Climate-related Financial Disclosures

As of 31 December 2023

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.

TCFD Recommendations		Our Response	Maturity	Pages
Introduction				
Glossary				
Governance Disclose the organisation's governance around climate-related risks and opportunities	Describe the board's oversight of climate-related risks and opportunities	We have described the Board oversight and Managements role, including our governance structure.	5	6-9
	Describe management's role in assessing and managing climate-related risks and opportunities			
Strategy 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	4	9-15
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	We have identified the impacts of climate-related risks and opportunities on our business, strategy and financial planning process.	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	
	Supplemental Guidance for Asset Managers: 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	16-19

TCFD Recommendations		Our Response	Maturity	Pages
Risk Management 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	20-24
	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.			
	Supplemental Guidance for Asset Managers: 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.	An overview of the engagement process of each of our actively managed portfolios is included, as well as engagements carried out at the entity level.	4	25-27
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material	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. We aim to complete this in 2024.	5	28-34
	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.		
	Supplemental Guidance for Asset Managers: 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.	Climate-related metrics, such as financed emissions, including WACI data) are disclosed for all of our actively managed funds. 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 here.	4	
Conclusion				34

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 its own entity, with different organisational and governance structures, and therefore we report on climate-related risks and opportunities separately to our Group. If you would like to read the GIB 2023 Climate-related Financial Disclosures, please click here.

It covers the reporting year 1 January 2023 – 31 December 2023.

Both our Treasury & Banking and Asset Management businesses are covered in these disclosures, however an assessment conducted in 2023 of GIB AM's Treasury & Banking Business concluded that there were few relevant climate risks and opportunities and hence, 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.

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 Executive Committee of GIB AM.

Ralph Campbell

Ralph Campbell, CFO, GIB AM

30th June 2024

Glossary

AROC	Audit and Risk Oversight Committee
AUM	Assets under management
the Board	GIB AM Board
CEO	Chief Executive Officer
CO2	Carbon Dioxide
CVaR	Climate Value at Risk
DR	Data Recovery
EMT	European MiFID Template
ESG	Environmental, Social and Governance
EVA	Economic Value Added
FCA	The Financial Conduct Authority
FTE	Full Time Employee
Financed Emissions (CO2e)	Emissions produced by the company divided by the Enterprise Value of the company, multiplied by the position size. Measured in Carbon Dioxide emission equivalents
GHGs	Greenhouse Gas Emissions
GICS	Global Industry Classification Standard
GIB AM	GIB Asset Management
Group	Refers to all legal entities within the Gulf International Bank Group
GIB UK	Gulf International Bank (UK) Limited
H2	Second half of the year
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IIGCC	Institutional Investors Group on Climate Change
ILAAP	Internal Liquidity Adequacy Assessment Process
IPCC	Intergovernmental Panel on Climate Change
IT	Information Technology
KPIs	Key Performance Indicators
MiFID	Markets in Financial Instruments Directive
MWh	Megawatt-hour
NRC	Nomination and Remuneration Committee
NZAM	Net Zero Asset Managers Initiative
P&L	Profit & Loss
PAIs	Principle Adverse Impacts
PCAF	Partnership for Carbon Accounting Financials
PRA	Prudential Regulation Authority
PRI	Principles for Responsible Investment
RAS	Risk Appetite Statement
RCSA	Risk and Control Self-Assessment
SASB	Sustainable Accounting Standards Board
SBTi	Science-based Targets Initiative
SFDR	Sustainable Finance Disclosure Regulation
SWOT Analysis	Analysis of Strengths, Weaknesses, Opportunities and Threats
TCFD	Taskforce for Climate-related Financial Disclosures
tCo2e	Metric tons of carbon dioxide-equivalent green house gas emissions
TPT	Transition Plan Taskforce
UCITs	Undertakings for Collective Investment in Transferable Securities
UK	United Kingdom
UN	United Nations
UN SDGs	United Nations Sustainable Development Goals
US	United States of America
VaR	Value at Risk

Governance

We believe that an effective governance structure is imperative to mitigating climate-related risk and capitalising on opportunities.

