

**Background and scope**

The Sustainable Finance Disclosure Regulation (SFDR) requires firms to advise whether their investment decision making process considers Principal Adverse Impacts (PAIs) on sustainability factors. Due to GIB Asset Management’s (GIB AM) size, we are not required to opt into entity level reporting, however we have chosen to do so given our commitment to transparency.

PAIs are consequently understood to mean any material negative impact caused by an economic activity or investment on sustainability factors (i.e., environmental, social and governance matters, respect for human rights, anti-corruption, and anti-bribery matters).

We have a long-established index solutions business and have built a sustainability focused active management business, consisting of four flagship funds, two of which are Article 8 funds and two which are Article 9 funds. Our Article 9 funds are managed in alignment with all mandatory PAIs, as well as relevant additional PAIs, as detailed in the funds’ Pre-Contractual Disclosures (appended to the relevant fund supplement). Our Article 8 funds consider PAIs on sustainability factors, as detailed in the funds’ Pre-Contractual Disclosures (appended to the relevant fund supplement). This statement describes how GIB AM considers and mitigates the PAIs of our investment decisions on sustainability, as outlined by article 4 of the SFDR.

This policy and statement is accurate as at 17th July 2024. A report outlining a full review of PAIs will be made available by 30th June every year and will cover the period from 1st January to 31st December for the previous calendar year.

The PAIs currently evaluated by GIB AM at the entity level are:

	<b>PAI Indicator</b>	<b>Metric</b>
Climate and other environment-related indicators		
Greenhouse Gas Emissions	1. GHG Emissions	Scope 1 GHG Emissions
		Scope 2 GHG Emissions
		Scope 3 GHG Emissions
		Total GHG Emissions
	2. Carbon Footprint	Carbon Footprint
	3. GHG Intensity of investee company	GHG Intensity of investee companies
Biodiversity	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and production
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector (NACE code A-L), expressed as a weighted average
Water	7. Activities negatively affecting biodiversity sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas
Waste	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average

	PAI Indicator	Metric
Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters		
Social and Employee Matters	10. Violation of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact Principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons
Additional climate and other environment-related indicators		
Water, Waste and Material Emissions	7. Investments in companies without water management policies	Share of investments in investee companies without water management policies
	13. Non-recycled waste ratio	Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average
Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters		
Social and Employee Matters	3. Number of days lost to injuries, accidents, fatalities, or illness	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average



## Description of policies and procedures to identify and prioritise PAIs

Responsible investment is core to how we do business, and we make every effort to implement our [2023 Responsible Investment Policy](#) consistently, but exceptions may apply in segregated mandates where the client has specific requirements.

The GIB AM actively managed funds aim to incorporate ESG considerations into their portfolio management and analysis of potential investments. Two of the actively managed funds are article 9 Funds: the GIB AM Sustainable World Fund (SWF), and GIB AM Sustainable World Corporate Bond Fund (SWCBF). The investment teams of these funds aim to incorporate a PAI analysis based on a long-term thematic investment outlook whereby they identify what they believe are the world's greatest challenges and focus on investing in the companies that they believe will have a positive impact on their sustainability themes, and in doing so, deliver strong returns. This allows them to prioritise the mitigation of adverse impacts, describing GIB AM's commitment to achieve various climate change, human rights, and other sustainability goals.

For each major challenge, such as those contained in the United Nation's Sustainable Development Goals (SDGs) and the Paris Agreement on Climate Change, we identify the related themes that address these issues. We recognise that new global challenges may emerge, and our themes will evolve to reflect them.

The GIB AM Emerging Markets Active Engagement Fund (EMAEF) aims to maximize risk-adjusted returns by investing and engaging on both operational and sustainability related topics. Its two-pillar process first identifies undervalued business through bottom-up analysis, while the second pillar involves partnering with portfolio companies to drive change on material operational and ESG issues to generate alpha. During the due diligence part of the investment process, the investment team considers whether the investment meets the sustainability indicator thresholds detailed in the Pre-Contractual Disclosure (appended to the EMAEF's supplement) and if the investment does not meet the thresholds, it is not included in the investible universe. Through regular interactions with a prospect company, the investment team is also able to assess the receptiveness and commitment to undertake an improvement on relevant ESG metrics.

Our GIB AM European Focus Fund (EFF) also employs a two-pronged approach. Principally, it identifies a small cohort of enduring businesses defined by strong corporate cultures and attractive business models, resulting in sustainably excellent economics. It also seeks to uncover near-term mispricing opportunities where the market has overlooked fundamentally improving businesses. During the due diligence part of the investment process, the investment team considers whether the investment meets the sustainability indicator thresholds detailed in the Pre-Contractual Disclosure (appended to the EFF's supplement) and if the investment does not meet the thresholds, it is not included in the investible universe.

We also offer active segregated mandates, which are based upon the characteristics and aims of our actively managed funds, however, also include specific objectives and risk parameters of the client.

The aim of our 'Index' and 'Enhanced Index' strategies is to reproduce returns consistent with those of the relevant indexes with minimal tracking error at the most efficient cost, whilst providing incremental value through a high level of focus on the minutiae. We create bespoke equity investment strategies through indexation built around each of our client's unique objectives and risk parameters. We offer clients the flexibility to accommodate any restrictions and ethical considerations within their portfolios, alongside fully optimised diversification.

