



GIB Asset Management  
Climate-related Financial Disclosures



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	Describe management's role in assessing and managing climate-related risks and opportunities			
<b>Strategy</b>  Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategies and financial planning, where such information is material	Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long terms	We have identified the material climate-related risks and opportunities across the relevant timeframes. We describe this process in this report	5	9 - 16
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	We have identified the material climate-related risks and opportunities across the relevant timeframes. We describe this process in this report	3	
	Describe the resilience of the organisation's strategy, taking into considerations different climate-related scenario's including a 2°C or lower scenario	This report describes the resilience of GIB AM, and our strategy.	5	
	<b>Supplemental Guidance for Asset Managers:</b> Describe how climate-related risks and opportunities are factored into relevant products or investment strategies. Asset Managers should also describe how each product or investment strategy might be affected by the transition to a low-carbon economy.  Asset Managers should also describe how they identify, assess and manage material climate-related risks for each product or investment strategy.	A description of how climate-related risks and opportunities are integrated into investment strategies is provided within this report, where relevant.	5	16 - 18
<b>Risk Management</b>  Disclose how the organisation identifies, assesses and manages climate-related risks	Describe the organisation's processes for identifying and assessing climate-related risks	We have outlined the actions we take to identify, assess and manage climate-related risks, including scenario analysis performed.	3	18 - 24
	Describe the organisation's processes for managing climate-related risks			
	Describe the processes for identifying, assessing, and managing climate-related risks, ensuring they are integrated into the organisation's overall risk management			

TCFD Recommendations		Our Response	Maturity	Pages
	<p><b>Supplemental Guidance for Asset Managers:</b> Asset Managers should describe, where appropriate, engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks in order to improve data availability and asset managers' ability to assess climate-related risks.</p>	An overview of the engagement process of our actively managed portfolios is included..	3	24 - 26
<p><b>Metrics and Targets</b> Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material</p>	Disclose the metrics used by the organisation to assess climate-related risks and opportunities, in line with its strategy and risk management process	Since identifying the material risks and opportunities, GIB AM is now working towards a process of regularly monitoring and measuring these risks and opportunities with the use of relevant metrics.	2	24 - 29
	Disclose Scope 1, Scope 2 and if appropriate Scope 3 Greenhouse Gas Emissions and the related risks	We have disclosed relevant emissions for both our investment products, and GIB at an operational level	5	28 - 32
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against these targets	We disclose targets set for our investment products, as well as entity operational targets, and disclose our performance against these targets		
	<p><b>Supplemental Guidance for Asset Managers:</b> Asset Managers should describe metrics used to assess climate-related risks and opportunities in each product or investment strategy. Asset Managers should disclose the GHG emissions for their assets under management, and the Weighted Average Carbon Intensity (WACI) for each product or investment strategy.  Asset Managers should describe the extent to which their assets under management and products and investment strategies, where relevant, are aligned with a well below 2 degrees Celsius scenario.</p>	<p>Climate-related metrics, such as financed emissions, including WACI data) are disclosed for all of our actively managed funds.</p> <p>GIB AM produces separate TCFD disclosures for each of its actively managed Funds, which include the extent to which each product is aligned with a well below 2 degrees Celsius scenario. These disclosures can be found <a href="#">here</a>.</p>	5	
<b>Conclusion</b>				39

We have measured what we believe the maturity level of each of GIB AM's disclosure to be, against a rating of 1-5, with the following buckets:

1. Not developed;
2. In development;
3. Somewhat developed, with further development required;
4. Developed within the past year; and
5. Developed for over two years.



# Introduction

This document sets out disclosures on climate-related risk and opportunities for Gulf International Bank (UK) Limited (GIB UK), which trades under the name “GIB Asset Management” (GIB AM). Whilst we are part of the wider GIB Group, GIB AM is a standalone entity regulated by the PRA and FCA, with different organisational and independent governance structures, and therefore we report on climate-related risks and opportunities separately to our Group. If you would like to read the GIB 2024 Climate-related Financial Disclosures, please click [here](#).

This document covers the reporting year 1 January 2024 – 31 December 2024.

Both our Treasury & Banking and Asset Management businesses are covered in these disclosures, however as an assessment conducted in 2023 of GIB AM’s Treasury & Banking Business concluded that there were few relevant climate risks and opportunities<sup>1</sup>, Treasury & Banking is only covered where relevant.

We disclose in line with the recommendations set out by the Task Force for Climate-related Financial Disclosures (TCFD). We draw on the supplementary guidance for asset managers and banks. This report is also aligned with the FCA’s rules, as set out in Chapter 2 of its ESG Sourcebook. GIB AM has published its inaugural integrated report, which includes disclosures in line with recommendations set out by IFRS S1 and S2, and in due course we expect that report to replace our TCFD report.

We believe that, as an asset manager, we are well-placed to encourage the adoption of climate disclosure by companies in our investment portfolios. Where permitted and practical, we therefore do so, and we commend our investees that have put measures in place to disclose in line with TCFD recommendations.

We define climate-related risks as:

- **Transition risk:** The transition to a net zero economy presents financial risks, which can arise from a range of factors, including changes in policy, regulation, technology and customer sentiment. These will impact on asset valuations.
- **Physical risk:** The change to climate patterns, including acute and chronic climate events, pose material, immediate and long-term risks to investors, lenders and insurers and can also give rise to sentiment risk. These will impact assets and supply chain activities.

This report is split into four sections:

1. Governance
2. Strategy
3. Risk management
4. Metrics and targets

This report has been approved by the GIB AM CFO on behalf of the Executive Committee of GIB AM.

**Ralph Campbell, CFO, GIB AM**  
30th June 2025

<sup>1</sup>See page 17

## Glossary

<b>AROC</b>	Audit and Risk Oversight Committee
<b>AUM</b>	Assets under management
<b>the Board</b>	GIB UK Board
<b>CEO</b>	Chief Executive Officer
<b>CO2</b>	Carbon Dioxide
<b>DR</b>	Data Recovery
<b>EMT</b>	European MiFID Template
<b>ESG</b>	Environmental, Social and Governance
<b>EVA</b>	Economic Value Added
<b>FCA</b>	The Financial Conduct Authority
<b>FTE</b>	Full Time Employee
<b>Financed Emissions (CO2e)</b>	Emissions produced by the company divided by the Enterprise Value of the company, multiplied by the position size. Measured in Carbon Dioxide emission equivalents
<b>GHGs</b>	Greenhouse Gas Emissions
<b>GICS</b>	Global Industry Classification Standard
<b>GIB AM</b>	GIB Asset Management
<b>Group</b>	Refers to all legal entities within the Gulf International Bank Group
<b>GIB UK</b>	Gulf International Bank (UK) Limited
<b>H2</b>	Second half of the year
<b>ICAAP</b>	Internal Capital Adequacy Assessment Process
<b>IFRS</b>	International Financial Reporting Standards
<b>IIGCC</b>	Institutional Investors Group on Climate Change
<b>ILAAP</b>	Internal Liquidity Adequacy Assessment Process
<b>IPCC</b>	Intergovernmental Panel on Climate Change
<b>IT</b>	Information Technology
<b>KPIs</b>	Key Performance Indicators
<b>MiFID</b>	Markets in Financial Instruments Directive
<b>MWh</b>	Megawatt-hour
<b>NRC</b>	Nomination and Remuneration Committee
<b>NZAM</b>	Net Zero Asset Managers Initiative



<b>P&amp;L</b>	Profit & Loss
<b>PAIs</b>	Principle Adverse Impacts
<b>PCAF</b>	Partnership for Carbon Accounting Financials
<b>PRA</b>	Prudential Regulation Authority
<b>PRI</b>	Principles for Responsible Investment
<b>RAS</b>	Risk Appetite Statement
<b>RCSA</b>	Risk and Control Self-Assessment
<b>SASB</b>	Sustainable Accounting Standards Board
<b>SBTi</b>	Science-based Targets Initiative
<b>SFDR</b>	Sustainable Finance Disclosure Regulation
<b>SWOT Analysis</b>	Analysis of Strengths, Weaknesses, Opportunities and Threats
<b>TCFD</b>	Taskforce for Climate-related Financial Disclosures
<b>tCo2e</b>	Metric tons of carbon dioxide-equivalent greenhouse gas emissions
<b>TPT</b>	Transition Plan Taskforce
<b>UCITs</b>	Undertakings for Collective Investment in Transferable Securities
<b>UK</b>	United Kingdom
<b>UN</b>	United Nations
<b>UN SDGs</b>	United Nations Sustainable Development Goals
<b>US</b>	United States of America
<b>VaR</b>	Value at Risk

## Governance

We believe that an effective governance structure is critical to effectively running a successful business and as such to mitigate climate-related risks and capitalise on opportunities.

### Board oversight of climate-related risks and opportunities

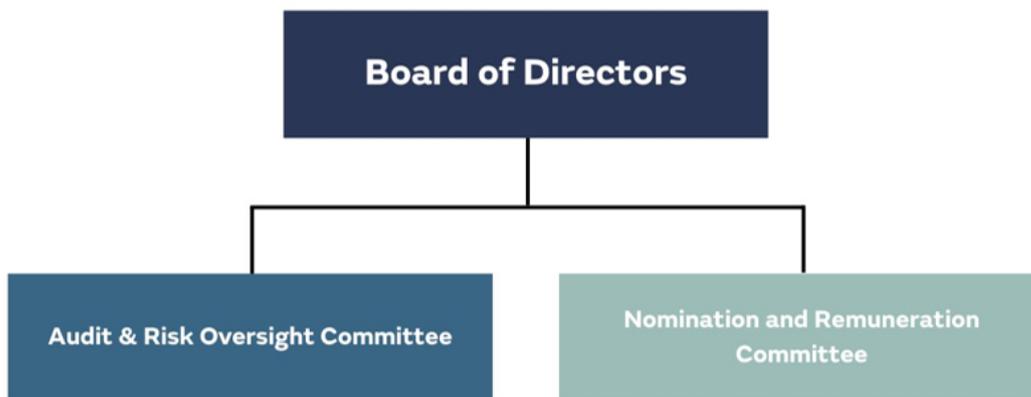
Our Board of Directors (the “Board”), and the associated Board Committees, take climate-related risks and opportunities seriously. Responsibilities have been clearly defined and allocated (Table 1).

**Table 1: Board and Board Committee responsibilities for climate-related risks**

Individual/group	Responsibilities
<b>Individual Directors</b>	<ul style="list-style-type: none"> <li>Consistent with the Companies Act Section 2006 sections 171 to 177, Directors must have regard to the likely consequences of any decision in the long term, and the impact of the company’s operations on the environment</li> </ul>

<p><b>Board</b></p>	<ul style="list-style-type: none"> <li>• Determining and reviewing the business strategy and underlying plans, including an assessment of the basis on which GIB AM generates and preserves value over the long-term)</li> <li>• Reviewing and approving GIB AM management’s plan to manage financial risks from climate change and other sustainability-related factors and overseeing its execution</li> <li>• Reviewing the Balanced Scorecard and associated business performance indicators (which may include climate-related targets)</li> <li>• Establish an appropriate framework of policies and controls to ensure the effective management of all risks arising from the firm’s approved activities, ensuring policies and practices are consistent with the company’s values and support its long-term sustainable success, including the review and approval of management’s plan to manage sustainability risk and opportunities and oversee their execution.</li> </ul>
<p><b>Audit and Risk Oversight Committee (AROC)</b></p>	<ul style="list-style-type: none"> <li>• Ensuring that the firm’s risks from sustainability (including climate change) are embedded into the Risk Management Framework</li> <li>• Evaluating GIB AM’s financial and non-financial risk profile and risk monitoring, including Key Risk Indicators for financial and non-financial risk.</li> </ul>
<p><b>Nomination and Remuneration Committee (NRC)</b></p>	<ul style="list-style-type: none"> <li>• Reviewing and approving senior control function pay, including the holder of the Senior Management Function responsible for integrating the sustainability including climate related risks in GIB AM’s Risk Management Framework</li> <li>• Making recommendations to the Board on whether the Board has an appropriate balance of skills, experience and knowledge to discharge its responsibilities (including with respect to sustainability (comprising climate related) risks and opportunities)</li> <li>• Reviewing an approving proposed sustainability risk and opportunities related KPIs, targets, goals and/or achievements.</li> <li>• Ensuring that consideration is given to sustainability-related outcomes and achievements when determining allocation of performance-based variable remuneration.</li> </ul>

A Risk and Compliance Dashboard is presented to the Audit and Risk Oversight Committee on a regular basis, which may include sustainability-related issues where necessary.