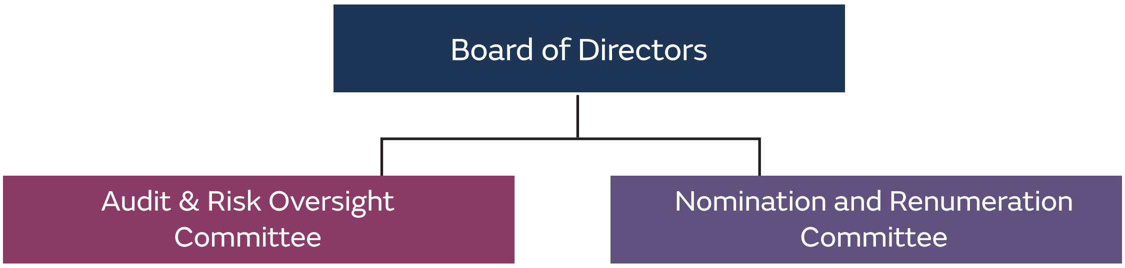
Board oversight of climate-related risks and opportunities

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
Individual Directors	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
Board	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 (including the 2023 Climate Transition Plan) Reviewing and approving GIB AM management's plan to manage financial risks from climate change and other sustainability-related factors and overseeing its execution Reviewing the Balanced Scorecard and associated business performance indicators (which may include climate-related targets)
Audit and Risk Oversight Committee (AROC)	Ensuring that the financial risks from sustainability (including climate change) are embedded into the 2023 Risk Management Framework Evaluating GIB AM's financial and non-financial risk profile and risk monitoring, including Key Risk Indicators for financial and non-financial risk [however only those indicators that breach predefined thresholds during the quarter are flagged. As a result, climate-related indicators may not be consistently flagged through the year, unless they exceed the specific risk thresholds.]
Nomination and Remuneration Committee (NRC)	Reviewing and approving senior control function pay, including the holder of the Senior Management Function responsible for integrating the financial risks from Climate Risk within GIB AM's 2023 Risk Management Framework 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 climate risk s and opportunities) Reviewing an approving proposed climate-related KPIs, targets, goals and/or achievements. Ensuring that consideration if given to climate change-related outcomes and achievements when determining allocation of performance-based variable remuneration.

Information is provided to the Board and its Committees by a sustainability update, noting material sustainability-related risks and opportunities (including those of climate). The update also includes progress against targets or projects relating to sustainability, including climate. A Risk and Compliance Dashboard is presented to the Audit and Risk Oversight Committee on a regular basis, which may include climate-related issues where necessary.



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

Responsibilities relating to climate-risk have been clearly defined and allocated; Table 2 summarises the key individuals with senior management responsibility (Executive Committee members). All individuals listed report directly to the CEO, who is therefore ultimately responsible for all items listed.

Table 2: Management responsibilities for climate-related risk

Individual/group	Responsibilities
Chief Financial Officer	Overall responsibility for climate-related financial disclosures and sustainability-related financial disclosures on an entity basis
Chief Risk & Compliance Officer	Has responsibility for managing GIB AM's 2023 Risk Management Framework including overall responsibility for integrating the financial risks from Climate Change within it Responsible for ensuring GIB AM compliance with existing and new regulation and guidance, which includes that linked to climate change
Chief Sustainability Officer and Head of Strategy	Leads GIB AM's efforts to embed sustainability, including climate, considerations across the business Leads specific sustainability-related projects and initiatives, both internally and externally-facing
Head of Equities	Responsible for ensuing ESG factors (including climate) are fully integrated into the Equities investment processes
Head of Fixed Income	Responsible for ensuring ESG factors (including climate) are fully integrated into the Fixed Income investment process
Head of Treasury	Responsible for managing risks within the Treasury and Banking department, as well as risks on GIB (UK)'s balance sheet

We believe that sustainability and climate-related risks and opportunities are integral to our business, and so are embedded in all committees.

GIB AM's Management Committees support the Board with their climate-related responsibilities, according to the remit of the respective committees, as defined in each Committee's Terms of Reference.

