso issued its first sustainability bond in 2021 and used the proceeds to enhance its manufacturing of components and safety systems for electric vehicles (EVs).

The issuer used proceeds from the bond to finance capital expenditure and research and development, with a focus on products that enable high performance in EVs. These include electricity supply units, current sensors and inverters. Denso also used proceeds to procure renewable energy and to install solar panels at its manufacturing site, reducing its emissions.

The bond has also helped to finance the issuer's development and manufacture of advanced safety and automation systems for EVs. These include a range of technologies, such as sensors that trigger autonomous emergency braking to prevent collisions with pedestrians, bicycles and other vehicles. With global road traffic accident-related fatalities exceeding 1.3m per year, this equipment could significantly reduce injuries and save lives.[2]

Impact

- Increase in production of electric vehicle components.
- Shift to renewable energy at manufacturing facilities to reduce emissions.
- Development of new safety systems to prevent driving accidents.

KPIs

- 163.8% year-on-year increase in sales of EV products.
- 16,918tCO_2 emissions avoided at manufacturing facilities.
- 8.5% year-on-year increase in sales of advanced safety and automation systems.

SDG supported

16,918tCO_2 emissions avoided

6 Dutch low-carbon logistics site

Prologis European Logistics Fund – Green bond[3]

Prologis European Logistics Fund owns and leases a large portfolio of logistics facilities across Europe.

It has issued several green bonds, with a focus on making these assets more sustainable. The issuer's June 2020 bond helped to finance DC3, a sustainable distribution building outside Eindhoven, the Netherlands. DC3 is equipped with rooftop solar panels and uses smart LED lighting, which can be controlled remotely to maximise efficiency. DC3 is heated by an efficient variable refrigerant flow (VRF) heat-pump system that significantly reduces energy consumption. This is supported by the site's ventilation system, which recovers heat from the building. The facility is certified BREEAM Excellent, demonstrating leading credentials across a range of sustainability factors, including energy and occupant health and safety.

Impact

- Construction of a sustainable logistics centre near Eindhoven, the Netherlands.
- Strong environmental performance demonstrated by BREEAM Excellent certification.
- On-site solar panels and energy-efficient heat-pump system.

KPIs

- 6,023tCO_2e emissions avoided per annum.
- 87% of waste diverted from landfill during construction.

SDG supported

87% waste diverted from landfill

7 Green buses in Canada

Province of Quebec – Green bond[4]

The Province of Quebec has been a consistent issuer of green bonds since 2017, with proceeds being used to support a range of decarbonisation projects.

One project that received proceeds from the issuer's fifth green bond was the Société de Transport de Montréal's (STM) programme for purchasing electric and hybrid buses. STM forecasts that its entire fleet will be either electric or hybrid by 2030, and that by 2041 it will be all electric.

Between 2019 and 2024, STM plans to acquire 716 buses, including 416 hybrids to replace retiring diesel buses, 266 additional hybrid buses, and 34 electric buses plus charging infrastructure in its garage. This not only helps to reduce GHG emissions in Montreal, but also addresses air pollution that diesel buses generate. Additionally, the project increases the availability of public transport for local residents by expanding Montreal's bus fleet.

Impact

- Investments in hybrid and electric buses in Montreal.
- Reducing GHG emissions and air pollutants.
- Improved access to clean public transport.

KPIs

- 115 hybrid and electric buses financed by the green bond programme.
- Total of 882 hybrid and electric buses now operating in Montreal.

SDG supported

882 hybrid and electric buses now operating

8 Assistance for victims of gender violence in Spain

Comunidad de Madrid – Sustainability bond[5]

Proceeds from the Comunidad de Madrid's sustainability bonds have been used to support a broad range of green and social projects in the area.

One of the social projects aims to end all forms of gender-based violence, which is a prominent issue in Spain and Madrid in particular.[6] Several large protests have taken place, calling for an end to gender inequality and violence.[7] The Comunidad de Madrid has recognised the importance of the issue, affirmed that it will continue working to eliminate gender-based violence and enhance support systems for victims.

To promote this goal, allocations from the 2022 sustainability bond were disbursed to specialised shelters that offer accommodation and support for vulnerable women and their dependents. The support provided includes psychological, employment, and legal services for the families. In addition, funds were used to support childcare day centres to alleviate the care burden on women.