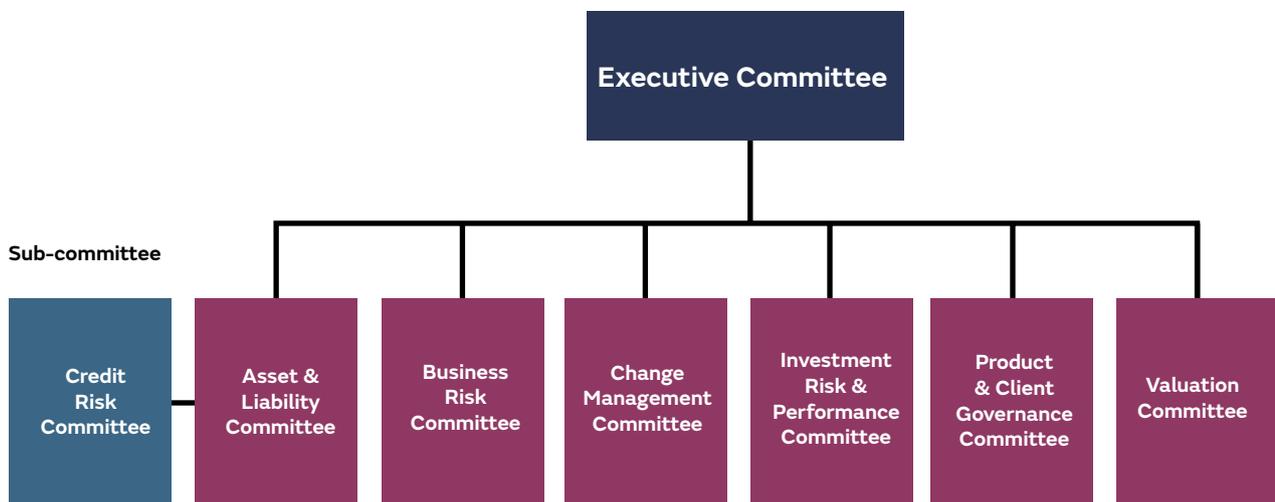
## Management’s role in assessing and managing climate-related risks and opportunities

Responsibilities relating to sustainability-risk have been clearly defined and allocated; Table 2 summarises the key individuals with senior management responsibility. All such individuals report directly to the CEO, who is responsible for the delegated and assigned responsibilities.

**Table 2: Management responsibilities for climate-related risk**

Individual/group	Responsibilities
<b>Chief Financial Officer</b>	<ul style="list-style-type: none"> <li>Overall responsibility for climate-related financial disclosures and sustainability-related financial disclosures on an entity basis.</li> </ul>
<b>Chief Risk &amp; Compliance Officer</b>	<ul style="list-style-type: none"> <li>Has responsibility for maintaining GIB AM’s Risk Management Framework including overall responsibility for integrating the financial risks from Climate Change within it.</li> <li>Responsible for ensuring GIB AM compliance with existing and new regulation, which includes that linked to climate change.</li> </ul>
<b>Chief Sustainability Officer</b>	<ul style="list-style-type: none"> <li>Leads GIB AM’s efforts to embed sustainability, including climate, considerations across the business</li> <li>Leads specific sustainability-related projects and initiatives, both internally and externally facing.</li> </ul>
<b>Head of Equities</b>	<ul style="list-style-type: none"> <li>Responsible for ensuring ESG factors (including climate) are fully integrated into the Equities investment processes.</li> </ul>
<b>Head of Fixed Income</b>	<ul style="list-style-type: none"> <li>Responsible for ensuring ESG factors (including climate) are fully integrated into the Fixed Income investment process.</li> </ul>
<b>Head of Treasury</b>	<ul style="list-style-type: none"> <li>Responsible for managing risks within the Treasury and Banking department, as well as risks on GIB (UK)’s balance sheet.</li> </ul>

We believe that sustainability and climate-related risks and opportunities are integral to our business and so are embedded into our Management Committees. GIB AM’s Management Committees support the Board with their sustainability-related responsibilities, according to the remit of the respective committees, as defined in each Committee’s Terms of Reference.



Management Committees receive reports on sustainability-related issues as relevant to their remit; this enables them to monitor sustainability-relevant developments. All Management Committees report into the Executive Committee, who then report into the Chief Executive Officer. This enables management to report on sustainability-related issues to the Board and means that the Board has oversight of such issues, as relevant.

Management level committees at GIB AM also have the responsibility of endorsing new and material changes to policies (including those related to sustainability).

The management level committees with specific responsibilities relating to sustainability are outlined below:

- The **GIB AM Executive Committee (ExCo)** is responsible for reviewing the corporate financial position including profitability and balance sheet, and ensuring all relevant, material factors have been considered (such as sustainability-related risks and opportunities). It is also responsible for reviewing proposals on the corporate strategy and business model, for approval by the Board, ensuring that all relevant, material factors have been considered (such as sustainability-related risks and opportunities).
- The **Asset & Liability Committee** is responsible for supporting the Board with the articulation of its financial risk appetite statement and limits with regards to climate/Environmental, Social and Governance (ESG) financial risks, reviewing climate/ESG financial risks and endorsing any new, or material changes to credit, market or liquidity risk policies, prior to submission to the AROC/Board.
- The **Business Risk Committee (BRC)** is responsible for ensuring that relevant sustainability considerations (including those related to sustainability) are considered when determining the firm's Risk Appetite. It is responsible for supporting the Board with the articulation of its non-financial risk appetite statement and limits with regards to climate/Environmental Social and Governance (ESG) risks, reviewing climate/ESG risks and endorsing any new, or material changes to the climate risk management strategy prior to submission to the AROC/Board. It is also responsible for considering KRI data containing sustainability/climate related indicators shared on a quarterly basis.
- The **Investment Risk and Performance Committee (IRPC)** is responsible for identifying and assessing material sustainability-related risks, including climate change, for each asset management product or investment strategy and reviews how sustainability-related risks and opportunities have been incorporated into the investment process, including through engagement activities. The Committee also ensure the investment approach is in line with firm-wide commitments such as, the Sustainable Finance Disclosure Regulation (SFDR).
- The **Credit Risk Committee** is responsible for considering sustainability (including climate change) risks for GIB AM's banking products whilst granting credit lines for GIB AM's counterparties.
- The **Product and Client Governance Committee (PCGC)** is responsible for the review and approval of public product-related disclosures, including those relating to sustainability and climate such as SFDR and TCFD product disclosures. It is also responsible for monitoring how strategies might change to address potential sustainability risks and opportunities related to products, existing client mandates and client relationships.

## Strategy

### Corporate Strategy

We consider and assess sustainability-related risks and opportunities (including climate-related risks and opportunities) as part of our corporate strategy and business planning.

### Climate-related risks and opportunities

To identify sustainability-risks and opportunities (including climate-related risks and opportunities) as -



relevant for our business strategy, GIB AM needs to understand its material topics first. During 2024 GIB AM considered a materiality framework to understand and determine material topics as per IFRS Sustainability Disclosure Standards S1 and S2 in order to then identify sustainability-related risks and opportunities (including climate-related risks and opportunities) that could be reasonably expected to affect GIB AM's prospects.

The methodology for the Materiality Assessment carried out to identify GIB AM's sustainability-related risks and opportunities (including climate-related risks and opportunities) was adapted from the methodology used to determine the GIB Group's materiality topics. A four-step approach to determine materiality was followed:



Understanding the context of GIB AM included looking at the products and services we provide, our employee breakdown, and undertaking a SWOT analysis to analyse internal and external factors. To identify actual and potential positive and negative impacts, we:

- Looked at previously identified material topics at a Group level, based on a high-level materiality assessment carried out;
- Conducted an analysis that allowed us to understand our impacts, using the United Nations Principles for Responsible Banking (UNPRB) assessment tool. This impact assessment was conducted on both the Asset Management and Treasury & Banking business and enabled us to identify a number of potential areas of impact for our Asset Management business. Due to the nature of our Treasury & Banking business, no impacts were identified;
- Considered the impacts identified in our 2023 Impact and Engagement Report;
- Based on work completed to report against SFDR, we also considered our Principal Adverse Sustainability Impacts;
- Used the SASB Materiality Map to identify our material topics;
- Looked at rating agencies' assessments of GIB Group, and used MSCI reports to understand material impacts for banks;
- Considered what our peers identified as material topics and identified the common material themes for Asset Management and Treasury & Banking;
- Conducted a stakeholder analysis to understand our material topics, which included asking our employees and clients what they believe are material topics for GIB AM, and our Chief Sustainability Officer and Head of Strategy providing input on what shareholders deem material, on behalf of shareholders; and
- Looked at the priorities published by UK regulators to understand the areas of focus.

## Material Topics

Following this review, we determined our most material topics as:

- Climate and the Environment;
- Equality, Diversity and Inclusion (ED&I);
- Human Capital, Development and Wellbeing; and
- Cyber Security and Data Protection

Having determined the material topics, an analysis was conducted to identify relevant sustainability-related risks and opportunities within these material areas that are likely to have material financial impact on GIB AM. Further analysis was conducted by GIB AM’s Finance Team to determine those that could be reasonably expected to affect the prospects of GIB AM. Climate and the Environment has been prioritised based on the results of this analysis.

### Time horizons

Time horizons refer to the period over which the effects on each sustainability-related risk or opportunity (including climate-related risks and opportunities) could reasonably be expected to occur. GIB AM determines the time horizons and applies them to each of the climate risks and opportunities detailed within this disclosure:

- **Short-Term (0-2 Years):** This aligns with the Transition Plan Taskforce (TPT) Framework and Implementation Guidance for TCFD reporting, suggesting a maximum horizon of 3 years. GIB AM has chosen a two-year period to emphasise the importance of swift action. GIB AM’s budgeting process puts most emphasis on the following year.
- **Medium-Term (3- 5 Years):** This time frame adheres to the FCA MiFID/EMT guidance, which indicates that investments with a term beyond five years are categorised as long-term. It also considers the Partnership for Carbon Accounting Financials’ (PCAF) 5-year threshold used for classifying assets in the Treasury & Banking business. This was therefore used to delineate the difference between short and medium term. GIB AM’s business planning cycle looks up to 5 years ahead.
- **Long-Term (6 Years – 27 Years):** Going beyond the MiFID/EMT’s 5-year guideline, this period reaches up to 2050, aligning with global commitments to tackle climate change by mid-century. GIB AM does not currently plan beyond 2050.

### Climate-related risks and opportunities:

As a financial institution with an Asset Management and Treasury & Banking unit, we emphasise the paramount importance of integrating climate considerations into our governance, strategy, and risk management processes. This section provides an overview of the impacts of climate change on our activities. We are committed to incorporating material sustainability factors into our investment decision-making processes, with the goal of delivering strong long-term investment outcomes across our sustainable investment solutions. We believe management of climate-related risks and opportunities is imperative to maintaining long-term resilience and generating value for our stakeholders.

The risks and opportunities of climate impacts on the financial performance of GIB AM are multifaceted both in terms of time frame and with regards to the various potential climate outcomes. We set out below the scenarios, time horizons and anticipated impact.

**Table 3: Scenarios and timing**

Scenario*	Short Term (2024-2025)		Medium term (2026-2029)		Long Term (2030- 2050)	
	Risk	Opportunity	Risk	Opportunity	Risk	Opportunity
<b>Orderly</b>	Low	Low	Low	Medium	Low	Medium
<b>Disorderly</b>	Low	Low	Low/ Medium	Medium	Low/ Medium	Medium
<b>Hot house World</b>	Low	Low	Medium	Medium	Medium / High	Medium

\*Detail of scenarios provided on page 13



We provide below a detailed qualitative analysis of climate-related risks and opportunities over the short-term, medium-term, and long-term time horizons. Understanding the time horizons of these impacts is crucial for effective risk management and strategic planning. By evaluating how climate change affects our business across different time frames, we can better anticipate and mitigate potential risks while capitalising on emerging opportunities. This approach ensures that our strategy is resilient and adaptive, aligning with our commitment to sustainability and long-term value creation for our stakeholders.