- Board of Directors
  - Asset & Liability Committee
  - Business Risk Committee
  - Change Management Committee
  - Investment Risk & Performance Committee
  - Product & Client Governance Committee
  - Valuation Committee
  - Asset & Liability Committee

Management Committees receive reports on climate-related issues as relevant to their remit; this enables them to monitor climate-relevant developments. All Management Committees report into the Executive Committee, who then report into the Board Committees. This enables Management to report on climate-related issues to the Board, and means that the Board has oversight of such issues, as relevant. Management Committees at GIB AM also have the responsibility of endorsing new and material changes to policies (including those related to climate).
Several management Committees have specific responsibilities relating to climate:

- The GIB AM Executive Committee is responsible for reviewing the corporate financial position including profitability and balance sheet, and ensuring all relevant, material factors have been considered (such as climate-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 climate-related risks and opportunities).
- The Asset & Liability Committee is responsible for supporting the Board with the articulation of its 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 certain climate/ESG/Sustainability risk policies prior to submission to the AROC/Board.
- The Business Risk Committee is responsible for ensuring that relevant sustainability considerations (including those related to climate) are taken into account when determining the firm's Risk Appetite. A Risk and Compliance Dashboard is regularly presented to the Committee, which may include climate-related issues where applicable.
- The Investment Risk & Performance Committee is responsible for identifying and assessing material sustainability, including climate change, related risks for each asset management product or investment strategy and reviews how climate-related risks and opportunities have been incorporated into the investment process, including through engagement activities. The Committee also ensures the investment approach is in line with firm-wide commitments such as the Net Zero Asset Managers' Initiative (NZAM), the Sustainable Finance Disclosure Regulation (SFDR), and the Taskforce for Climate-related Disclosure (TCFD). Sustainability (including climate), Engagement and Impact reports are reported on a periodic basis to the Committee.
- The Credit Risk Committee considers sustainability (including climate change) risks for GIB AMs banking products whilst granting credit lines for GIB AM's counterparties.

Strategy

Corporate Strategy

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

Climate-related risks and opportunities

In order to identify climate-risks and opportunities as relevant for our business strategy, GIB AM needs to understand its material topics first, and so a Materiality Assessment was carried out. The methodology used for this assessment, and to identify GIB AM's climate-related risks and opportunities was adapted from the methodology used to determine the GIB Group's materiality topics.

We follow a four-step approach to determine materiality, aligned with the GRI:

1. Understanding GIB UK's context
2. Identifying actual and potential positive and negative impacts
3. Assessing the significance of the impacts
4. Prioritising the impacts

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 in 2022;
- Conducted an analysis that allowed us to understand our impacts, using the United Nations Principles for Responsible Banking 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 2022 Impact and Engagement Report;
- Based on work completed in order 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, and also used MSCI reports to understand material impacts for banks;
- Considered what our peers identified as material topics, and identified the common material themes for Treasury & Banking and Asset Management;
- 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.

Based on this, we identified a long list of possible material topics, and so to assess the significance of impacts, we determined the materiality type, impact type, impact category, magnitude and likelihood to arrive at a ranking, highlighting the top impacts for GIB AM.

We then mapped the topics in a matrix to understand which topics are material from an impact and stakeholders' perspective. From that we determined our most material topics, of which a list of material topics were identified.

GIB AM's strategic planning is guided by clearly defined time horizons:

- Short-Term (0 to 2 years): Consistent with GIB AM's TCFD reporting, this timeframe aligns with the guidance set out in the TPT Framework and Implementation Guidance that suggests a maximum horizon of 3 years for short term. Two years has been selected to drive a focus on immediate action.

- Medium-Term (3 to 5 years): FCA MiFID/EMT guidance suggests that for investments to be considered long term, they must be over five years. Furthermore, for the Treasury business, PCAF uses 5 years as the cut-off after which assets cannot be classified as short term. GIB AM has therefore used this to delineate the difference between medium and long term.
- Long-Term (6 to 27 years): Extending beyond 5 years, as per MiFID/EMT guidance, GIB AM's long-term horizon reaches to 2050. 2050 – 27 years on from this 2023 plan – was selected as the end of the planning horizon to align with the Paris Agreement's focus on 2050. GIB AM does not currently plan beyond 2050. These timeframes provide a structured approach to GIB AM's planning, ensuring that its actions are coherent with the firm's broader strategic ambition. However, it is recognised that the selected periods are somewhat arbitrary

Having identified the material topics, an analysis was conducted to identify relevant climate-related risk and opportunities within those material areas. All risks identified were medium or long-term, whereas the opportunity identified was short-term (Table 3 & 4).

