



A first in quantifying the climate change mitigation impact of Green Bonds

The Rockefeller Foundation, Lion's Head Global Partners, South Pole Group and Affirmative Investment Management launch the Carbon Yield

Zurich, Switzerland, 19 June 2017 - Launched today, the Carbon Yield quantifies the climate change mitigation that Green Bonds enable, allowing issuers and investors alike to better understand the impact of their activities and portfolios. The methodology for calculating the Carbon Yield is publicly available at www.carbonyield.org.

Pioneered by Lion's Head Global Partners, South Pole Group and Affirmative Investment Management (AIM), with support from The Rockefeller Foundation, the new methodology comes at a time when the Green Bond market is set to exceed \$100bn in issuance¹ and demand continues to outpace supply.

Green Bonds have steadily become one of the most successful instruments for socially responsible investors to harness the power of capital markets in the fight against climate change, allowing for the scaling up of climate change mitigation and adaptation activities. The "greenness" of Green Bonds to date, however, has been a largely qualitative attribute. As the Green Bond market moves towards a greater understanding of what investments enable, methodologies such as the Carbon Yield provide a common framework for issuers and investors to communicate the impact of their cashflows on the environment and enabling more transparent communications - ultimately catalysing further investment in the segment.

Providing a common language on the GHG emissions abatement impact of Green Bonds

Despite significant progress in the harmonisation of reporting across issuers and established voluntary guidelines, such as the Green Bond Principles and Climate Bond Standards, there is no common language in the market on quantifying and communicating the emissions abatement impact of Green Bonds. Whilst many issuers already collect the necessary data to disclose the mitigation impact of their projects, the market does not have a consistent, uniform metric to refer to. At the same time, investors are attempting to independently calculate the mitigation impact of their portfolios but do not have access to consistent data across issuers.

The open access Carbon Yield methodology provides a common approach to the market resulting in a comparable metric quantifying the mitigation impact of Green Bonds on a



prospective basis in terms of GHG emissions avoided per unit of capital per annum through the financed activities.

The impact quantified by the Carbon Yield is expressed in Potential Avoided Emissions (PAE) enabled by the use of proceeds in terms of tCO₂e/year/unit of capital. In other words, how many tonnes of carbon dioxide equivalents (tCO₂e) are expected to be avoided per year per unit of investment.

e.g. Company Corp. €500 million 02/2025 3.5% 0.735(CY)
(CY) = tCO₂e/year/€1,000

This approach seeks to increase transparency in the Green Bond market via a metric which is simple to understand and can be applied to any Green Bond. Significantly this would allow issuers to communicate the Carbon Yield of their framework at the point of issuance of a new transaction. This allows for better comparability across different issuances and easier aggregation of impact across portfolios.

Going forward, the consortium of partners hopes to expand the reporting of the environmental impact of Green Bonds to include factors beyond GHG abatement, such as indicators for water efficiency/savings.

The Carbon Yield methodology is designed to be used by green bond issuers and investors, and is being pioneered by AIM as part of their annual impact reporting published in June 2017, reporting on the mitigation impact per year per \$/€1,000 of their impact bond funds.

“Mitigating climate change as an investor requires transparency and a possibility to measure. As we all know “what gets measured gets managed”. The carbon bond yield method will give you a chance both on measuring and on transparency. This could become an important tool for long term investors when allocating money and communicating why,” says **Mats Andersson, ex-CEO AP4**.

“We are proud to be part of pioneering such a pivotal breakthrough in the Green Bonds space” says **Renat Heuberger, CEO, South Pole Group**. “Estimating the positive climate impact of green investment is key in unlocking the trillions needed to help curb climate change. We believe that Carbon Yield is the missing piece of this puzzle and unique in its ability to align market players.”

“Having been at the forefront of the green bond market since the beginning, the AIM team considers the Carbon Yield an important step forward in providing a common approach to measure and articulate green bond mitigation impacts. We are proud to co-develop and be the first to apply the methodology. AIM remains committed to the continued development of environmental and social reporting tools, promoting greater accountability and integrity in the green bond market,” says **Stuart Kinnersley, Co-Founder and CEO, AIM**.