## Climate related-risks

**Physical Risk:** The change to climate patterns, including acute and chronic climate events, poses material, immediate and long-term risks to investors, lenders and insurers and can also give rise to sentiment risk. These could impact assets and supply chain activities. Climate-related physical risks can also directly constrain bank revenue and profitability by disrupting operations, workforce, markets, assets, and infrastructure, potentially reducing capital.

We are acutely aware of the significant physical risks posed by climate change on our Asset Management and Treasury & Banking business. Physical climate risks include both acute, which are event-driven and include increased severity of extreme weather events, such as cyclones, hurricanes, heat or cold waves, or floods, and chronic, which are longer-term shifts in climate patterns (e.g., sustained higher temperatures, sea level rise, changing precipitation patterns) that may cause sea level rise or chronic heat. The USA and UK constitute 20.5% and 54.7% of our placements respectively for our Treasury & Banking Business<sup>2</sup>. London has already experienced record temperatures, reaching 40°C in 2022 and increased temperatures can lead to more frequent and severe heatwaves, posing health risks, particularly to vulnerable populations such as the elderly and those with pre-existing health conditions. Additionally, rising sea levels and more intense rainfall events increase the risk of flooding, with London being particularly vulnerable to surface water flooding. Higher temperatures can also stress infrastructure, including transportation and energy systems, leading to disruptions and increased maintenance costs. According to an interim report published by the London Climate Resilience Review<sup>3</sup> London and the UK are underprepared for major climate impacts, including severe flooding, extreme heat and wildfires, with a “lethal risk” to the most vulnerable communities. These factors can result in increased operational costs, and potential asset devaluation, directly impacting our profitability. New York, where the Federal Reserve Board is located, is equally experiencing rising sea levels relative to the global average.

Our customers from the Gulf Cooperation Council (GCC) countries make up 40.2%<sup>4</sup> of our deposits for our Treasury & Banking Business and the large majority of our current Asset Management clients. The World Bank<sup>5</sup> estimates that climate-related water scarcity will cost Middle Eastern nations 6% of their GDP by 2050, due to water-related impacts on agriculture, health, and incomes. The economic effect of extreme weather events, including floods, storms, and heatwaves, can affect their investment behaviours and deposit levels, thereby negatively influencing our Asset Management and Treasury & Banking operations.

Climate-induced migration and displacement may exacerbate regional conflicts and political instability. According to Carnegie Endowment for International Peace<sup>6</sup> elevated temperatures and prolonged droughts in the Middle East may render large areas uninhabitable, leading to mass migrations and increased pressure on urban areas. This could result in long-term declines in asset values and in future activity with our asset management business. The broader economic impacts of climate change can also affect the financial health of our clients, leading to increased credit risk and potential financial instability.

<sup>2</sup> Source GIB AM as at 31 December 2024

<sup>5</sup> [High and Dry: Climate Change, Water, and the Economy \(worldbank.org\)](https://www.worldbank.org)

<sup>3</sup> [London Climate Resilience Review interim press release](#)

<sup>6</sup> [The looming climate and water crisis in the Middle East and North Africa](#)

<sup>4</sup> Source GIB AM. Data as at 31 December 2024

The Paris Agreement aims to limit global warming to well below 2°C, with efforts to limit it to 1.5°C. Different climate change scenarios can significantly influence the physical risks and their impact on our business.

**Table 4: Physical Risk Impact Under Different Climate Change Scenarios**

Scenario	Scenario Description
<b>Orderly Transition (2.0°C)</b>	Assumes climate policies are introduced early and become gradually more stringent, reaching global net zero CO2 emissions around 2050 and likely limiting global warming to below 2 degrees Celsius on pre-industrial averages. While extreme weather events may still occur, their frequency and intensity are likely to be lower, reducing the overall impact on our operations and financial stability.
<b>Disorderly Transition (2.0-3.0°C)</b>	Assumes climate policies are delayed or divergent, requiring sharper emissions reductions achieved at a higher cost and increased physical risks to limit temperature rise to below 2 degrees Celsius on pre-industrial averages. In this scenario, physical risks are expected to increase moderately. More frequent and severe weather events can lead to higher operational costs and increased asset depreciation. This can impact our financial position and require more robust risk management strategies.
<b>Hot House World Transition (3.0°C)</b>	Assumes only currently implemented policies are preserved, current commitments are not met, and emissions grow until 2080 leading to above 3 °C of warming, with severe physical risks and severe social and economic disruption and failure to limit temperature rise. Extreme weather events, rising sea levels, and long-term climate changes can cause significant disruptions to our operations and lead to substantial financial losses. The broader economic impacts of severe climate change can affect the financial health of our clients from GCC countries, leading to increased credit risk and potential financial instability.

**Transition Risk:** Transition risks are the potential impacts that accompany the shift towards a lower-carbon economy. Such shifts may necessitate significant modifications in policy, legislation, technology, and markets to meet the needs of climate change adaptation and mitigation, which could significantly impact our operations and financial performance. Reliance on oil-related income by GIB AM clients could see disruption in their revenue and hence financial activity with GIB AM, caused by both disruption in oil prices and transitioning away from oil.

**Policy and Legal Risk**

- **Regulatory changes** such as new laws and policies to address climate risks, can significantly impact our operations and finances. In the short term, we may face compliance cost. In the medium term, regulatory and technological changes could accelerate the transition away from fossil fuels. This could lead to stranded assets in the oil sector, affecting the financial health of our clients and increasing our bank’s credit risk. Long-term regulatory shifts can drive strategic transformations and require substantial capital reallocation. We are proactively managing these changes by ensuring compliance with applicable laws and policies, enhancing sustainability to safeguard our long-term resilience and value creation.
- **Legal risks** arise from potential litigation, regulatory enforcement actions, and changes in the legal landscape aimed at addressing climate issues. The likelihood of occurrence is low. In the long-term, evolving legal standards and increased regulatory scrutiny may necessitate significant changes



in our operations and compliance practices, potentially leading to higher compliance costs. By proactively managing legal risks and ensuring robust compliance with climate-related regulations, we aim to mitigate potential liabilities, protect our financial position, and support our long-term sustainability goals.

- The **implementation of carbon pricing** based on emissions presents a climate-related risk for our asset management business. Entities with high emissions could face increased costs due to carbon pricing, potentially affecting their profitability and reducing returns for our client's portfolios. Over the medium term, these increased costs could lead to a revaluation of assets, potentially resulting in write-downs and negatively impacting the performance of our clients' portfolios. In the long term, as the transition to a low-carbon economy accelerates, entities and countries that cannot reduce their emissions could face significant financial challenges, potentially leading to stranded assets and substantial losses. This could impact the value of our client's portfolios and affect our asset management business. From a Treasury & Banking perspective, GCC depositors (40.2% of total deposits), which are dependent on the energy sector could face increased operational costs resulting from carbon pricing. Furthermore, the GCC countries over the long term could experience decreased global competitiveness as the geopolitical landscape could shift as global energy markets evolve, potentially diminishing the GCC's influence as major oil exporters. Consequently, GIB AM could face increased volatility in deposit flows which could impact profitability. 12.5% of GIB AM's bank placements are in the GCC region. Over the long term, these countries could be negatively impacted with the transition away from fossil fuel. This could potentially increase GIB AM's credit risk.

## Market Risk

- **Energy price volatility** presents a significant climate-related risk for GIB AM, which has placements and receives deposits from countries in the GCC whose economy is largely dependent on the price of oil. In the short term, sudden fluctuations in energy prices could impact the profitability of our clients. However, our analysis shows there is limited correlation between oil prices and client deposits. That said, energy price fluctuations could affect the profitability of our placements and potentially leading to increased credit risk. Over the medium term, sustained periods of low oil prices could strain the economies of oil-producing countries, potentially leading to an increase in defaults and a decrease in deposits. In the long term, the transition to a low-carbon economy could lead to a structural decline in oil demand and prices, potentially resulting in stranded assets and significant losses for our client's oil-based economies. This could impact our placements, reduce our deposit base, and increase our credit risk.
- **Significant market demand shifts** due to climate change could pose a risk to GIB AM. In the short term, sudden changes in consumer preferences and regulatory requirements can lead to volatility in asset valuations and impact our investment strategies. Over the medium term, sustained shifts in market demand towards sustainable and low-carbon products can influence the performance of our portfolios, necessitating adjustments in asset allocation and risk management practices. In the long term, the transition to a low-carbon economy can fundamentally alter market dynamics, presenting both risks and opportunities for our investments. GIB AM has undergone a shift in its business model over the last five years towards offering sustainable investment products. Sustainable investment is at the core of our active investment business, and we continue to build upon this.

## Reputational Risk

- **Public perception**, driven by increasing awareness and concern about climate issues, can significantly influence our reputation, customer loyalty, and overall market position. In the short-term, shifts in public sentiment (for example, GIB AM connection with oil producing sovereign states or exposure via investee companies to the technology sector which is likely to increasingly require critical minerals and significant

amounts of power) may pose reputational risks and affect customer preferences, potentially leading to client attrition. However, given our Asset Management clients are mostly domiciled in the GCC this is deemed a low risk. Over the medium-term, we may need to enhance our transparency and sustainability reporting to meet stakeholder expectations and maintain trust.

## Climate-related opportunities:

### Investment products, investment decision-making and the allocation of capital

- The transition to a low-carbon economy offers a myriad of investment prospects across various sectors. By strategically capitalising on these opportunities, we can enhance our resilience, attract sustainability-focused investors, and contribute to a more sustainable future. Examples of some of the areas of investment opportunity are set out below:
  - **Renewable energy investments** such as in residential and commercial solar installations, wind farms, bioenergy projects, sustainable real estate could offer a unique blend of financial returns and sustainability benefits. By strategically investing across short-term, medium-term, and long-term horizons, it is possible to enhance our portfolio's resilience, attract sustainability-focused investors, and contribute to a more sustainable future.
  - **Water Management Solutions** present significant opportunities. In the short term, investments in smart water meters, IoT (Internet of Things) sensors, and advanced leak detection systems could provide immediate financial benefits through improved water efficiency and cost savings. Over the medium term, water recycling and reuse systems, desalination technologies, and advanced filtration systems offer substantial growth potential by addressing water scarcity and enhancing water quality. In the long term, integrated water management solutions, climate-resilient water infrastructure, and sustainable agriculture technologies could ensure sustainable growth and align with global efforts to combat water scarcity, providing stable returns and enhancing our market leadership.
  - **Sustainable transportation** investments offer significant opportunities. In the short term, investing in electric vehicle infrastructure and companies could provide immediate financial benefits. Over the medium term, expanding investments in public transportation and smart mobility solutions can drive growth. In the long term, investing in advanced transportation technologies can ensure sustainable growth and aligns with global efforts to reduce carbon emissions.
  - **Climate-resilient infrastructure** could bring significant opportunities linked to climate-resilient infrastructure investments. In the short term, investing in projects that improve the resilience of existing infrastructure, such as flood defences and stormwater management systems, can yield immediate financial benefits and help mitigate risks. In the medium term, opportunities include developing new infrastructure projects that can withstand climate impacts, such as resilient transportation networks and energy systems. In the long term, investing in comprehensive, integrated climate-resilient infrastructure solutions could ensure sustainable growth, align with global efforts to combat climate change, and provide stable returns.

## Policy, Legal and Reputational Opportunities

In the medium term, with regards to our Asset Management business, we anticipate that if countries are to successfully reach Net Zero by 2050, there will be more Government support. One example of this is the EU Fit for 55, where the EU has committed to reduce its net greenhouse gas emissions by at least 55% by 2030 through creating a package of legislation makes all sectors of the EU's economy fit to meet this target. We expect this will enhance returns of the type of companies we target to invest within our sustainable solutions. The main opportunity is where these companies outperform their peers. Capital allocators will either



be required (by clients or Governments) to maximise returns which may lead them to further allocate to sustainable investors.

In the long-term, continuously aligning our brand with sustainability goals can enhance our market value and competitive advantage. By proactively managing public perception and demonstrating our commitment to climate action, we aim to strengthen our brand, attract sustainability-focused investors, and ensure long-term resilience and growth.