Table 3: GIB AM entity-level material climate-related risks*

Risk type	Risk	Time frame
Transition risk	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	Medium term (3 – 5 years)
	Application of carbon price to GIB AM's greenhouse gas emissions	Medium term (3-5 years)
Physical risk	Acute or chronic climate events could weaken the resilience of GIB AM clients and/or disrupt their business operations therefore affecting their profitability and survival	Medium term (3-5 years)
Other climate-related risks	Poor perception of GIB AM, especially if we do not adequately support the transition to a lower carbon economy	Medium-long term (3-27 years+)
	Litigation due to incomplete or inaccurate disclosures of GIB AM's direct or indirect environmental impact	Medium-long term (3-27 years+)

*** Note: does not cover material risks & opportunities at the product/portfolio level; only covers those relating to GIB AM as an entity**

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. We aim to complete this in 2024.

Table 4: GIB AM material climate-related opportunities

Opportunity	Time frame
Scale AUM in investment solutions that aim to take advantage of the transition to a net zero economy.	We aim to scale assets in the short (<3 years) to medium (3-5 years) term The investment horizon for these products is long-term (6-27+ years)

GIB AM has created a range of investment funds that take into account the opportunities from the climate transition. Scaling AUM in these solutions would generate significant revenue for GIB AM, whether it be from existing or new clients.

Exposure to carbon-related assets

Under TCFD, Banks are asked to describe their exposure to carbon-related assets. GIB does not lend or deposit funds with the non-financial sector, hence in 2023 there was no significant direct credit exposure to carbon-related assets via its money market activities. However, GIB acknowledges that it is likely to have indirect exposure to carbon-related assets via the lending undertaken by other financial institutions and through the bond portfolio it holds.

An assessment conducted in 2023 of GIB AM's Treasury & Banking Business concluded that there were few relevant climate risks and opportunities within this business area.

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, our Article 9 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 way of offering segregated mandates to clients. Through these we can manage bespoke mandates with a strong climate-opportunity 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 2023, we created a process for climate-related risks and opportunities to feed through into the financial planning process through financial forecasts for revenues, costs and associated balance sheet. This covers financial planning for the horizon up to 5 years ahead. When assessing each climate risk and opportunity from a financial planning perspective, GIB AM will determine the impact of each item from the P&L perspective (revenues, costs) and the Balance Sheet perspective (assets and liabilities (if applicable)). Climate related risks and opportunities will be prioritised according to internal criteria. 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, with significant investment occurring in the previous years, we believe the P&L and Balance Sheet impact of climate related risks and opportunities will be relatively low, and hence will not likely materially impact GIB AM's Budget or Medium Term Plan on an incremental basis.

Material 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 the bank's overall risk management framework based on the bank's risk appetite and tolerance levels, and strategy.

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)[1], 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.

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).

[1]See Section 7 Appendix in the 2023 Climate Transition Plan

Table 5: Transition Plan Implementation Actions progress update

Objective	Time Horizon	Implementation Actions	Progress Update
Reduce absolute scope 3 category 6 emissions from business travel	Short Term	Work with colleagues to find practical ways to minimise business travel-related emissions: ▪ Reduce the need to travel, e.g. by substituting travel with video conferences; ▪ Modality shift for necessary travel, e.g. from aviation to high speed rail; ▪ Supplier selection e.g. flying with more efficient airlines; ▪ Seating selection, e.g. flying in economy rather than premium seating; and ▪ Route selection, e.g. flying only for less GHG intensive medium-long haul travel	Colleague engagement planned for 2024.
		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.	Review planned for 2024.
	Medium Term	Investigate the use of alternative fuels, e.g. direct procurement of biofuels.[2]	Review planned for 2024.
Meet portfolio emissions targets for actively-managed investment portfolios	Short Term	Develop relevant interim supplementary targets specifically for GIB AM Emerging Markets Active Engagement and GIB AM European Focus Fundsw	In 2023 we have been working on establishing portfolio reference targets for our other actively managed GIB AM European Focus and GIB AM Sustainable World Corporate Bond Funds, and these targets will be submitted in the short-term. Throughout 2023, we worked on setting NZAM targets for the GIB AM Emerging Markets Active Engagement Fund. Our analysis of guidance issued and engagement with the Institutional Investors Group on Climate Change (IIGCC), our NZAM partner, has led us not to include the Fund in scope for the time being. Previous guidance on setting targets has been more focused on Developed Markets, and we await further guidance specifically for developing markets to assist us in bringing the Fund into scope and setting targets. We will continue to work on setting targets and hope to bring the Fund into scope in due course.
		Bring GIB AM Sustainable World Corporate Bond Fund into scope of target-setting, agreeing appropriately ambitious targets	