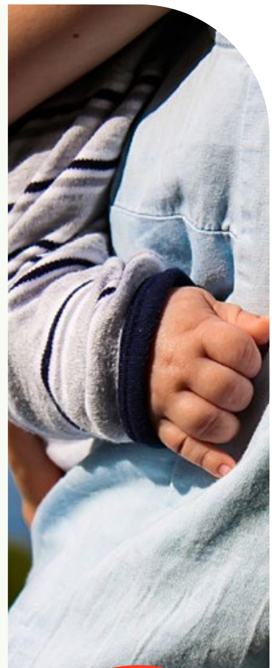
Impact

- Wide range of support services for vulnerable women and dependents.
- Providing critical assistance for female victims of gender violence.
- Support for childcare day centres.

KPIs

- 436 women and 279 children supported in shelter centres in 2022.
- 2,000 women and 89 children supported by day centres.

SDG supported



2,804 women and children supported

[1] Denso (2022) Sustainability Bonds Report.
[2] https://www.who.int/news-room/fact-sheets/detail/road-traffic-injuries
[3] Prologis European Logistics Fund (2021) 2021 Green Bond Report.

[4] Province of Quebec (2021) Green Bond Newsletter.
[5] Comunidad de Madrid (2023) Sustainable Bond 2022 – Impact Report.
[6] https://www.reuters.com/world/europe/spain-vows-more-vigilance-protection-murders-women-spike-december-2022-12-29/
[7] https://www.reuters.com/world/europe/thousands-march-spain-demand-end-violence-against-women-2022-11-25/

9 Employment training in Cambodia

Agence Française de Développement – Sustainability bond[1,2]

Proceeds from Agence Française de Développement's sustainability-bond programme have been allocated to Cambodia's Skills for Competitiveness project.

The purpose of the project is to support Cambodia's industrial policy by enabling a shift away from low-skilled and labour-intensive industries to those that are more skilled and higher paying, particularly the manufacturing, construction, electricity and electronics sectors. To enable this shift, the project finances improvements in the quality of technical training programmes at five institutions and supports them in developing short-term courses for workers in the four priority sectors. This investment will deliver greater access to relevant employment training, and increase the skilled labour force, enabling the growth of high-value economic sectors in Cambodia.

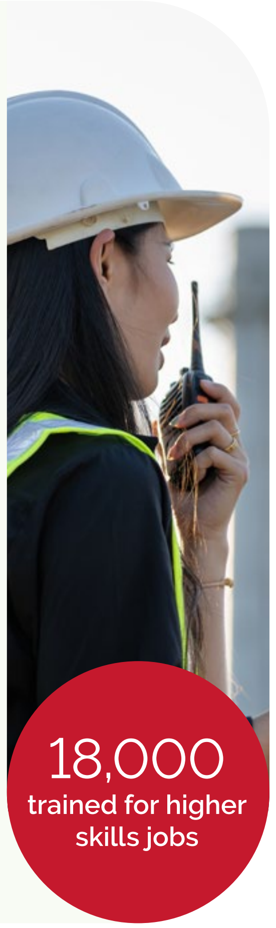
Impact

- Enabling Cambodia's industrial policy for growth in high-skilled sectors.
- Improving the quality and availability of vocational training.
- Skills training for employment in high-value sectors.

KPIs

- 18,000 diploma graduates, of which 28% are women.
- 300 teachers trained.
- At least a 10% increase in diploma graduates who find employment within six months of graduation.

SDG supported



18,000
trained for higher skills jobs

10 Hydrogen networks across France

Republic of France – Green bond[3]

The French government has been the largest issuer of impact bonds to date.

Its green-bond programme has raised over €50bn of proceeds to finance a broad range of environmental projects in France. One of the beneficiaries of the most recent set of allocations is France's regional hydrogen ecosystems programme. It aims to build out hydrogen production and distribution infrastructure across France, with a focus on decarbonising industries such as metals and chemical production along with heavy transport. A core ambition of the programme is to encourage collaboration between local governments and relevant industry stakeholders so that the infrastructure is built to meet the needs of those who will be using it. Under this programme, 18 separate projects have been evaluated and, if these go ahead, it will significantly improve hydrogen access across France and enable the implementation of low-carbon technologies and processes.

Impact

- Investing in clean hydrogen production and distribution in France.
- Encouraging cooperation between local governments and industry stakeholders.
- Enabling decarbonisation in industry and heavy transport.