The current geopolitical situation in the Gulf creates a higher risk of conflict which is concerning from a humanitarian perspective and could very well negatively impact the Global Economy. We do not believe this risk would impact us materially but that it potentially could provide an opportunity for GIB AM's deposits to increase as our ability to access both the Federal Reserve Bank and the Bank of England could prove safe havens for our clients.

### Exposure to carbon-related assets

Under TCFD, Banks are asked to describe their credit exposure to carbon-related assets. For GIB AM in 2024 there was no significant concentration of credit exposure to carbon-related assets. This reflected the short-term nature of GIB AM's exposures and different business model to the vast majority of other banks, in particular, as no lending to clients is undertaken by GIB AM. An assessment conducted in 2023 of GIB AM's Treasury & Banking Business concluded that there were few relevant climate risks and opportunities.

### Impact of climate-related risks and opportunities

Overall, our climate strategy is to ensure that both climate-related risks and opportunities are incorporated systematically into our business purpose, vision and strategic goals. With respect to products, this means having investment strategies that aim to benefit from the global economy's transition to net zero emissions by 2050, and to reduce exposure to physical and transitions risks.

In considering the impact on our business from climate risks and opportunities, we considered the following aspects.

- **Products and services.** Over the past few years, we have expanded our product range and all our UCITS funds promote ESG characteristics and/or have a sustainable investment objective. As a result, all our UCITS funds consider climate change risk in their investment approach, and we hope that this will position them well to take advantage of the opportunities from climate change, and to manage the associated risks. We also offer investment strategies by offering segregated mandates to clients, and through these we have the ability to manage bespoke mandates that can have the ability to have a strong sustainability focus.
- **Supply chain and/or value chain.** Our supply chain mainly consists of professional service activities (such as accountancy), software providers and other financial services firms (such as brokers and custodians). We judge that there are unlikely to be material opportunities or risks from this source. However, we have a [2023 Outsourcing and Third-Party Supplier Code of Conduct](#) in place that is used as part of the selection and on-going relationships with such entities.
- **Adaptation and mitigation activities.** We have little direct impact on climate adaptation and mitigation, with most of our impacts coming via the way in which we invest on behalf of clients. See above point on products and services.
- **Investment in research and development.** Whilst this a small proportion of our overall effort, we conduct analysis of sustainability-related risks and opportunities, and regularly speak to stakeholders on these topics.

- **Operations.** We operate from our premises in London, which is subject to low physical risks. In addition to this, we renovated our office in 2020 to have additional sustainability considerations, including energy efficiency. Our office achieved GOLD SKA rating.
- **Acquisitions or divestments.** These are not a core part of our business strategy, and so have not been considered.
- **Access to capital.** The main consideration was how climate change might impact our depositors and hence deposit / liability levels.

In 2024, we decided to be early adopters of the principles of IFRS S1/S2 in our Financial Statements. As such, we reviewed the climate-related risks and opportunities to feed through into the financial statements through financial forecasts for revenues, costs and associated balance sheet. This covers financial planning for the horizon up to 27 years ahead. When assessing climate risk and opportunity from a financial planning perspective, GIB AM determined the impact of each risk from the P&L perspective (revenues, costs, cash-flow) and the Balance Sheet perspective (assets and liabilities (if applicable)).

Climate-related risks and opportunities that are identified through the financial risk identification and prioritisation process will then feed into the material risks and opportunities into GIB AM's overall risk management framework based on the firm's risk appetite and tolerance levels.

As mentioned previously, climate-related risks and opportunities will feed into the financial planning process through financial forecasts of their revenues, costs and associated balance sheet impact. These forecasts will then feed into the annual budgeting process and 3-5 Year Medium Term Plan. Due to GIB AM being well positioned for climate related issues, we believe the P&L and Balance Sheet impact of such climate related risks and opportunities will be relatively low and hence, will not likely materially impact GIB AM's Budget or Medium-Term Plan.

## Transition to a lower-carbon economy: Climate Transition Plan

In 2023, GIB AM developed and published its 2023 Climate Transition Plan\*, demonstrating our commitment to achieving a net zero pathway, by detailing how the company's strategy will adapt and transform existing assets, operations and business models to move towards net zero greenhouse gas emissions, aligned with climate science recommendations.

The Climate Transition Plan covers 100% of GIB AM's activities, which fall into three categories:

1. **Operational Activities** – such as buildings and business travel;
2. **Asset Management** – the investment products and services that GIB AM offers to clients; and
3. **Treasury & Banking** – the services that GIB AM offers to clients (such as deposit-taking, foreign exchange and fiduciary services) and how the firm manages the resultant balance sheet.

In 2023, an assessment was conducted of GIB AM's Treasury & Banking business using the Partnership for Carbon Accounting Financials (PCAF) methodology. This assessment concluded that there was little impact from these activities on the climate (scope 3: financed emissions)<sup>8</sup>, reflecting the short-term and transactional nature of the business activities being conducted.

The only exception was through the sovereign bonds held by GIB AM. Based on PCAF, GIB AM contributes to the carbon emissions of the country in question by purchasing its sovereign debt. However, given that GIB AM is a small holder of these bonds in proportion to the overall size of the market, and given the nature of the transaction, it was concluded that it is not within GIB AM's power to influence decarbonisation goals as a holder of those bonds.

<sup>8</sup>For information on our climate transition plan, please see end of document.



As noted above, the assessment carried out as part of the Financial Planning Process identified that GIB AM is well positioned for climate related issues, including our Treasury & Banking business, and therefore it is unlikely this part of the business will be impacted by climate related issues.

The plan is grounded in specific, measurable interim and long-term targets which align with global commitments to limit global warming to no more than 1.5 degrees Celsius above pre-industrial levels. They align with GIB AM’s climate objective, covering both its operational and financed emissions.

Within the GIB AM 2023 Transition Plan, we have set out a number of implementation actions (**Table 5**).

**Table 5: Transition Plan Implementation Actions progress update**

Objective	Time Horizon	Implementation Actions	Scenario Description
<b>Reduce absolute scope 3 category 6 emissions from business travel</b>	Short Term	<p>Work with colleagues to find practical ways to minimise business travel-related emissions:</p> <ul style="list-style-type: none"> <li>Reduce the need to travel, e.g. by substituting travel with video conferences;</li> <li>Modality shift for necessary travel, e.g. from aviation to high speed rail;</li> <li>Supplier selection e.g. flying with more efficient airlines;</li> <li>Seating selection, e.g. flying in economy rather than premium seating; and</li> <li>Route selection, e.g. flying only for less GHG intensive medium-long haul travel</li> </ul>	<p>GIB AM recognises there may be trade-offs between our strategic objectives to reduce operational emissions and grow aligned solutions. One reason for business travel is to visit portfolio companies for due diligence and engagement purposes – both of which are drivers of investment returns. A second reason for travel is to build client relationships and encourage a shift into GIB AM’s active investment funds or indices that track net zero. As a result, if business travel is reduced to cap carbon emissions, there may be detrimental impacts on GIB AM’s ability to deliver performance and to raise assets. GIB AM encourages all colleagues to travel in the most sustainable manner possible, and our travel policy contains some requirements around the selection of travel options. This includes using economy class where flights are short, and placing limits on the use of first class.</p>
		<p>Consider the adoption of an internal carbon budget / price to help travelers understand the impact of their choices, and act as a nudge to reduce emissions.</p>	<p>In 2024, GIB AM conducted a review of how best to adopt an internal carbon budget/ price. We may look to implement this in the future.</p>
	Medium Term	<p>Investigate the use of alternative fuels, e.g. direct procurement of biofuels<sup>9</sup>.</p>	<p>In 2024, GIB AM investigated the use of alternative fuels, mainly looking at sustainable aviation fuels (SAF). Research suggested the most effective methods for GIB AM would be to partner with airlines using SAF for business travel, as well as potentially purchasing SAF credits to assist with offsetting the emissions we cannot eliminate in our operations.</p>

<sup>9</sup>Use of sustainable aviation fuels (SAF) by consumers has not been formally recognised by the Greenhouse Gas Protocol. However, SBTi provides guidance on how corporate SAF procurement can, if meeting certain criteria, be used to meet SBTi scope 3 targets. See p32 SBTi AviationGuidanceAug2021.pdf (sciencebasedtargets.org)

<p><b>Meet portfolio emissions targets for actively-managed investment portfolios</b></p>	Short Term	<p>Develop relevant interim supplementary targets specifically for GIB AM Emerging Markets Active Engagement and GIB AM European Focus Funds</p>	<p>In 2024 we continued to work on establishing portfolio reference targets for our other actively managed GIB AM European Focus and GIB AM Sustainable World Corporate Bond Funds. NZAM has since launched a review of the NZAM initiative to ensure it remains fit for purpose in the new global context. GIB AM will take part in consultations throughout this review, and will look to refresh all its targets on the basis of the outcome of the NZAM review. GIB AM remains committed to reducing portfolio emissions where possible, and working with investee companies to improve sustainability in their operations where possible. This work is ongoing.</p>
		<p>Bring GIB AM Sustainable World Corporate Bond Fund into scope of target-setting, agreeing appropriately ambitious targets.</p>	
	All Horizons	<p>Engage with portfolio companies to encourage them to deliver real-world decarbonisation.</p>	
<p><b>Scale assets under management, in GIB AM's actively managed investment products aligned with, or supporting, the climate transition</b></p>	All Horizons	<p>On-board new clients whilst delivering to existing client expectations.</p>	<p>We have identified two key areas of focus for 2025 for GIB AM to raise targeted AUM and win the budgeted number of clients following the addition of a number of new clients from both the GCC and Europe in 2024. The first has been to evolve product-specific sales to include larger wealth managers and consultants, the second is to continue to strengthen our multi-channel distribution network. These will be supported by an expanded Sales team now covering Europe, GCC and US to focus on geographies where we see most demand for our existing product set.</p>

As a UK-based organisation, we understand the commitment that has been made for the country to be net zero by 2050 or sooner and are keen to contribute our fair share. We have also made progress in a number of other areas aimed at meeting this goal (Table 6).

See also the section on metrics and targets.

**Table 6: Other commitments progress update**

Commitment	Action plan & progress
GIB AM Operations to be net zero by 2050 or sooner	GIB AM has been net zero operationally since 2019, and intend for that to continue. However, we have only been able to achieve net zero through using offsets for our residual carbon emissions.



<p>Prioritise operational emissions reductions</p>	<p>Since 2019, GIB AM's scope 1 emissions, which only includes fugitive emissions from refrigerants contained in GIB AM's office, have remained static. Scope 2 emissions have fallen by around 50% since the 2019 baseline, in line with the 2019 target set.</p> <p>The main challenge for us is Scope 3 emissions (excluding category 15 financed emissions, for which see the <a href="#">Metrics and Targets</a> Section), especially business travel. As noted above, we are working with colleagues to find practical ways to minimise business travel-related emissions.</p>
<p>Work with our supply chain to accomplish net zero by 2050 or sooner</p>	<p>We have in place a policy that encourages our suppliers to have an environmental policy in place that set out clear commitments and targets to improve their environmental footprint; to implement optimised measures to progressively reduce material greenhouse gas emissions within their control; and reduce dependency and consumption of electricity by fossil fuels and switch to renewable energy sources where possible. However, we have not yet implemented a requirement for third-party suppliers to be net zero by 2050 or sooner.</p>

## Resilience of strategy to climate-related scenarios

GIB AM understands that changes, developments, and uncertainties arising from climate-related risks and opportunities can affect the resilience of GIB AM's strategy and business model. GIB AM's management of climate-related risks has multiple aspects, with the over-arching objective being to manage climate-related risks and opportunities effectively.

GIB AM has integrated climate-related risks and opportunities into business planning to strengthen resilience and inform strategic decision-making, and to enhance GIB AM's understanding of the effects of climate-related risks and opportunities on strategy and business model. This practice also ensures that GIB AM is adhering to the broader requirement for entities to disclose information that enables users of general-purpose financial reports to understand the organisation's capacity to adjust to the uncertainties arising from climate-related risks. Regular consideration is also given to climate-related opportunities as part of the strategy and business planning.

We conducted scenario analysis with the aim to identify and assess the impact of climate risks on products, the business and test overall resiliency of firm's strategy. Because GIB AM's funds are deemed the most exposed to climate change-related financials risks as opposed to the Treasury investments which are predominantly in short-term lending to financial institutions, climate scenarios are applied to active asset management funds. Stress tests are conducted by translating scenario specific estimates of discounted climate costs on company valuations.