[2]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)

Meet portfolio emissions targets for actively-managed investment portfolios	All Horizons	Engagement is a tool that is used across many of our strategies for sustainability issues, including climate risk, and our strategies use engagement to varying degrees. Please refer to the GIB AM 2023 Impact and Engagement Report for our 2023 engagement activities in our active funds.	Engagement is a tool that is used across many of our strategies for sustainability issues, including climate risk, and our strategies use engagement to varying degrees. Please refer to the GIB AM 2023 Impact and Engagement Report for our 2023 engagement activities in our active funds. 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.
Scale assets under management, in GIB AM's actively managed investment products aligned with, or supporting, the climate transition	All horizons	On-board new clients whilst delivering to existing client expectations.	We have identified two key areas of focus for 2024, in order to ensure that we raise our targeted AUM and win the budgeted number of clients in 2024. These areas are enhance product-specific direct sales, and strengthen our multi-channel distribution network. These will be supported by an increased business development team, where we are looking to add additional headcount to cover both regional sales efforts and also support our distribution channel approach.

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.
Prioritise operational emissions reductions	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. The main challenge for us is Scope 3 emissions (excluding category 15 financed emissions, for which see the Metrics and Targets Section), especially business travel. As noted above, we are working with colleagues to find practical ways to minimise business travel-related emissions, and are also considering implementing an internal carbon budget / price.
Work with our supply chain to accomplish net zero by 2050 or sooner	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 and 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.

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 financial purpose reports to understand its 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. This includes 'what if' analysis under different scenarios such as the Bank of England's Biennial Exploratory Scenarios, which considers a less than 2 degree scenario. However, these assessments are highly uncertain and the time frames set out are highly judgmental. The objective is to ensure the business takes best account of climate in its strategic decision-making.

GIB AM also integrates climate-related risk and opportunity assessments into investment strategies, where relevant, This includes engagement activities with portfolio companies on climate transition. The actively managed funds also incorporate the double materiality principle, managing both sustainability risks (including climate related) that impact on their financial performance, as well as how their investment decisions impact on sustainability factors and therefore the world at large.

Finally, engagement with material[3] third-party supplier and outsourced partners is another part of GIB AM's approach, as defined in GIB AM's 2023 Outsourcing Policy, 2023 Third Party Risk Framework, and 2023 Outsourcing and Third-Party Supplier Code of Conduct. The objective is to drive net zero transition through supply chain selection and engagement, increasing the resilience of GIB AM's supply chain.

[3] For outsourcing agreements, "material" or important functions are services that, if a defect or failure in its performance would materially impair the continuing compliance of GIB UK with the conditions and obligations of its regulatory authorisation or its other obligations under the regulatory system, its financial performance, or the soundness and continuity of its services and activities (Outsourcing Policy, 2023). For third-parties, each relationship owner should assess the materiality of services, with an annual assessment taken thereafter

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 on their financial performance, as well as how their investment decisions impact on 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 that 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) indictors, 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 to 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) indictors, 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 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 cashflows 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 maters 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 to reduce 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[4], 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, in the manager's view, 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 Investment Manager next undertakes 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 Investment Manager 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.

[4] https://gib-am.files.svdcdn.com/production/documents/funds/Supplement-GIB-AM-Emerging-Markets-Active-Engagement-Fund-22-May-2024.pdf?dm=1716455124

The Investment Manager 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[5], an investment does not qualify against a 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 here, as –, due to the nature of the product which replicate broad Indices there is limited scope for consideration of climate-related risks and opportunities.

[5] https://gib-am.files.svdcdn.com/production/documents/funds/Supplement-GIB-AM-European-Focus-Fund-22-May-2024.pdf?dm=1716455124

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.

GIB AM has actively developed products aligned with, or supporting the climate transition[6], and intends to focus on these products in its business development efforts.

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.

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.

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 in order 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 etc. They set the expectations for organisations to follow that are enforced via a continuous process of inspection, review, reporting and applicable penalties.