KPIs

- 51MW of electricity-based hydrogen capacity.
- 38 new hydrogen distribution points.
- Over 7,500t of hydrogen distributed per annum.
- Avoidance of 75,000tCO_2e each year.

SDG supported

51MW
of electricity-based hydrogen capacity

[1] AFD (2023) Investor Presentation March 2023.
[2] https://www.afd.fr/en/carte-des-projets/project-support-vocational-training
[3] French Treasury Agency (2022) Green OATs Allocation and Performance Report 2021, page 28.

11 Water and sanitation in Brazil

International Bank for Reconstruction and Development – Green bond[4,5]

Proceeds from the World Bank's green-bond programme have been allocated to the Paraiba water-resources-management project in Brazil.

The project aims to improve water management in the state, including the reliability of water and sanitation services, and resilience to climate change.

The project has three main components. The first focuses on the management of water resources, including support for regulators, enhanced hydro-meteorological monitoring and forecasting, and the strengthening of four upstream dams. The purpose of the second element is to improve the reliability and efficiency of water and sanitation services. This includes investments in water treatment plants, pumping stations, reservoirs, and additional infrastructure that will improve resilience to extreme droughts and reduce the contamination of water resources. It also removes the need for trucks to supply water during dry seasons. The third component of the project is the development of an emergency response plan.

The social impact assessment for this project incorporated a gender lens, taking into account the inequalities between men and women in Brazil. The assessment noted that limited access to sanitation disproportionately affects women. Increasing access to treated water is associated with reductions in hospitalisations and fatalities from water-borne diseases and rises in women's educational attainment.

Impact

- Construction of water-management and treatment infrastructure to improve drought resilience and sanitation.
- Capacity building for water governance and disaster response.
- Improved hydro-meteorological monitoring and forecasting.
- Reducing gender inequality in Brazil.

KPIs

- Avoidance of 835,380tCO_2e over 30 years.
- Increase in water supply reliability from 90 days per annum to 328 days in some areas.
- 1.25m beneficiaries from improvements in water supply and wastewater systems.

SDG supported

364%
increase in reliable water availability

[4] IBRD (2021) World Bank Green Bonds FY21 Impact Report | Project Tables.
[5] IBRD (2019) IBRD Project Appraisal Document for the Paraiba Improving Water Resources Management and Services Provision Project, Available: https://documents1.worldbank.org/curated/en/209951549917915776/pdf/p165683-br-paraiba-water-security-pad-02082019-636853465426393784.pdf

SUSTAINABLE DEVELOPMENT GOALS

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SPECTRUM aligned investments

SPECTRUM aligned investments

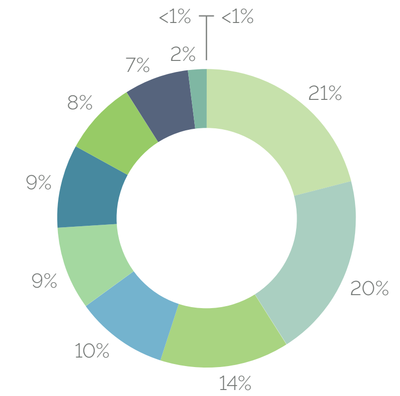
In 2022, 8% of the portfolio was invested in four SPECTRUM aligned issuers. These are defined as issuers who receive at least 50% of revenues generated from sectors aligned with the AIM taxonomy (see pages 72-73).

SPECTRUM aligned issuers have a clear commitment to climate mitigation and adaptation, and to sustainable economic development, for example to the UN's SDGs. SPECTRUM aligned bonds are an important portfolio-management tool.

Asian Development Bank (ADB)

ADB is a leading multilateral development bank focused on sustainable development in the Asia-Pacific region. The issuer's 2030 strategy focuses 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, such as the ambition to provide US$100bn in cumulative climate financing from its own resources to its developing member countries between 2019 and 2030.