For the scenarios used in the scenario analysis, please refer to **Table 7: Scenarios used in MSCI's CVaR Analysis on page 26.**

## Asset Management Investment Strategies

GIB AM integrates climate-related risk and opportunity assessments into investment strategies, where relevant. Where applicable, this includes engagement activities with portfolio companies on climate transition. The Funds incorporate the double materiality principle: managing both sustainability risks that impact their financial performance, as well as how their investment decisions impact sustainability factors and therefore, the world at large.

### Fixed Income

#### Sustainable World Corporate Bond

The GIB AM Sustainable World Corporate Bond Fund objective seeks to achieve income and capital growth. Our approach is to invest in corporate bonds of companies that we believe have the potential to help solve our greatest challenges for people and the planet.

The GIB AM Sustainable World Corporate Bond strategy shares a thematic approach to sustainability with the GIB AM Sustainable World strategy. The team utilises research provided by third parties, in addition to its own proprietary research, to identify global sustainability challenges such as those contained in the UN SDGs and the Paris Agreement. These are identified as the Sustainability Drivers, which are then employed to define the key sustainability themes that are integrated into the team's investment and management process. Examples of sustainability themes include, but are not limited to, healthcare, education, nutrition, transport safety, clean energy, e-mobility, resource efficiency and water. The team will focus on issuers they believe can positively impact one or more of the sustainability themes and generate consistent, risk-adjusted returns.

The team integrates ESG-specific data into its fundamental analysis to complete a detailed assessment of each issuer. This will include alignment of the company to its corresponding sustainability theme, analysis of the company's product and service offerings, and the operations of the business, including its governance practices. As an Article 9 Fund, the analysis ensures that potential investments do not cause significant harm to the sustainable investment objectives through running exclusion screens and assessing ESG-specific data points, as well as good governance practices. Each investment is also assessed against a set of principle adverse impacts (PAIs) indicators, and potential investments that do not meet the thresholds are excluded. More information, including the full list of PAIs and the relevant metrics used to measure against the PAIs can be found in the [Fund Supplement Document](#).

The team uses its assessment of each issuer and its view of the relevant sustainability theme to produce their own analysis of the company's creditworthiness, ability to generate consistent, risk-adjusted reruns, and together (where possible) with an assessment of the positive ESG impacts associated with those forecasts. This enables the team to form an ESG-integrated view of the resilience of the company and invest where it believes there is potential for long-term income and capital growth.

### Equities

#### Sustainable World Fund

The GIB AM Sustainable World Fund aims to outperform the MSCI World by 2% per annum over 5 rolling years by investing in companies whose products and services seek to provide lasting solutions to the world's



largest social and environmental challenges.

The global equities team utilise research provided by third parties, in addition to its own proprietary research, to identify global sustainability challenges such as those contained in the UN SDGs and the Paris Agreement. These are identified as the Sustainability Drivers, which are then employed to define the key sustainability themes that are integrated into the team's investment and management process. Examples of sustainability themes include, but are not limited to, healthcare, education, nutrition, transport safety, clean energy, e-mobility, resource efficiency and water. The team will focus on issuers they believe can positively impact one or more of the sustainability themes and that have the potential for long-term value creation.

The team integrate ESG-specific data into its fundamental analysis to complete a detailed assessment of each issuer. This includes alignment of the company to its corresponding sustainability theme; analysis of the company's product and service offerings; and the operations of the business, including its governance practices. Fundamental analysis is undertaken against a range of ESG and financial data points to complete a detailed assessment of the sustainability of each issuer. As an Article 9 Fund, the analysis ensures that potential sustainable investments do not cause significant harm to the sustainable investment objectives through running exclusion screens and assessing ESG-specific data points, as well as good governance practices. Each investment is also assessed against a set of principle adverse impacts (PAIs) indicators, and potential investments that do not meet the thresholds are excluded. More information, including the full list of PAIs and the relevant metrics used to measure against the PAIs can be found in the [Fund Supplement Document](#).

The team integrates its sustainable and financial assessment of each issuer to produce their own forecast of the company's future earnings and valuation, together (where possible) with an assessment of the positive and negative ESG impacts associated with those forecasts.

## Emerging Markets Active Engagement Fund

The team integrates its sustainable and financial assessment of each issuer to produce their own forecast of the company's future earnings and valuation, together (where possible) with an assessment of the positive and negative ESG impacts associated with those forecasts.

The GIB AM Emerging Markets Active Engagement Fund's investment objective is to achieve capital growth. We aim to achieve this by a proprietary and tested two-pillar process that identifies undervalued businesses through its fundamentally driven bottom-up approach and seeks to generate additional alpha by partnering with all portfolio companies on material ESG and operational improvements. This is reflected in a high conviction, concentrated core strategy with a long-term focus on harnessing the power of compounding cash-flows and active ESG engagement.

The Emerging Markets team combine fundamental bottom-up research with active engagement to maximise risk-adjusted returns by driving ESG and operational improvements within portfolio companies. The bottom-up research process allows the team to complete a detailed assessment of each issuer. The two-pillar approach first identifies companies with underappreciated sources of growing cash flow, therefore identifying value accretive opportunities, and the second pillar involves collaborating with portfolio companies on a range of ESG and other issues likely to enhance shareholder value, such as increasing return on capital and lowering the implied cost of capital.

The team will analyse each issuer and identify the most relevant and material ESG risk factors to its business and engage with management on them, sharing perspectives on establishing long-term key performance indicators on ESG matters relevant to their business. These can include, but are not limited to, water usage,

renewable energy consumption, reducing carbon emissions, corporate and board diversity and skill development. An engagement plan for each company is then formulated with progress tracked, with the aim of reducing exposure to identified risk factors or negative impact a company's operations may have on the environment and stakeholders.

The Fund considers Principal Adverse Impacts alongside the thresholds of its negative screens, such as Tobacco, Gambling and Weapons. If, following a review against relevant sustainability indicators, an investment does not qualify against a screen, the Fund will not make that investment. If the investment does meet the screen, then the Fund can make the investment, assuming all other criteria are met. The impact of the Fund's investments against the relevant indicators will continue to be monitored on a periodic basis.

## European Focus Fund

The GIB AM European Fund Focus aims to outperform the European benchmark over the long term by identifying and investing in a group of companies that drive the majority of stock market returns over any meaningful time horizon. Central to this investment approach is a fundamental focus on corporate culture.

The European Focus Fund aims to achieve its investment objective by taking a predominately bottom-up investment approach that seeks to integrate fundamental ESG factors, with an emphasis on social and governance matters which, in the opinion of the Investment Team, increases an issuer's potential to generate compounded earnings and create value over the long term.

The investment universe is established first using an initial screen to exclude certain companies in line with the exclusions noted under the sustainable indicators above.

The team undertake an analysis which reviews a range of social and governance issues, which it believes will contribute to an issuer's overall long-term value creation. Key assessments in the Investment Manager's analysis of a company's corporate culture include:

- How a company's Board and executive management ensure that the right values, conduct and behaviours are embedded throughout the organisation. This is measured through both quantitative and qualitative assessments embedded within our research process.
- How a company aims to employ experienced and skilled individuals and build teams through diversity, inclusion, talent-development and organisational structure.
- How a company seeks to protect future generations through ethical behaviour in considering the methods by which it produces its products and services. In determining a company's culture, the Investment Manager seeks (inter alia) to understand the history of the business, its reasons for existence (purpose and values) and how that resonates throughout the firm; ensuring that the tone from management has a clear and consistent message throughout the company.

The team target companies that demonstrate strong corporate governance characteristics such as a balanced and engaged board of directors, that oversees a management team focused on driving continuous improvement through organisational efficiency and innovation. The team feels that these factors are integral to fostering collaboration and trust, which in its opinion materially improves the likelihood of a company generating long-term value for shareholders and sustainable benefits for stakeholders and communities alike.

The Fund considers principal adverse impacts alongside the thresholds of its negative screens, such as Tobacco, Gambling and Weapons. If, following a review against relevant sustainability indicators<sup>11</sup>, an investment does not qualify against a screen, the Fund will not make that investment. If the investment does meet the

<sup>10</sup>GIB AM Emerging Markets Active Engagement Fund: Supplement

<sup>11</sup>GIB AM European Focus Fund: Supplement



screen, then the Fund can make the investment, assuming all other criteria are met. The impact of the Fund's investments against the relevant indicators will continue to be monitored on a periodic basis

## Indexation Strategies

Indexation strategies are not covered, as the consideration of climate-related risks and opportunities is at the request of the client.

## Risk Management

### Climate-related risks identification, assessment, mitigation, monitoring and reporting

GIB AM's management of climate-related risks has multiple aspects, with the over-arching objective being to manage climate-related risks and opportunities effectively.

At an overall firm-level GIB AM has established and implemented a Climate Change Risk Management Strategy that outlines GIB AM's approach to mitigating and managing the risks that can result from climate change. The strategy applies to GIB AM, across both Treasury & Banking and Asset Management. This strategy is reviewed regularly, in line with that set out in the GIB AM Governance Framework.

GIB AM has a comprehensive risk management framework, including means to identify, assess, monitor and report climate-related risks. This framework includes regular scenario analysis and stress testing for climate risks. It also includes reputational risk management. The objective is to reduce negative financial impacts from climate risk within asset management, treasury, and operational activities.

GIB AM operates a Five Lines of Defence model. All Lines of Defence have a role in managing climate-related risks.

**First line:** Business (Treasury & Banking and Asset Management) and support units (e.g. HR, Finance & Legal, IT & Operations, Portfolio Performance & Control, etc.) take risks and operate controls. They are responsible and accountable for the ongoing management of risks. This includes identifying, assessing and reporting exposures taking into account the firm's risk appetite and policies.

The GIB AM Investment Oversight Function support the first line of defence in managing climate and ESG related risks. Climate-related risks are identified and monitored at regular intervals. Key climate risk parameters such as Carbon data for financed emissions, Carbon Intensity, Climate VaR and ESG ratings are monitored and discussed during regular risk and investment team interactions and risk committees.

**Second line:** Oversight Functions – a Risk & Compliance function, with an independent reporting line into AROC. They are responsible for supporting the identification, measurement, monitoring and reporting of risks, and they are accountable for overseeing the business lines' risk-taking activities. The second line risk function has responsibilities such as facilitating the articulation of the firm's Risk Appetite and monitoring of Risk Appetite metrics,

**Third line:** Internal Audit – Internal Audit provides independent assurance to senior management, the Board of Directors and shareholders on the design and operating effectiveness of internal controls. GIB AM's internal audit function is complemented by a third-party external auditor firm. Internal Audit is not involved in developing, implementing or operating the 2023 Risk Management Framework and reports independently to AROC.

**Fourth Line:** External Audit – External Audit provides independent assurance to senior management, the Board of Directors and shareholders on the firm’s financial reporting, as well as the systems that support it. The main role of the external audit is the review of financial statements to verify that they are a valid as well as reasonable account of both past financial performance and current financial position, and that are consistent with a suitable financial reporting framework. External Audit reports independently to AROC.

**Fifth Line:** Regulators – The PRA and FCA apply and monitor rules designed to increase transparency and accountability in various areas, such as capital requirements, financial reporting and sustainability. They set the expectations for organisations to follow that are enforced via a continuous process of inspection, review, reporting and applicable penalties.

GIB AM has two divisions: Asset Management and Treasury and Banking services. Climate change-related risks are prioritised in terms of which are to be assessed first. Because Treasury & Banking relates mainly to short term (usually below 3 years) interbank lending, it was deemed that the asset management business, which invests in companies for the longer term and is exposed to these companies losing or gaining value due to climate-change related risks, was the priority. The second priority was the portfolio of bonds which are purchased and held to maturity by the Treasury team. This portfolio is made up of investment grade bonds, mainly Financial Institutions with a maturity up to 5.5 years and represents a very small percentage of GIB AM’s total assets. Because investments made by the Treasury desk are held to maturity, and are financial sector exposures, they are amongst the least exposed assets to climate-related financial risk.