The GIB AM Risk Function, as the second line of defence, provides oversight and support to 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.

[6]See Section 1.2 in our 2023 Climate Transition Plan for a description of how the products are aligned with, or support the transition

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 % years and represents a very small percentage of GIB AM's total assets. Because investments made by the Treasury desk are short term exposures, are held to maturity, and are non-financial exposures, they are amongst the least exposed assets to climate-related financial risk.

GIB AM has established and implemented a 2023 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 and its New York Branch, across both Treasury & Banking and Asset Management. This strategy is reviewed regularly, in line with that set out in the GIB AM Governance Framework..

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 Risk team conducts regular interaction with third party vendor to ensure any data gap is 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 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 (S&P/Moody's/Fitch) and have ESG ratings. 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 monthly 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 updated as part of the annual review of Treasury Counterparties (or as and when a credit assessment is carried out), with average portfolio ratings refreshed monthly.

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 2023 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	The NGFS Net zero 2050 scenario represents an aspirational goal that demands concerted action, technological advancements and global cooperation to combat climate change effectively. 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_2 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 (< 0.1 °C) of 1.5 °C in earlier years. Physical risks are relatively low but transition risks are high
Below 2°C Disorderly Scenario	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: ▪ Delayed transition assumes global annual emissions do not decrease until 2030. Strong policies are then needed to limit warming below 2°C ▪ Scenario assumes new climate policies are not introduced till 2030 and level of action varies from countries and regions. ▪ 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.

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. These portfolios are 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, the GIB AM's actively managed UCITs funds are underweight (compared to their benchmarks) in some of carbon intensive sectors such as Energy, Materials and, Utilities. Active portfolios are also underweighted (compared to their benchmarks) in sub- industries perceived to be carbon intensive such as Automobile and components (sub industry under 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 29.12.2023			Net Zero									
			1.5C REMIND NGFS Orderly			2C NGFS Disorderly			Transition Risk Data Coverage		Physical Risk Data Coverage	
Portfolio	Benchmark	Strategy	Portfolio	Benchmark	Active	Portfolio	Benchmark	Active	Portfolio	Benchmark	Portfolio	Benchmark
GIB AM SWF	MSCI World	Active	-2.8%	-10.3%	7.4%	-2.5%	-9.4%	6.9%	98%	98%	99%	97%
GIB AM EMAEF	MSCI Emerging Markets	Active	-4.2%	-20.4%	16.2%	-4.5%	-18.9%	14.4%	91%	98%	75%	95%
GIB AM EFF	MSCI Europe	Active	-3.0%	-15.5%	12.4%	-2.3%	14.6%	12.3%	94%	99%	94%	99%
GIB AM SWCBF	H37006US Index	Active	-2.8%	-4.7%	1.9%	-2.3%	-3.0%	0.8%	77%	77%	77%	75%

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 29.12.2023			Net Zero									
			1.5C REMIND NGFS Orderly			2C NGFS Disorderly			Transition Risk Data Coverage		Physical Risk Data Coverage	
Portfolio	Benchmark	Strategy	Portfolio	Benchmark	Active	Portfolio	Benchmark	Active	Portfolio	Benchmark	Portfolio	Benchmark
Segregated	MSCI World	Passive & Active	-10.6%	-10.8%	0.2%	-9.7%	-9.9%	0.2%	95%	99%	95%	99%

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 of the Fund's investee companies. T 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 the successful delivery of the plan. he 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 the successful delivery of the plan.

Case Study

After a two-year hiatus, due to Covid Pandemic travel restrictions, when company engagement was limited to targeted virtual meetings and opportunistic meets in London, the world was now open for business, and the investment team undertook a series of 'Value Unlock' trips, meeting and presenting to portfolio companies. These meetings typically last a few hours and involve an operational update with management teams, followed by our presentation to management and Board members in which we walk them through our suggestions for further value creation. Our 'Engagement Value Creation' decks introduce a number of steps that we believe can unlock significant shareholder value, outline the likely impact this can have on the businesses' return profile and introduce comparisons with peer companies (both in emerging and developed markets) that can act as a reference. Our Engagement Action Points aim to provide helpful, material and actionable suggestions that lean on prior experience and outside perspective. The trips focus on two key engagement outcomes: (I) improving businesses' compounding power, and (II) reducing their market implied cost of capital. Because each portfolio company is different and at varying stages in their own journey, a bespoke set of suggestions trumps any one size fits all approach