Commitments by sector

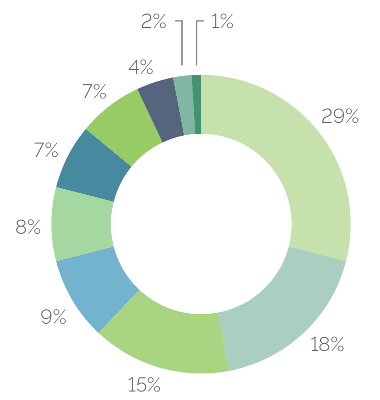


- Energy (21%)
- Transport (20%)
- Finance (14%)
- Agriculture, natural resources, and rural development (10%)
- Public sector management (9%)
- Water and other urban infrastructure and services (9%)
- Industry and trade (8%)
- Education (7%)
- Health (2%)
- Information and communication technology (<1%)
- Multisector (<1%)

European Investment Bank (EIB)

EIB is a multilateral financial institution owned by and representing the interests of the 27 Member States of the EU. The bank supports implementation of EU policy, with priority areas including climate and environment, development, innovation and skills, small and medium-sized business, infrastructure and cohesion. Its mission is to finance projects in less-developed regions, in modernisation, and/or of common interest, that cannot be financed by individual members, as well as other development projects outside the EU. Climate action is taken into consideration throughout the assessment and monitoring of all projects. EIB is committed to further strengthening its sustainable finance ambitions: its Climate Bank Roadmap 2021-2025 aims to target 50% of financing to climate action and environmental sustainability by 2025.

Loans by sector

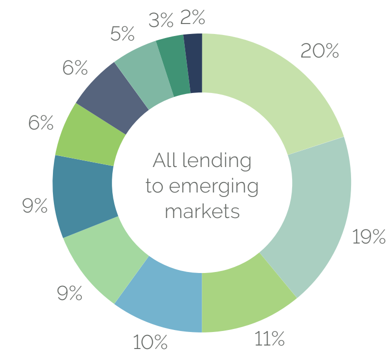


- Transport (29%)
- Global loans (18%)
- Energy (15%)
- Health and education (9%)
- Miscellaneous infrastructure (8%)
- Water and sewage (7%)
- Industry (7%)
- Services (4%)
- Telecommunications (2%)
- Agriculture, fisheries and forestry (1%)

International Bank for Reconstruction and Development (IBRD)

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 has been a trailblazer in the green-bond market: in 2009 it issued the first green bond of the form that we see in today's market.

Commitments by sector

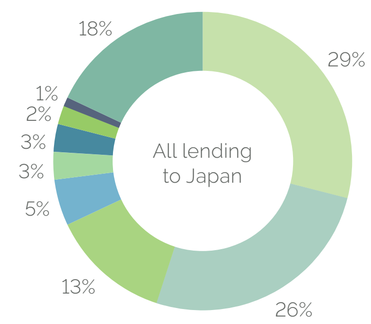


- Public administration (20%)
- Health (19%)
- Agriculture, fishing, and forestry (11%)
- Social protection (10%)
- Energy and extractives (9%)
- Transportation (9%)
- Financial sector (6%)
- Industry, trade, and services (6%)
- Water, sanitation, and waste management (5%)
- Education (3%)
- Information and communications technologies (2%)

Japan Finance Organisation for Municipalities (JFM)

JFM is a funding organisation set up to optimise funding for local authorities in Japan. It focuses on long-term lending, reflecting the longer life cycles of social infrastructure projects for which local governments borrow. JFM expects there to be increased funding demands from local governments for the repair and renewal of public infrastructure originally constructed in the post-war era, especially given Japan's ageing and declining population. 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.

Outstanding loans by sector[1]



- Sewerage (29%)
- Temporary financial countermeasures (26%)
- Water supply (13%)
- Hospitals (5%)
- Disaster management and mitigation (3%)
- Transportation (3%)
- Local road development (2%)
- Industrial water supply (1%)
- Others (18%)

[1] As of 31 March 2022.
Figures may not total 100% due to rounding.
Source: Issuer Reports and websites

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Corporate sustainability

Our corporate sustainability

At AIM, our mission has always been to mobilise mainstream capital to address the challenges the world faces. We manage fixed income portfolios that generate positive environmental and social impacts without compromising financial returns, with all investments supporting the Paris Agreement and/or the SDGs.

We have always recognised that our own corporate sustainability is central to achieving our mission. We recognise that we must hold ourselves to the same standards that we expect from the issuers and bond issues in which we invest.

In December 2022, AIM was acquired by MetLife Investment Management (MIM), MetLife Inc.'s institutional asset management business. MIM has integrated all of AIM's personnel, including portfolio management and sustainability teams, to drive excellence in sustainable investing. We see this as an exciting opportunity to apply our best-in-class ESG impact and transition investment solutions to a broader opportunity set, given the scale of MIM's assets under management and involvement in a wider range of asset classes, such as private debt and real estate.