Whilst we aim to implement our responsible investment policy consistently, exceptions may apply to both our actively managed segregated mandates and indexation strategies, as the objectives and risk parameters are client-led.



Environmental, social and governance factors are part of our active management investment decision making process as we believe that the companies which have the biggest positive impact are also the ones which provide the strongest financial returns. Therefore, we believe that doing no significant harm (DNSH) is in line with GIB AM's financial objectives, and in the best interest of our clients.

For our two Article 9 funds, our commitment, and efforts to engage with companies enables us to identify and monitor the PAIs at the fund level. The sustainability risks that emerge from the PAIs are considered during the process of portfolio construction, through our systematic integration of environmental, social and governance risks. For example, where applicable, we apply exclusion policies and screens, in line with GIB AM's sustainability criteria, flagging companies deriving revenues from alcohol, tobacco, adult entertainment, fossil fuels, weapons, gambling and more, as defined in our [2023 Responsible Investment Policy](#). Moreover, the investment teams may avoid investing in companies whose PAI indicators do not meet our required thresholds. Therefore, GIB AM's current portfolio already assesses various adverse impacts and for the Article 9 Funds will continue doing so for future investment decisions.

Furthermore, subject to data availability, our investment teams use an internally developed system to research and monitor the PAI indicators for all managed assets on a continuous basis. The GIB AM proprietary research system includes multiple data sources such as company annual reports, regulatory filings, investor presentations, company websites, direct communication with companies, and third-party data providers, including MSCI, Integrum ESG, Clarity AI and CDP.

### Actions to address PAIs

Our investment teams maintain the PAI monitoring system and identify assets requiring further analysis and potential action. The PAIs that we focus on in our active management portfolios are listed in table 1.

GIB AM may directly engage with the management of investee companies, as described below in the Engagement Policies section.

The issuers that perform worst on the PAIs are analysed by our investment teams who will decide on the appropriate course of action. Changes to our holdings can be triggered by in-house company research and may result in engagement, reduction or selling, or no action.

GIB AM may face challenges accessing data for certain PAI indicators. Where data availability is lacking, deemed unreliable by the investment teams, or unavailable, our investment teams will undertake additional research to reach an appropriate conclusion regarding the potential impacts of investing in the given company. This conclusion will be based on other research such as company engagement, news, external experts or third party ESG data providers, including MSCI, Integrum ESG, Clarity AI and CDP.



## Engagement policies

Our 2023 Responsible Investment Policy covers engagement and is guided by our clients' best interests. At GIB AM, our investment teams analyse the possible or material adverse impact indicators as described above. They may engage with companies to eliminate or alleviate existing adverse impacts or request that the investee companies provide more data where data is unavailable. The prioritisation of these indicators depends on the materiality of the problem, the likelihood that engagement will lead to positive action eliminating or improving adverse impacts, as well as the weight of our holding in the investee company. At GIB AM, we not only consider the present sustainability barriers, but also attempt to encourage companies to act in the best interest of our clients.

In cases where engagement consistently proves ineffective and the company does not improve its PAI indicators, GIB AM may consider reducing its position of a holding, or if the adverse impact is considered material enough, may sell the holding altogether. If an investee company shows policy commitments or other intent to change in order to DNSH, the investment team may decide to take no action.

Our 2023 Responsible Investment Policy also covers our Proxy Voting Policy.

## References to international standards

GIB AM believes that investors and businesses both play a significant role in supporting the pathway towards a sustainable future. Collective impact requires commitment, collaboration, and action towards clearly defined goals. That is why we have chosen to partner with a number of leading initiatives and organisations focused on solving major sustainability challenges, both in the investment management industry and beyond.

Our mitigation of PAI builds on our sustainability drivers such as, but not limited to the United Nations Environment Programme (UNEP), the SDGs and the United Nations Development Programme (UNDP). We are also a proud signatory/member/partner of:

- The Principles for Responsible Investment (PRI) and we report annually to the PRI;
- The United Nations Environment Programme's Finance Initiative;
- The Principles for Responsible Banking (PRB) and we report annually at a Group level to the PRB;
- Institutional Investors Group on Climate Change (IIGCC);
- Task Force on Climate-related Financial Disclosures (TCFD) and we report annually on TCFD requirements;
- Task Force on Nature-related Financial Disclosures (TNFD);
- World Economic Forum (WEF);
- World Economic Forum Friends of Ocean Action;
- The World Economic Forum Humanitarian Investing Initiative;
- The Investment Association (IA);
- The IFRS Sustainability Alliance;
- UK Finance;
- FAIRR Initiative;
- Association of Foreign Banks (AFB);
- The Valuable 500;
- The Net Zero Asset Managers initiative (NZAMI), and progress against our targets is reported on annually;
- Climate Financial Risk Forum Transition to Net Zero Working Group;
- CDP, and we report via their questionnaire annually;
- Business for Nature; and
- UN Women's Empowerment Principles.

We were also accredited by the Living Wage Foundation in 2023.

In addition, GIB AM's thematic approach supports the objectives of the Paris Agreement and the goal of net zero greenhouse emissions by 2050 or sooner, and limiting global warming to 1.5C. Investing in companies that are exposed to our environmentally-focused themes, such as Clean Energy, Efficiency and Circularity, all contribute to making this goal a reality.