## Processes for identifying, mitigating, and managing impact of climate and sustainability risks

GIB AM relies on third party vendor for climate risk related information. While third party data provides reasonable basis for climate risks, the Investment Oversight team conducts regular interaction with third party vendor to ensure any data gaps are bridged as they arise. Vendor’s Data coverage for the results is also monitored closely.

The following approaches are used to identify and monitor climate risk:

### Environmental and wider ESG ratings:

GIB AM has established processes for identifying, mitigating, and managing the impact of climate and sustainability risk on the business through Treasury counterparties. Climate and sustainability risk has been integrated into the credit risk management framework, including credit decision making. The majority of GIB AM’s Treasury counterparties are externally rated by the three largest credit rating agencies and in respect of Moody’s and Fitch have public ESG ratings (S&P ceased producing ESG scores in 2023). The credit rating agencies have linked ESG risks to credit rating analysis through the assignment of ESG ratings which help to communicate how ESG factors affect the counterparty’s standalone (i.e. excluding support) credit rating. MSCI can calculate average weighted rating for GIB AM’s Fixed Income portfolio and is used for this purpose as part of Credit Risk’s periodic reporting, in addition to monitoring related Risk Appetite Thresholds. Credit Risk calculates average weighted ratings for the Treasury Portfolio, with further investigations carried out on outliers. ESG ratings are reviewed as part of the annual review of Treasury counterparties (or as and when a credit assessment is carried out), with average portfolio ratings refreshed on a semi-annual basis.

### Exclusions

Certain issuers are excluded based on their exposure and activities in greenhouse gases intensive sectors



according to the investment guidelines and the [GIB AM Responsible Investment Policy](#).

### Carbon footprint metrics

Scope 1+2 Carbon Emissions based on investor allocation or Weighted Average Carbon Intensity (as appropriate) are monitored by Risk through comparing the aggregated metric of the portfolio against the benchmark.

### Climate scenario analysis

We conducted scenario analysis with the aim to identify and assess the impact of climate risks on products, the business and test overall resiliency of firm’s strategy. Because GIB AM’s funds are deemed the most exposed to climate change-related financials risks as opposed to the Treasury investments which are predominantly in short-term lending to financial institutions, climate scenarios are applied to active asset management funds. Stress tests are conducted by translating scenario specific estimates of discounted climate costs on company valuations.

### Scenario and stress tests

The scenarios used in the scenario analysis are detailed in Table 7 below:

**Table 7: Scenarios used in MSCI’s CVaR Analysis**

Scenario	Description
NGFS Net Zero 2050 Orderly Scenario	<p>The NGFS Net zero 2050 scenario represents an aspirational goal that demands concerted action, technological advancements and global cooperation to combat climate change effectively.</p> <p>Net Zero 2050 limits global warming to 1.5°C through stringent climate policies and innovation, reaching global net zero CO2 emissions around 2050. Some jurisdictions such as the US, EU, UK, Canada, Australia and Japan reach net zero for all GHGs. Net CO<sub>2</sub> emissions reach zero around 2050, giving at least a 50 % chance of limiting global warming to below 1.5 °C by the end of the century, with no or low overshoot (&lt; 0.1 °C) of 1.5 °C in earlier years. Physical risks are relatively low but transition risks are high.</p>
Below 2°C Disorderly Scenario	<p>The 2°C Disorderly Transition Scenario serves as a critical tool for organizations to evaluate their resilience and adaptability in a less predictable and more turbulent climate future. Below are the salient features of the scenario used in MSCI’s Climate VaR model:</p> <ul style="list-style-type: none"> <li>• Delayed transition assumes global annual emissions do not decrease until 2030. Strong policies are then needed to limit warming below 2°C</li> <li>• Scenario assumes new climate policies are not introduced till 2030 and level of action varies between countries and regions.</li> <li>• As a result, emissions exceed carbon budget temporarily and decline more rapidly after 2030 to ensure 67% chance of limiting global warming to below 2°C.</li> </ul>

Below are the results presented for our suite of active, and passive asset management strategies. The coverage figures presented in the table represent the proportion of the underlying holdings in the respective portfolios and benchmarks that are covered by the MSCI's CVaR tool.

**Actively Managed UCITs Funds:**

All the actively managed UCITs funds have performed better than their respective benchmarks for climate related risks parameters under NGFS 2C 2050 disorderly and Net Zero 2050 scenario. The majority of AUM in these portfolios is funded through seed capital (GIB AM's own positions) and seed capital is largely immunised from market movement with strategic hedges. We believe that there will be no impact (or negligible impact in case of imperfect hedging) on GIB AM's own positions in asset management portfolios from climate risks.

In order to determine if the product is concentrated in carbon intensive sectors GIB AM uses the MSCI GICS classifications, as well as the Bloomberg BICS classification, to map securities to sectors. GIB AM believes that the sectors Energy, Materials, Utilities and some sub-sectors like Automobile and components within Consumer Discretionary are carbon intensive.

In terms of concentration, GIB AM's actively managed UCITs funds are underweight (compared to their benchmarks) in some carbon intensive sectors such as Energy, Materials and Utilities. Most of the Active portfolios are also underweight (compared to their benchmarks) in sub- industries perceived to be carbon intensive such as Automobile and and components within Consumer Discretionary. This is illustrated in the results below where all of GIB AM's active products are performing better than their respective benchmark in climate scenarios risk.

Results as of 31/12/2024														
			Net Zero											
			1.5C REMIND NGFS Orderly			2C NGFS Disorderly			Policy Climate VaR Coverage		Technology Opportunities Climate VaR Coverage		Physical Risk Data Coverage	
Portfolio	Benchmark	Strategy	Portfolio	Benchmark	Active	Portfolio	Benchmark	Active	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
GIB AM SWF	MSCI World	Active	-3.20%	-8.90%	5.60%	-2.00%	-5.30%	3.30%	100%	98.80%	82.50%	94.20%	100%	98.80%
GIB AM EMAEF	MSCI Emerging Markets	Active	-5.80%	-15.60%	9.70%	-3.90%	-10.50%	6.60%	91.20%	99.40%	66.70%	70.40%	80.20%	97.60%
GIB AM EFF	MSCI Europe	Active	-2.30%	-11.70%	9.40%	-1.00%	-7.50%	6.50%	100%	99.20%	88.60%	88.90%	100%	99.10%
GIB AM SWCBF	H37006US Index	Active	-3.30%	-5.60%	2.20%	-0.90%	-2.00%	1.10%	75.10%	75.80%	67.20%	64.20%	75.10%	75.30%



## Segregated Portfolios

Below is an aggregated scenario analysis results for GIB AM’s segregated portfolios from MSCI CVaR model for selected scenarios. Since passive funds are tracked to the benchmark, and the majority of GIB AM’s segregated portfolios are passive strategies, the aggregated results can be seen to be close to the benchmark.

Results as of 31/12/2024															
			Net Zero												
			1.5C REMIND NGFS Orderly			2C NGFS Disorderly			Policy Climate VaR Coverage		Technology Opportunities Climate VaR Coverage		Physical Risk Data Coverage		
Portfolio	Benchmark	Strategy	Portfolio	Benchmark	Active	Portfolio	Benchmark	Active	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	
Segregated Portfolios	Combined	Passive	-9.09%	-9.29%	0.3%	-5.6%	-5.7%	0.2%	99.4%	99.6%	93.4%	93.3%	99.2%	99.4%	

## Engagement

The main way in which GIB AM undertakes engagement is through the investment products that it offers, aiming to engage with portfolio companies where applicable to undertake material enhancements to their operations, strategy and business model – including in relation to achieving real economy emissions reductions.

### GIB AM Emerging Markets Active Engagement Fund

The GIB AM Emerging Markets Active Engagement approach to engagement focuses on two categories to catalyse improvements in portfolio companies – capital allocation and engagement. The aim is that both categories will help to drive a sustainably improving and underappreciated Economic Value Added (EVA) profile through the combination of higher incremental returns and lower implied costs of capital.

Initial ESG / sustainability engagement is typically a 12-18 months’ process and involves the following 3 steps:

- 1. Materiality Matrix:** uses a deep stakeholder analysis and survey in order to identify what the most relevant and material ESG risk factors are;
- 2. Sustainability Strategy:** establishing an ambitious long-term sustainability plan with a focus on 4-5 areas identified in the Materiality Matrix analysis;
- 3. Management Alignment:** incorporating ESG / sustainability Key Performance Indicators (KPIs) into executive compensation.

This framework is applied across all the fund’s investee companies. The objective is to create tailored and focused ESG targets and agendas. This helps to identify the most material issues that GIB AM believes will unlock potential hidden value and drive greater market recognition of this. In addition, by incorporating ESG KPIs into executive compensation schemes, the investment team believes it may increase the chances of a successful delivery of the plan.

**Case Study**

**Issue:** Reduce low margin business activities, identify sustainability risks and set SBTi approved net-zero targets

**Issue description:** The fund engaged with a Korean Graphics Processing Unit (GPU) test socket manufacturer to address concerns contributing to a continual de-rating in 2024.

**Approach:** Key issues contributing to its derating were uncovered through calls with management and industry experts. This included its exposure to memory semiconductors, operational inefficiencies, and governance practices.

**Objective:** To urge the company to phase out its lower-margin memory semiconductor business in favour of higher-margin logic-exposed operations. Recommendations were made to optimise its large cash position and Selling, General & Administrative (SG&A) cost structure, alongside enhancing governance, remuneration, and investor relations practices. To address sustainability, we encouraged conducting a materiality assessment and setting SBTi approved net-zero targets.

**Outcome:** Following the engagement, the company confirmed initiatives to improve SG&A and capital efficiency, governance structure, and disclosures. Plans were disclosed to phase out its memory business while boosting short-term profitability.

**Next steps:** We have continued to monitor board nominations, value-up releases, and financial performance to assess progress.

**GIB AM Sustainable World Fund**

Adding value is core to the GIB AM Sustainable World Fund investment philosophy. We accomplish this by aiming to build strong relationships with investee companies and partnering with them to drive change. Our engagement aims to drive positive change across a range of sustainability challenges, including climate related challenges. It also aims to generate alpha in our portfolio returns. Engagement with our investee companies focuses on financial materiality and the sustainable factors that we believe can drive returns. Where appropriate, we develop measurable goals to monitor success.

Proxy voting is a key part of engagement. It provides us with an opportunity to exercise our rights as owners of companies. We aim to vote at all company meetings, in line with GIB AM policies. Voting allows us to formally express our view on certain aspects of a company, as well as serving as an opportunity to engage with our companies on current resolutions and future issues.

**Case Study**

**Issue addressed:** Environmental impact and disclosure

**Issue description:** Enhanced disclosure of a US based technology company’s climate objectives.

**Objective:** To request improved clarity and disclosure of the company’s climate objectives and their ability to help customers reduce their environmental impact. We believe improved disclosure would strengthen the value proposition of the services this company provides.

**Approach:** As part of our ongoing monitoring process, we met with the investor relations team at the



company headquarters to discuss their climate change targets, believing that superior disclosure protects our clients' capital by reducing regulatory risk and articulates the potential cost savings to customers. Our feedback was relayed directly to the individual that leads environmental sustainability reporting.

**Outcome:** The company acknowledged the importance of clearer communication around its climate objectives and the environmental benefits of its services. Our feedback was relayed directly to the individual responsible for environmental sustainability reporting, and the company is reviewing our suggestions as part of its upcoming ESG reporting cycle.

**Next steps:** We will continue to engage with the business on this topic, to ensure that shareholder value is being achieved.

### GIB AM Sustainable World Corporate Bond Fund

The GIB AM Sustainable World Corporate Bond Fund uses engagements as a partnership to improve the businesses we invest in, and to make sure they are consistently improving their sustainability credentials, including climate credentials where applicable. The team engages on a systematic, ad hoc proactive or ad hoc reactive basis across 3 core areas of Strategy, Operations and Disclosure.



The team engage systematically on the strategy bucket, for example if a company does not have net zero targets or has not signed up to the Science-based Targets Initiative (SBTi).

When conducting bottom-up, fundamental analysis on a company, if any material risks are uncovered within any of the engagement buckets, the team use these as points of engagement.

If an ESG breach occurs at a holding company, the team engages with the company to assess the timeliness, strength and credibility of the company's response plans, in order to ensure change is embedded to stop a repeat incident. The team adapt our approach based on the severity of the breach.