At MIM, sustainability commitments and agenda are set at the parent level, MetLife Inc., and apply to subsidiaries. Sustainability is central to MetLife's business strategy and is integrated across its operations. MetLife's sustainability strategy is closely aligned with the SDGs to contribute toward meaningful change around the world. It prioritises five of the 17 SDGs, given their relevance to its business: **good health and well-being**; **gender equality**; **decent work and economic growth**; **reduced inequalities**; and **climate action**.

Net zero commitment

MetLife is committed to net zero GHG emissions for its global operations and General Account investment portfolio by 2050 or sooner.[1] This ambition is part of MetLife's overall business strategy to create long-term value for colleagues, customers, shareholders and the communities where it operates. For MetLife, this means working toward an inclusive, resilient and thriving environment for present and future generations.

As a purpose-driven company, MetLife continues to adapt to meet the needs of a rapidly changing world. MetLife's net zero commitment builds on its longstanding history of environmental stewardship. This includes addressing climate change and supporting a just transition to a low-carbon economy, which requires collective action from diverse stakeholders. MetLife's commitment is supported by a comprehensive approach, interim targets and key initiatives intended to help improve the environment. To learn more about this commitment, please read MetLife's 2022 Sustainability Report at metlife.com/sustainability

Interim targets on the way to net zero (by 2030 unless otherwise indicated):

Global operations:

- Reduce scope 1, 2 and 3 business travel emissions by 50%[2]
- Two-thirds of suppliers to set emissions-reduction goals aligned with climate science[3]

General account investments:

- Engage emitters responsible for at least 50% of public corporate portfolio-financed emissions on climate annually[4]
- Reduce GHG emissions for managed real-estate equity investments 50%[5]

2030 diversity, equity and inclusion commitments

Diversity, Equity and Inclusion (DEI) is a global business, sustainability and workforce imperative for MetLife. MetLife's commitment and accountability are cultivating a purpose-driven and inclusive culture that builds and values diverse talent to innovate for today, tomorrow and the future so that MetLife fulfils its promise to its customers in the communities it serves around the world. The broad set of 2030 DEI commitments is designed to address the needs of the underserved and underrepresented through a mix of investments, products and services, supply chain, volunteering and community efforts. Each commitment is anchored to the business strategy and informed by the SDGs. The financial components of these commitments total more than US$2.5bn by 2030.

- Originate US$1bn in investments that advance firms owned by women, minorities and disabled persons
- Reach US$5bn in spend with diverse suppliers
- US$150m in funding to support underserved and underrepresented communities
- Commit 800,000 employee volunteer hours with a focus on DEI underserved communities
- Provide solutions and insights to address the needs of the underserved
- Support research that advances understanding of DEI issues
- Advance workforce diversity by consistently achieving top-quartile positioning across each ethnically and racially diverse category in the US and/or female officers globally

MetLife publishes sustainability reporting on an annual basis covering operational sustainability, the workforce, customers, communities and investments. Reporting and additional information on MetLife's approach to sustainability can be found here: metlife.com/sustainability

[1] The net zero commitment applies to GHG emissions from MetLife, Inc.'s global owned and leased offices and vehicle fleets, employee business travel, supply chain and assets in MetLife's General Account investment portfolio, which includes the general accounts of MetLife, Inc.'s wholly owned insurance company subsidiaries, where reliable data and methodologies are available. While reliable methodologies and data sets pertaining to certain GHG emissions are not available at this time, MetLife is committed to identifying and measuring relevant climate data as methodologies and standards evolve. Emissions are tracked in accordance with the GHG Protocol, unless otherwise directed by regulators. Additional information about MetLife's General Account investment portfolio is available here.

[2] Applies to GHG emissions from MetLife, Inc.'s global owned and leased offices (fuel, gas and electricity consumption) and global vehicle fleet (scope 1 and 2 emissions), and employee business travel (scope 3 category 6), where reliable data and methodologies are available. Target has a base year of 2019 and target year of 2030. Emissions are tracked in accordance with the GHG Protocol, unless otherwise directed by regulators.

[3] "Two-thirds" based on spend; target measures MetLife suppliers that make public commitments to reduce GHG emissions by 2025 or later, aligned with the aims of the Paris Agreement. This applies to upstream GHG emissions from the production of products purchased or acquired by MetLife, Inc. (scope 3 category 1) and from the production of capital goods purchased or acquired by MetLife, Inc. (scope 3 category 2), where reliable data and methodologies are available. Emissions are tracked in accordance with the GHG Protocol, unless otherwise directed by regulators.