Whilst in India, the team presented to five portfolio companies, and covered a total of 29 Action Points. During the trip it was pleasing to hear the progress of one our portfolio companies in the Building Materials space. Following our input and suggestions, the company has been recently included in the S&P Dow Jones Sustainability Index for Emerging Markets. The company has calculated Scope 3 emissions for the first time, committed to reducing Scope 1 & 2 emissions per unit of production, and introduced near term and Net Zero targets for decarbonising its operations. It is the first company in its sector to achieve this. As a result, its position in the S&P Global Corporate Sustainability Assessment has jumped from the 56th percentile in 2021 to the 80th percentile in 2023.

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.

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.

Strategy

- Climate & Bio Diversity
- Interim Targets

Orerations

- Governance & Mgmt Incentives
- PAI Performance Trends
- DNSH/ESG Breaches
- Culture
- Supply Chain

Disclosure

- Interim Data Disclosure
- Quality of Material Data

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 engage 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.

GIB AM European Focus Fund

The GIB AM European Focus Fund engages with investee companies where the team see value in doing so, such as to query or clarify aspects of the business and propose change. The aim is always to deepen the understanding of a business and foster critical thinking in our analysis. The most common area of engagement is around proxy voting, where the Fund managers typically have voted against company policy on certain key issues. Given the Fund’s strategy has an emphasis on social and governance matters, key examples include compensation/pay, over-boarded directors, and lack of perceived independence of board members.

However, engagement might also be used with regards to climate issues where applicable, for example with regards to disclosure and transparency, and environmental concerns.

Details of the teams' voting activity can be found in our 2023 Impact and Engagement Report, as well as on our website.

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. The GIB AM 2023 Impact and Engagement Report 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[7]. 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.

Below are examples of climate-related corporate level engagement and collaborative engagements GIB AM has undertaken during 2023:

Net Zero

In 2023, GIB AM has continued to engage with its passive clients about Net Zero. Given GIB AM's passive business is mostly segregated mandates, we are therefore guided by our clients with regards to what index to track. However, when looking at screening or integration sustainable indices, we believe that asset owners have the opportunity to contribute to reducing carbon emissions, and can do so without sacrificing returns or increasing their risk profile. We have held conversations with clients around net-zero and switching to sustainable indices.

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.

Blue Carbon

Our Chief Sustainability Officer and Head of Strategy provided comments as an expert reviewer to 'The Blue Carbon Booklet: Managing blue carbon as a nature-based solution for supporting sustainable development", published by the World Resources Institute Ocean Programme.

This is an essential guide to blue carbon ecosystems and the benefits they provide to people and nature. The handbook was developed to provide decision-makers with a broad understanding of blue carbon, and to help support decision-making and project implementation, covering topics ranging from sequestration potential of different blue carbon ecosystems to the policy landscape surrounding blue carbon and the carbon market and other financing options for blue carbon projects*.

[7] https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment

* https://oceanpanel.org/publication/blue-carbon/

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 CO2e / $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	21.1	145.2	52.6	12.6
Scope 3[8] upstream	241.8	282.2	314.7	277.1
Scope 3[8] downstream	194.7	415.5	290.1	493.7

GIB AM has chosen to include scope 3 emissions, as it understands that these emissions can represent the largest source of emissions for companies, especially for banks and insurance companies. The majority of overall emissions for banks and insurance companies are linked to their loan and project financing activities, rather than to their office operations. These emissions require measurement outside of a company's organisational boundaries, meaning that they are significantly harder to calculate. Reporting is less comprehensive for scope 3 emissions than it is for scope 1 and 2 emissions, however GIB AM believes that it should report consistently and transparently, and including scope 3 emissions helps to do so.

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 AM portfolios relative to the benchmark.

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).