### Case Study

**Issue addressed:** Decarbonisation targets

**Issue description:** The large, American bank had recently adapted some of its sector-based decarbonisation targets in a way that could be considered watering down.

**Objective:** To understand the changes to the company's sector-based decarbonisation targets. As part of our PAI review, we assess firms' decarbonisation targets and their commitment to the climate transition. Significant backsliding would bring that commitment into question. We engaged with the firm to understand the

details of how the target was calculated and what the objective of the change was.

**Approach:** We researched the methodology of the target change, reviewed this against peers, assessed the bank's lending activities, and considered best practice guidance. Context was also added by similar engagements we had with peers. We subsequently contacted the firm and had a detailed discussion with the sustainability team.

**Outcome:** We concluded that the bank remains committed to long-term emissions reductions and transparency, but that there was a clear attempt to move the goalposts.

**Next steps:** We will continue to monitor progress against targets and the development of the lending book.

## Index Strategies

GIB AM engages on behalf of index clients where it has a mandate to do so, and in line with client instructions. There is no scope to deviate from this in support of GIB AM's own transition objectives.

## Entity Level Engagement

Furthermore, GIB AM aims to work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all AUM. GIB AM has strong relationships with its asset owner clients, and aims to discuss their decarbonisation goals with them on a regular basis.

GIB AM aims to discuss information and analytics with asset owners about net zero investing. GIB AM's annual reporting (which can be found on our website) provides asset owners with data about the actively managed funds' carbon footprints, as well as details of engagement undertaken with portfolio companies.

As an Investor Signatory of the UN PRI, we are committed to adopting and implementing the PRI's [6 Principles](#), of which Principle 5 which encourages investors to work together with other signatories to enhance their effectiveness in implementing the principles<sup>12</sup>. We believe that corporate level collaborative engagement complements our portfolio-level engagements in scaling capital in support of sustainable development, as well as providing support to organisations to overcome the challenges associated with reshaping and transforming their businesses to drive a positive impact on the world.

We participate in collaborative initiatives when their goals align with our focus areas and the objectives of our products and mandates, ensuring meaningful and targeted engagement that supports long-term impact.

During 2024, we took part in several collaborative engagements, which were aligned with our Collaborative Engagement Strategy priorities:

- Climate change (including Science-Based emission reduction targets, SBTis)
- Corporate Disclosure
- ED&I
- Guidance for Sustainability Committees Best Practice
- Remuneration

<sup>12</sup>[What are the principles for responsible investment](#)



## Climate Change

### FAIRR Sustainable Aquaculture Phase 3

In 2024, GIB AM joined a collaborative engagement initiative through FAIRR, whereby formal letters were sent to 7 identified salmon producers, encouraging them to transition from forage fish to more sustainable fish feed options. GIB AM will continue to take part in the on-going engagement by acting as supporting investor on a number of calls with the companies.

### IIGCC Index Investing Working Group

GIB AM is also working with the IIGCC, alongside other asset managers and owners, in its Index Investing Working Group, which has been established to develop guidance on tracking net zero benchmarks, following the work of the IIGCC Net Zero Benchmark Working Group. This project is on-going.

## Corporate Disclosure

### PRI Joint Statement on ISSB Standards

GIB AM signed a joint statement, alongside 121 other investors, companies, industry associations and stock exchanges, calling for a commitment from relevant authorities across jurisdictions to adopt the International Sustainability Standards Board (ISSB) standards.

## Education

### Impact Investing Competition

Neil Brown, Head of Equities at GIB AM, attended the Impact Investing Competition as an expert in the field of impact investing. Neil judged the teams of MBA schools who carried out an impact investing process, performing due diligence, developed a term sheet, and negotiated with the start-up companies who presented their businesses to the team. This competition helps to equip future impact leaders with advice and insights.

## Equity, Diversity & Inclusion

### We Mean Business Coalition

Katherine Garrett-Cox CBE, CEO of GIB AM, signed a letter convened by the We Mean Business Coalition, in collaboration with more than 80 other female leaders from businesses, civil society and science, calling on the Azerbaijan government to re-think the make-up of the COP29 Organisational Committee to include as many women as possible.

## Metrics & Targets

At GIB AM, we consider which targets and metrics are most impactful given the nature of our business. We track our targets and metrics on a regular basis and aim to devise timely corrective action if required. We publish our progress against our targets and metrics on an annual basis.

### Financed Emissions Metrics

GIB AM is a founding signatory of the Net Zero Asset Managers (NZAM) Initiative. As part of this initiative, we track financed emissions for all investment funds:

**Table 8: Financed Emissions**

Weighted Average Carbon Intensity (tons CO <sub>2</sub> e / \$m sales)	GIB AM Sustainable World Fund	GIB AM Sustainable World Corporate Bond Fund	GIB AM Emerging Markets Active Engagement Fund	GIB AM European Focus Fund
Scope 1 + 2	53.1	117.4	40.9	8.8
Scope 3 <sup>13</sup> upstream	234.5	284.7	310.0	312.3
Scope 3 downstream	172.5	302.5	233.2	234.2

For the purposes of ensuring effective climate risk management, GIB AM tracks a metric on the financial loss resulting from transition or physical climate risk scenarios for the Asset Management portfolios relative to the benchmark.

<sup>13</sup>Scope 3 are emissions that are not produced by the company itself, but are indirect emissions that result from activities related to the business, however occur outside of the company's direct control. Scope 3 emissions can be further broken down into two categories: upstream (purchased goods and services) and downstream (sold goods and services).



## Financed Emissions Targets

Given our commitment to NZAM, we have set point-in-time portfolio reference targets and track the Scope 1 and 2 Financed Emissions of the GIB AM Sustainable World Fund. We have set targets to reduce these emissions relative to the projected benchmark emissions, which include a 8.5% reduction per annum (Table 9).

In 2024 we continued to work on establishing portfolio reference targets for our other actively managed GIB AM European Focus and GIB AM Sustainable World Corporate Bond Funds. However, given the NZAM review announced in early 2025, GIB AM has decided to await the outcome of the review before it submits or updates its targets.

**Table 9: GIB AM Sustainable World Fund Portfolio Reference Target**

Target	-30% vs Projected Benchmark by 2025	-55% vs Projected Benchmark by 2030	-92% vs Projected Benchmark by 2050
Absolute or intensity	Absolute		
Time Horizon	Short term	Long term	
Base Year	2019		
Interim Targets	Annual year-on-year reductions		
Metric	Financed emissions		
Units, methodologies and definitions on which this metric relies	Scope 1 & 2, CO2e		
Measured vs. estimated data	Measured		

In 2024, the financed emissions increased, mainly due to the purchase of a waste management company. With that being said, Scope 1 & 2 emissions are 21% less than the projected benchmark emissions, and have reduced in total by 50% vs. the benchmark base year figures.

**Table 10: GIB AM Sustainable World Fund Portfolio Reference Target Progress update**

Year	GIB AM Sustainable World Fund (tons CO2e)	Projected MSCI World Index Benchmark (tons CO2e)	Difference (%)
2019 (Baseline Year)	453	1,245	-64%
2022	537	953	-44%
2023	343	872	-61%
2024	630	798	-21%

## Asset Class Alignment Targets

We have also set Asset Class Alignment targets for the actively managed global equities, whereby we aim to have 80% of in-scope assets ‘Committed to aligning’, ‘Aligning with Net Zero’, ‘Aligned with Net Zero’ or ‘Achieving Net Zero’ by 2025, 90% by 2030, and 100% by 2035, including 50% fully aligned by 2035, as defined by the Paris Aligned Investment Initiative methodology.

We are committed to managing 100% of our actively managed equity assets to be in line with Net Zero targets. Although that was a small proportion of our total assets in 2024, we expect the percentage of our AUM managed in line with Net Zero to expand over time as we grow our actively managed business.

Indexation assets are considered out of scope for the current Net Zero target setting. This is because, as a small asset manager, we have limited ability to affect the composition of the index and limited power to encourage all companies within it to move to Net Zero.

**Table 11: GIB AM Sustainable World Fund Asset Class Alignment Target<sup>1</sup>**

Target	Percentage of assets “Committed to Aligning”, “Aligning with Net Zero”, “Aligned to Net Zero” or “Achieving Net Zero”		
	>=80% by 2025	>=90% by 2030	100% by 2035 including >50% “Aligned to Net Zero” or “Achieving Net Zero”
Absolute or intensity	N/A		
Time Horizon	Short term	Long term	Long term
Base Year	N/A		
Interim Targets	By 2025	By 2030	By 2035
Metric	Percentage of Assets		
Units, methodologies and definitions on which this metric relies	Percentage. Definition of each group of assets defined as per the PAII Net Zero Investment Framework (see section 7.2 for the full set of criteria) <sup>14</sup>		
Measured vs. estimated data	Assessed	Assessed	Assessed

In 2024, we believe that 70-85% of our GIB AM Sustainable World Fund’s AUM is ‘Committed to Aligning’, ‘Aligning’, ‘Aligned’, or ‘Achieving Net Zero’ as of 31 December 2024<sup>15</sup>, however due to changing data provider we are not able to currently verify this figure.

## Operational emissions targets & metrics

We have set ambitious climate-related targets to advance our 2023 Climate Transition Plan\*. The targets were chosen to be consistent with temperature warming of no greater than 1.5°C degrees Celsius above

<sup>14</sup>Net\_Zero\_Investment\_Framework\_Implementation\_Guide\_Final.pdf

<sup>15</sup>Based on data collected as of 31 December 2023. Source: Clarity AI.

\* For information on our climate transition plan, please see end of document.



pre-industrial levels, and the Greenhouse Gas Protocol was applied in measuring and estimating operational carbon emissions<sup>16</sup>.

### Scope 1

Scope 1 only includes fugitive emissions from refrigerants contained in GIB AM's office fridges. At around 3-4 tCO<sub>2</sub>e per year, these emissions have remained largely static and are very small compared with overall emissions. Absent technological improvements, there is little further actions GIB AM could take, other than removing them entirely. However, this would likely have negative impacts elsewhere, specifically in increasing food waste and posing a health risk to employees.

As a result, a target has been set to maintain scope 1 emissions at less than 4tCO<sub>2</sub>e.

### Scope 2

Scope 2 emissions constitute purchased electricity for GIB AM's main offices and data centers. These emissions are significantly smaller than scope 3, but nonetheless still more than 5% of total emissions.

Largely as a result of moving to more energy efficient premises in 2020, scope 2 emissions have fallen by around 50% since the 2019 base year. The target is to remain at holding scope 2 emissions down 50% from 2019 levels. GIB AM will continue to engage with the landlord to seek adoption of energy efficiency enhancements across the building.

### Scope 3

Scope 3 emissions cover other indirect GHG emissions that occur in GIB AM's value chain and includes both upstream and downstream emissions. GIB AM's objective is to reduce scope 3 category 6 emissions from business travel, representing the largest portion of GIB AM's operational emissions.

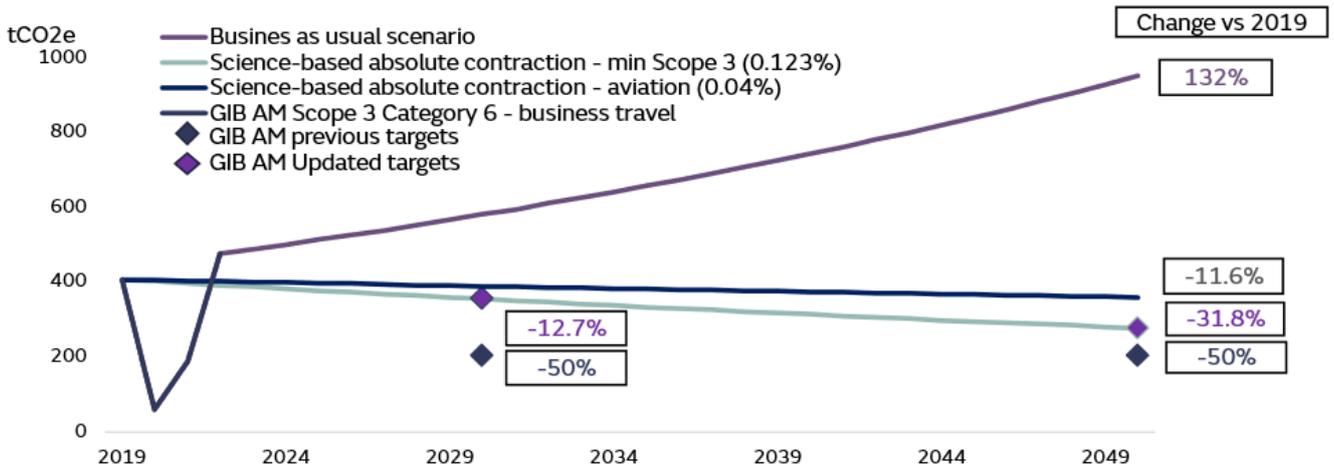
In respect of updating our Scope 3 target, between 2019 and 2022, scope 3 emissions generated from business travel accounted for around 77% of our total emissions on average. This figure likely underestimates the typical level of emissions, as it includes the COVID-affected years of 2020 and 2021 when global travel restrictions were enforced. Consequently, the actual proportion of emissions attributed to business travel, if not skewed by COVID, would likely be higher, as demonstrated by the increased business travel emissions in 2022 and 2023 relative to previous years.