[4] Applies to MetLife, Inc.'s financed GHG emissions associated with its General Account public corporate portfolio (scope 3 category 15), where reliable data and methodologies are available. Emissions are tracked in accordance with the Partnership for Carbon Accounting Financials standards, unless otherwise directed by regulators. While reliable methodologies and data sets pertaining to certain GHG emissions are not available at this time, MetLife is committed to identifying and measuring relevant climate data as methodologies and standards evolve. Additional information about MetLife's General Account investment portfolio is available here.

[5] Applies to GHG emissions directly generated and associated with power consumed on site (including scope 1 and 2 emissions and excluding scope 3 tenant emissions) for owned and controlled real estate investments within MetLife, Inc.'s General Account (scope 3 category 15), where reliable data and methodologies are available. Excludes emissions from the operation of leased assets (scope 3 category 13). Target has a base year of 2019 and target year of 2030. Emissions are tracked in accordance with the GHG Protocol, unless otherwise directed by regulators. While reliable methodologies and data sets pertaining to certain GHG emissions are not available at this time, MetLife is committed to identifying and measuring relevant climate data as methodologies and standards evolve. Additional information about MetLife's General Account investment portfolio is available here.

Our operational carbon footprint 2022

Overall AIM corporate carbon footprint

	GHG emissions 2019	GHG emissions 2020	GHG emissions 2021	GHG emissions 2022
Scope 1 – GHG emissions from direct sources	$0tCO_2e$	$0tCO_2e$	$0tCO_2e$	**$0tCO_2e$**
Scope 2 – GHG emissions from electricity purchased	$4.5tCO_2e$	$3.4tCO_2e$	$3.2tCO_2e$	**$3tCO_2e$**
Scope 3 Category 6 – Business travel – flights and train trips	$31.3tCO_2e$	$21.3tCO_2e$	$3tCO_2e$	**$62.1tCO_2e$**
Scope 3 Category 7 – Employee commuting	–	–	–	**$5.3tCO_2e$**
Scope 3 – Emissions from remote working	–	$8.6tCO_2e$	$5.1tCO_2e$	**$2.7tCO_2e$**
AIM carbon footprint	$35.8tCO_2e$	$33.3tCO_2e$	$11.4tCO_2e$	**$73.1tCO_2e$**
(number of people)	15	18	20	22
Per capita	$2.4tCO_2e$	$1.9tCO_2e$	$0.6tCO_2e$	**$3.3tCO_2e$**

Our carbon footprint has substantially increased this year, largely as a result of the resumption of business travel following the lifting of COVID-19 travel restrictions. The inclusion of employee commuting and the fact that our team has grown also contribute to the increase. We have added a per capita footprint to show that the carbon footprint per person did not increase as rapidly as the absolute has.

Scope 1 – Direct GHG emissions from sources that are owned and controlled by AIM
$0tCO_2e$

Scope 2 – Indirect GHG emissions from the generation of electricity purchased by AIM
$3tCO_2e$

Approach for calculating AIM's 2022 scope 2 GHG emissions

Source	2022 electricity consumption (kWh)	GHG emissions conversion factor ($kgCO_2e$ per kWh)	GHG emissions ($kgCO_2e$)
Office (scope 2)	15,548	0.19338	3,006.67 ($3tCO_2e$)

To derive scope 2 GHG emissions, we have used a location-based approach in line with the UK Government's guidelines for corporate-carbon-footprint reporting. In the table above, AIM's office electricity consumption in 2022 is multiplied by the GHG emission conversion factor for the electricity supplied to the UK grid to give a total GHG emissions figure.[1]

Scope 3 – Scope 3: GHG emissions resulting from assets or activities not owned or controlled by AIM **$70.1tCO_2e$**

Scope 3 – Category 6: Business travel

AIM's scope 3 GHG emissions from Category 6: business travel includes all AIM-related flights and train journeys taken by staff. For each trip, we gathered data for the distance travelled and the class of cabin booked. We then used MyClimate's travelling emissions calculator to determine GHG emissions for each journey.[2]

Scope 3 – Category 7: Employee commuting

This year, we have included staff commuting within our scope 3 calculations, following the lifting of COVID-19 restrictions. We gathered distance travelled, the normal type of commute and the frequency of commuting for each employee and multiplied that by the conversion factors relevant to the employee's location.[3,4,5]

Scope 3 – Emissions from remote working

Despite the return to office working in 2022, we have also accounted for remote working in calculating our carbon footprint. While there is no standardised methodology for calculating the GHG emissions from remote working, we have used the resources available to calculate these as effectively as possible.