“We have been delighted to see the pace at which investors have increased allocations to socially responsible investments, especially the Green Bond market. We see the Carbon Yield as the next step in the Green Bond market’s evolution to encourage greater participation in the sector and to enable policy makers, NGO’s, issuers and investors to monitor the impact and progress of their capital. It has been a privilege to work with our partners to develop the methodology and we look forward to working with all stakeholders to adapt it in the future, as technology enables more accurate reporting systems to develop,” says **Christopher Egerton-Warburton, Partner, Lion’s Head Global Partners**

“Climate change is a global challenge with devastating daily consequences, particularly for cities and vulnerable populations around the world. At the same time, the cost of minimizing those impacts is staggering, with estimates around \$1 trillion annually—we cannot afford to invest in ineffective green projects,” says **Saadia Madsbjerg, managing director at The Rockefeller Foundation**. “The Rockefeller Foundation is proud to support the development of the Carbon Yield to quantify the real mitigation impact of green projects, resulting in increased investments for projects with the greatest environmental impact”

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Note to editors

About the Carbon Yield methodology: This methodology, funded by The Rockefeller Foundation, was produced as a collaboration between Lion’s Head Global Partners (LHGP), South Pole Group (SPG) and Affirmative Investment Management (AIM). The Carbon Yield does not offer investment advice and does not hold views on any specific investment, investment tool or investment strategy. Download the full summary of the Carbon Yield methodology [here](#) or visit the official website <http://carbonyield.org/> .

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About the partner consortium

South Pole Group

South Pole Group is one of the world's leading climate action solution providers, measuring and reducing climate impact for its clients. Headquartered in Zurich, Switzerland, with 16 offices around the globe and over 180 climate change professionals, the company has achieved savings of over 50 million tonnes of CO₂ since being incorporated in 2006. South Pole Group adds value to its wide range of public, private and civil society clients in the key areas of corporate climate action, public advisory, sustainable supply chains, renewable energy and energy efficiency, as well as green finance. The company offers access to new sustainable finance instruments and in-depth knowledge in fund & portfolio advisory, ensuring that investments are channeled into promising cleantech investment opportunities that trigger positive impacts. A pioneer in emission reduction and renewable energy projects, the South Pole Group's portfolio is at present the largest available on the market. For more information, visit thesouthpolegroup.com or follow the company @southpolegroup.

The Rockefeller Foundation

For more than 100 years, The Rockefeller Foundation's mission has been to promote the well-being of humanity throughout the world. Today, The Rockefeller Foundation pursues this mission through dual goals: advancing inclusive economies that expand opportunities for more broadly shared prosperity, and building resilience by helping people, communities and institutions prepare for, withstand, and emerge stronger from acute shocks and chronic stresses. To achieve these goals, The Rockefeller Foundation works at the intersection of four focus areas—advance health, revalue ecosystems, secure livelihoods, and transform cities—to address the root causes of emerging challenges and create systemic change. Together with partners and grantees, The Rockefeller Foundation strives to catalyze and scale transformative innovations, create unlikely partnerships that span sectors, and take risks others cannot—or will not. To learn more, please visit www.rockefellerfoundation.org.

Lion's Head Global Partners

Lion's Head Global Partners is an FCA regulated merchant bank, asset manager and financial advisory firm based in London and Nairobi focusing on Emerging Markets. We provide specialist advisory services in vehicle and transaction structuring, capital raising, business rationalisation and fund management services to Governments, Parastatals, Development Finance Institutions and the private sector. Our expertise lies in bringing capital markets and financial expertise to developing economies, the main sectors we cover are Energy and Infrastructure; Water, Sanitation and Agriculture; Capital Markets Development and Financial Inclusion; and Education and Healthcare. We are the Fund Managers of the Africa Local Currency Bond Fund, which was seeded by KfW and now has participation by the IFC and FSDA, and are currently structuring an off-grid solar receivables fund for the AfDB which we will also be managing. The Partners of Lion's Head bring experience from long careers at leading international investment bank Goldman Sachs and Morgan Stanley. Bim Hundal, Partner and Chairman of Lion's Head has over three decades of investment banking experience, including running the Capital Markets



programme for Emerging Markets at Goldman Sachs for over 10 years. In 2014, Lion's Head won the Financial Times and IFC award for "Achievement in Transformational Finance" at the Transformational Business Awards for our establishment, management and advisory role in the Global Health Investment Fund.

AIM

Affirmative Investment Management Partners Limited (AIM) is the world's first dedicated green and social bond fund management company. It is an independent, owner managed Private Company established in 2014. AIM comprises of a team of individuals who have been strong advocates and instrumental in the evolution of the green bond market. Creating the original green bond eligibility template, the world first green bond fund and the longest performance track record in the market place demonstrating no sacrifice to investment return. AIM investments support the 17 UN Sustainable Development Goals and the Climate Change Paris Agreement (UN COP 21) and our approach is a fusion of mainstream portfolio management and sustainability principles. For more information, visit www.affirmativeim.com