The Science-based targets initiative (SBTi) provides guidance for targeting setting for users of aviation services<sup>17</sup>. It concludes that an absolute contraction method should be used. Two targets are suggested: 0.4% per year (2019-2050) based on the aviation sector specifically, and 1.23% per year as the minimum annual linear reduction permissible for scope 3 targets. By 2050, these would result in a reduction in GIB AM emissions by around 12% and 32% respectively compared with a 2019 baseline. An indicative business-as-usual scenario by contrast, could result in an increase in emissions of over 130%.

Given GIB AM's experience since 2019, projected requirements for business travel, and the immaturity of the corporate traveler market for sustainable aviation fuel, GIB AM has set its target to 12.7% reduction by 2030 and 31.8% by 2050 in line with the SBTi contraction method for scope 3 emissions. That is still more ambitious than the suggested SBTi absolute contraction for the aviation sector. In line with SBTi, the scope 3 target is set as an intensity target, although the assumed absolute target is shown for completeness. For the intensity target, headcount increases of 2% per year are assumed.

<sup>16</sup>For the detailed methodology, see: [GIB-AM-Carbon-Emissions-Calculation-Methodology-VF.pdf \(gibam.com\)](#)

<sup>17</sup>[SBTi AviationGuidanceAug2021.pdf \(sciencebasedtargets.org\)](#)



In 2024, the carbon footprint of GIB AM’s physical activities was 676.73 tCO<sub>2</sub>e (table 3). We saw a reduction to Scope 1 and 2 emissions, meaning GIB AM met its targets for these scopes. Scope 3 emissions increased in 2024 and GIB AM missed its scope 3 target in 2024. The main reason for this being an increase in business travel, both employee commuting and overseas travel. Similar to last year, our overseas travel reflected collaboration with other parts of the GIB Group; visits to clients; business development trips; and investment research and engagement activity.

We are not able to disaggregate our scope 3 emissions for prior years, however as of 2024, we have begun reporting disaggregated scope 3 emissions as required under the GHG protocol and ISSB standards.

We monitor our carbon footprint on an annual basis. More details can be found in the [GIB AM GHG Emissions Framework](#) and the [2023 GIB AM Carbon Emissions Calculation Methodology](#).

**Table 12: GIB AM Carbon footprint**

Scope	Category	2019 tCO <sub>2</sub> e	2020 tCO <sub>2</sub> e	2021 tCO <sub>2</sub> e	2022 tCO <sub>2</sub> e	2023 tCO <sub>2</sub> e	2024 tCO <sub>2</sub> e
Scope 1	Only includes refrigerants as GIB AM does not have any company owned cars.	N/A	3.33	3.83	3.82	5.59	3.37
Scope 2	Electricity consumed in office and in data recovery (DR) sites	73.37	63.3	34.1	37.2	44.58	29.81



Scope 3	Category 1: Purchased goods and services						7.11
	Category 3: Fuel and energy- related activities						2.63
	Category 5: Waste generated in operations						0.00
	Category 6&7: Employee business travel (Includes emissions from employee commute, taxis, trains, flights and hotel stays)						633.81
	Total Scope 3	409.94	60.9	194.89	477.84	535.31	643.55
<b>Total</b>	<b>482.32</b>	<b>127.57</b>	<b>232.79</b>	<b>518.84</b>	<b>585.48</b>	<b>676.73</b>	
Intensity ratio: tCO <sub>2</sub> e / FTE <sup>18</sup>	5.82	1.64	2.71	4.94	5.00	5.37	

## Carbon Emissions Calculations

GIB AM published its [2023 Carbon Emissions Calculation Methodology](#), which was developed for the purpose of formalising GIB AM’s procedure for the calculation of the organisation’s GHG emissions. The document adheres to the Standards published by The Greenhouse Gas GHG Protocol, and represents an enhancement on previous versions.

The procedure shall serve as a comprehensive, detailed step-by-step guide for calculation of the carbon emissions from all direct and indirect (scope 1, 2 and 3) emissions sources in GIB AM’s operational boundary. The second order benefit of the procedure is its role in facilitating GIB AM to reach its carbon emissions reduction targets by enhancing calculation practices.

The document also addresses other areas including Reporting Standards, Organisational Boundary, Operational Boundary and Data Management, which includes data gaps and how these will be addressed.

<sup>18</sup>Based on the following staff numbers: 83 (2019), 78 (2020), 86 (2021), 105 (2022), 117 (2023) and 126 (2024)

## Internal Carbon Price

GIB AM has set out a number of implementation actions within its 2023 Climate Transition Plan\*, one of which is to consider the adoption of an internal carbon budget / price in the short-term to help business travelers understand the impact of their choices, and act as a nudge to reduce absolute scope 3 category 6 emissions from business travel. In 2024, GIB AM conducted a review of how best to adopt an internal carbon budget/price and we may revisit this initiative should we look to implement this in the future.

## Remuneration

GIB AM aligns remuneration and incentive structures with its strategic objectives and business plan. This includes the priority of objectives set out in the [2023 Climate Transition Plan](#).

With respect to the governance of remuneration, input is received by the Nomination and Remuneration Committee to assist them in discharging their duties, and this includes information to affirm that performance is aligned with delivering GIB AM's net zero commitment and their associated progress timeline.

Our executive and employee remuneration is linked to sustainability: variable pay takes into account individual, departmental and firm-wide KPIs, including sustainability, climate risk and ED&I-focused measures of success.

## Conclusion

The 2024 TCFD Report for GIB AM underscores our commitment to addressing climate-related risks and opportunities. Through comprehensive governance structures, strategic planning, and robust risk management frameworks, we have tried to integrate climate considerations into every facet of our operations and investment strategies.

Our Board and management teams are actively engaged in overseeing and managing climate-related risks, ensuring that our business remains resilient and adaptive to the evolving climate landscape. We have identified key climate-related risks and opportunities across short, medium, and long-term horizons, and have developed strategies to mitigate these risks while capitalising on emerging opportunities.

Our investment strategies are designed to align with global sustainability goals, focusing on sectors such as renewable energy, water management, sustainable transportation, and climate-resilient infrastructure. We are committed to driving positive change through active engagement with portfolio companies, encouraging them to adopt sustainable practices and improve their climate-related disclosures.

We have set targets for reducing our operational and financed emissions, and we continuously monitor our progress against these targets. Our remuneration policies are aligned with our climate objectives, incentivising our executives to achieve our sustainability goals.

In conclusion, GIB AM is dedicated to fostering a sustainable future by integrating climate-related considerations into our governance, strategy, risk management, and investment processes. We remain committed to transparency, accountability, and continuous improvement as we navigate the challenges and opportunities presented by climate change.

\*For information on our climate transition plan, please see end of document



## Annex: Methodologies

- Carbon footprint metrics

Scope 1+2 Carbon Emissions based on investor allocation or Weighted Average Carbon Intensity (as appropriate) measures carbon emissions, for which an investor is responsible, by their equity ownership or total overall financing. Therefore, the emissions are apportioned based on the issuer's market capitalisation or enterprise value including cash. For corporate issuers, Carbon Intensity is calculated as carbon emissions in tons divided by sales. Weighted Average Carbon Intensity measures a portfolio's exposure to carbon-intensive companies.

These metrics are provided by third party ESG data providers. While they serve a good basis for climate risk analysis, certain limitations are recognised including coverage issues for companies in emerging markets fixed income securities, for example.

- Climate Scenario analysis

Scenario analysis is conducted using MSCI's Climate Value at Risk (VaR) model, a tool designed to estimate the prospective climate-related risks that may impact an organisation's financial performance. This tool analyses both transition and physical risks as well as opportunities associated with climate change. Utilising MSCI's CVaR model, analysis is conducted to estimate the potential impact of climate change on:

- The asset management products managed by GIB AM and provided to clients (and their corresponding benchmarks where applicable)
- The financial position of GIB AM itself

The MSCI CVaR model estimates the net present value of future transition-related expenses and benefits for each company up to the year 2050, as well as the physical costs extending to 2100, under various climate scenarios. These projected financial impacts are then converted into a percentage relative to the company's equity or debt (whichever is applicable to the financial position) and are subsequently weighted according to the portfolio holdings. The final figures are compiled at the GIB AM entity level to provide a comprehensive view of potential climate-related financial outcomes.

It should be noted that the current iteration of the MSCI CVaR model only covers corporate, sovereign bonds and equity asset types. This means that derivatives positions are not covered. In the CVaR model proxies for holdings are not used where securities are not covered, and coverage is included in the results tables below.

MSCI Climate scenario outputs include scenario specific expected losses for the portfolio for Transition and Physical risks. At the security level, the company's discounted climate costs under transition and physical risks are compared against its enterprise market value to arrive at an expected loss. Security level climate losses from transition and physical risk are then weighted and aggregated to arrive at the portfolio level climate losses for selected climate scenarios.

CVaR is designed to provide a forward-looking valuation estimate of a company or fund taking into account the climate related risks and opportunities faced under different climate scenarios. CVaR is comprised of climate impacts through policy risks, physical risks and technological opportunities. This risk measurement helps to estimate future costs related to climate change and understand what those future costs could mean towards the current valuation of securities. The premise of CVaR is to estimate and aggregate costs related to specific climate risks and opportunities.

The MSCI CVaR model projects the net present value of future transition-related expenses and benefits for each company up to the year 2050, as well as the physical costs extending to 2100, under various climate scenarios. These projected financial impacts are then converted into a percentage relative to the company's equity or debt—which ever is applicable—and are subsequently weighted according to the Fund holdings. It should be noted that the current iteration of the MSCI CVaR model only covers corporate, sovereign bonds and equity asset types. This means that derivatives positions are not covered, but at present, GIB's funds do not invest in derivatives as of the date of this report. In the CVaR module proxies for holdings are not used where securities are not covered.

For physical risk, the model provides two methods to estimate the costs borne by a company: average and aggressive modelling. Cost estimations from physical risk are aggregated at fund level. The "average" physical risk costs are the average of discounted expenses whereas the "aggressive" method considers the worst-case scenario of the discounted costs. In both cases discounted costs are assumed to be normally distributed. Estimates included in this reporting use the "average" path for the scenario modelling of physical climate risk.

The Climate VaR module makes a number of assumptions to derive an estimated enterprise value loss caused by climate change. For example, the impact of temperature rise on labour productivity, corporate tax rates, future electricity consumption and cost to decarbonise in various regions, relationships between patents and future green revenues are all based on assumptions. The CVaR solution also assumes that current valuations do not take into account climate risk. Climate VaR estimates are used bearing those limitations and assumptions in mind. Additionally, a limitation of the model is that it is complex and relying on large underlying dataset and intermediate calculations not available to the end user, thus it is not possible to fully validate the model outputs as an end user of the solution.

Further details on the CVaR model can be found here [ClimateVaR Brochure.pdf \(msci.com\)](#)

## GIB AM Climate Transition Plan

GIB AM's climate objective is to maintain net zero operational emissions and to align its Asset Management business' investment strategies with net zero emissions by 2050 or sooner. GIB AM's Climate Transition Plan, which is currently undergoing its periodic review, sets out GIB AM's action plan to achieve its climate objective.

A copy of GIB AM's Climate Transition Plan will be made available upon completion of the review. For any questions, please contact [info@gibam.com](mailto:info@gibam.com)