We derived energy-related emissions by calculating the electricity consumption of a typical work-from-home setup and the additional consumption of gas when working remotely and then applied appropriate conversion factors to give a GHG emissions figure.

We recognise that AIM's largest source of emissions is our financed emissions. These are reported on pages 36-37. As such, they are not included in our scope 3 emissions reporting.

Offsetting our corporate carbon footprint

While we prioritise the reduction of GHG emissions, we compensate for unavoidable GHG emissions resulting from our internal operations by purchasing Certified Emissions Reductions (CERs) generated by UNFCCC-certified projects in developing countries. To address our 2022 carbon footprint, we purchased CERs that support small-scale solar-power projects in remote locations in India. The project includes 10 small-scale solar projects that supply to the grids in Gujarat and Rajasthan, both of which have power deficits, so our CERs are contributing to electricity security and as well as clean power, avoiding emissions that would have otherwise occurred from fossil fuel-based power generation.[6]

[1] https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022
[2] https://co2.myclimate.org/en/flight_calculators/new
[3] https://tfl.gov.uk/corporate/transparency/freedom-of-information/foi-request-detail?referenceId=FOI-0354-2021
[4] https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022
[5] https://www.navitime.co.jp/pcstorage/html/co2info.html
[6] https://offset.climateneutralnow.org/national-solar-power-development-programme-india?searchResultsLink=%2FAllProjects%3FCoBenefitsId%3D436 (also image source)

Partnerships for impact

Our vision is to mobilise capital at scale to address the major challenges the world faces. Since our inception, AIM has collaborated with other industry leaders to promote the impact bond market and realise our vision. We cannot go it alone.

Our key partnerships include:

Advance

In 2023, we joined the Advance stewardship initiative, which was launched by the Principles for Responsible Investment (PRI). Advance brings together institutional investors to take action on human rights and social issues. We signed the investor statement and we have joined as a participant, which means we will be joining collective engagements on human rights with issuers in mining and metal sectors.

Carbon Yield™

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

Climate Bonds Initiative

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

Colonial First State (CFS)

CFS is one of Australia's leading wealth managers and has helped over 1m Australians with their superannuation, investment and retirement needs since 1988. Since 2018, we have partnered with CFS to offer the Affirmative Global Bond Fund, which seeks to engage investors to deliver funding for real solutions to global environmental and social problems.

FAIRR Initiative

FAIRR's mission is to build a global collective of investors who are focused on, and engaged with 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. We have been members of the FAIRR network since 2019.

Green Finance Initiative (GFI)

Since its inception in 2016, we have been an active member of the GFI, an initiative launched by the City of London, in partnership with the UK Government. GFI provides public and market leadership and advocacy on green finance.

The Green Bond Principles The Social Bond Principles The Sustainability Bond Guidelines The Sustainability-Linked Bond Principles

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

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

Impact Investing Institute

The Impact Investing Institute is a non-profit organisation with the goal of making capital markets fairer and work better for people and the planet by emphasising impact investing. It helps investors and advisors deploy capital to address social and environmental challenges while delivering a financial return. We are a financial supporter of the Impact Investing Institute and regularly join its market updates and initiatives. Our co-founder and managing partner, Stephen Fitzgerald, sits on its advisory council.

Impact Management Project

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

ISS ESG

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

Lombard Odier Investment Managers

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

Net Zero Asset Management (NZAM)

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

Principles for Responsible Investment (PRI)

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

Responsible Investment Association Australasia (RIAA)

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

S&P Global

Standard and Poor's (S&P)

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

Stockholm Declaration

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

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Task Force on Climate-related Financial Disclosures (TCFD)

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

UN CC:e-Learn
Think, Talk, Act Climate

UN CC:e-Learn

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

SDG Impact

UNDP SDG Impact Standards for SDG Bonds

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

Eligible sectors

We have an internal sector taxonomy that is complimentary but not restricted to the EU Taxonomy for Sustainable Activities. Eligible sectors in our taxonomy include:

Environmental sectors

Energy

- Renewable energy generation
- Energy efficiency and renewable energy storage technologies
- Grid transmission, distribution, and infrastructure efficiencies and resilience
- District heating and cooling infrastructure

Resource efficiency

- Pollution prevention and remediation: air, water and soil
- Waste management, reduction and recycling
- Circular economy-related activities
- Efficient and lower-carbon manufacturing products and processes

Transport

- Clean and low-carbon public and private fleets and related infrastructure
- Policies and planning supporting the uptake of sustainable transport

Buildings

- Buildings certified against recognised sustainability building standards
- Buildings undergoing energy efficiency improvements

Resilience

- Infrastructure and systems aimed at preventing and reducing the impact of climate change, including flood-prevention infrastructure, warning systems and disaster response

Information and communication

- Infrastructure development and enhanced efficiency of telecommunications and broadband networks
- Computer programming, consultancy and related activities aimed at delivering positive environmental impacts

Land management and marine environment

- Sustainable agriculture and forestry
- Integrated landscape planning
- Biodiversity conservation and ecosystem restoration
- Sustainable enterprise fishing

Water resource management

- 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

Social sectors

Education, training and 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

Financial inclusion and 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

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

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

Empowerment of women and vulnerable groups

- Activities promoting gender equality, e.g. 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

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

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Glossary and disclaimers

Glossary

ADB – Asian Development Bank

AIM – Affirmative Investment Management

BNEF – BloombergNEF

BREEAM – Building Research Establishment Environmental Assessment Methodology

C – celsius

CDP – Carbon Disclosure Project

CER – Certified Emission Reductions

CFI – Capital Finance International

CFS – Colonial First State

CO_2 – carbon dioxide

CO_2e – carbon dioxide equivalent

DEI – Diversity, Equity and Inclusion

DNSH – Do No Significant Harm

EIB – European Investment Bank

EPC – Engineering, Procurement and Construction

ESG – Environmental, Social and Governance

EU – European Union/Europe

EV – electric vehicle

gCO2e/kWh – grams of CO_2 equivalent per kilowatt hour

GFI – Green Finance Initiative

GHG – Greenhouse Gases

GRI – Global Reporting Initiative

GWh – gigawatt hour

ha – hectare

IBRD – International Bank for Reconstruction and Development

ICMA – International Capital Market Association

IEA – International Energy Agency

ILO – International Labour Organization

IMP – Impact Management Project

IRENA – International Renewable Energy Agency

ISS ESG – Institutional Shareholder Service inc. ESG

JFM – Japan Finance Organisation for Municipalities

KBN – Kommunalbanken

km – kilometre

Korea Eximbank – Export-Import Bank of Korea

KPI – key performance indicator

kWh – kilowatt hour

l – litres

LOIM – Lombard Odier Investment Managers

LULUCF – land use, land-use change and forestry

m – metre

MIM – MetLife Investment Management

MW – megawatt

MWh – megawatt hour

NGO – Non-Governmental Organisation

NZAM – Net Zero Asset Manager Initiative

NZE – Net Zero Emissions Scenario

OECD – The Organization for Economic Cooperation and Development

Ofgem – The Office of Gas and Electricity Markets

PAE – Potential Avoided Emissions

PAI – Principal Adverse Impacts

PCAF – Partnership for Carbon Accounting Financials

PRI – Principles for Responsible Investment

SBT – science-based targets

SDG – Sustainable Development Goals

SFDR – Sustainable Finance Disclosure Regulation

SLB – Sustainability Linked Bonds

SME – small and medium-sized enterprises

Solar PV – solar photovoltaic

SPECTRUM – AIM's verification methodology (see page 14)

STEPS – Stated Policies Scenario

STM – Société de Transport de Montréal

t - tonne

TCFD – Task Force on Climate-Related Financial Disclosures

tCO_2e – tonnes of CO_2 equivalent

t/EURm – tonnes per million of EUR revenue

tCO_2e/EURm – tonnes of CO_2 equivalent per million of EUR revenue

tCO_2e/PPP-adjusted US$m – tonnes of CO_2e per Purchasing Power Parity adjusted millions of US dollars

tCO_2e/US$m – tonnes of CO_2 equivalent per million of US dollars

UK – United Kingdom

UN – United Nations

UN CC:Learn – United Nations Climate Change Learning Partnership

UNDP – UN Development Programme

UNFCCC – United Nations Framework Convention on Climate Change

UNIDO – UN Industrial Development Organization

UNITAR – UN Institute for Training and Research

WACI – Weighted Average Carbon Intensity

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Affirmative Investment Management Partners Limited

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