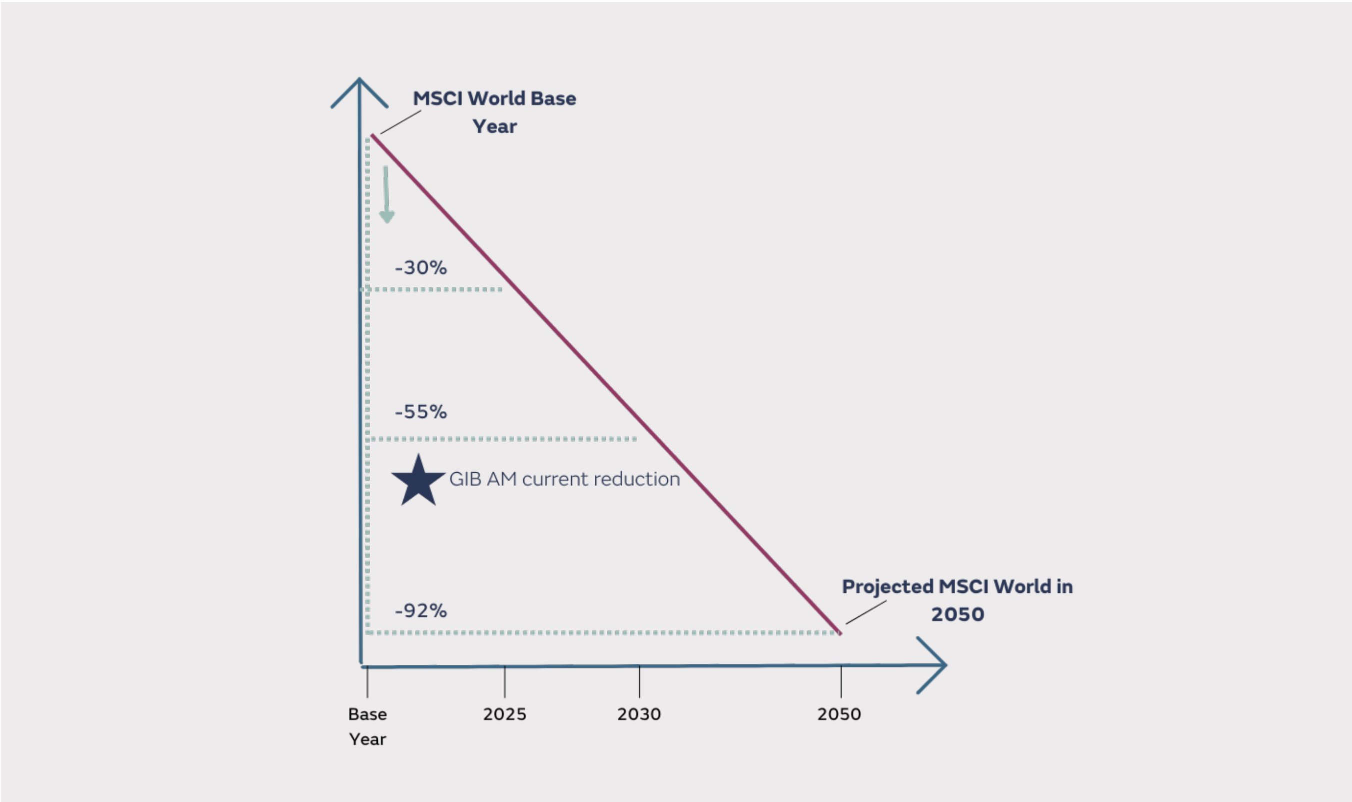
In 2023 we have been working on establishing portfolio reference targets for our other actively managed GIB AM European Focus and GIB AM Sustainable World Corporate Bond Funds, and these targets will be submitted in the near future.

Throughout 2023, we worked on setting NZAM targets for the GIB AM Emerging Markets Active Engagement Fund. Our analysis of guidance issued and engagement with the Institutional Investors Group on Climate Change (IIGCC), our NZAM partner, has led us not to include the Fund in scope for the time being. Previous guidance on setting targets has been more focused on Developed Markets, and we await further guidance specifically for developing markets to assist us in bringing the Fund into scope and setting targets. We will continue to work on setting targets and hope to bring the Fund into scope in due course.

[8] Scope 3 are emissions that are not produced by the company itself, but are indirect emissions that result from activities relates 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).

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 2022, financed emissions increased due to AUM increase. In 2023, even with an increase to AUM, the GIB AM Sustainable World Fund's financed emissions decreased, due to the majority of investee companies reducing their scope 1 & 2 emissions compared to previous years, as well as the sale of certain investee companies with extremely high emissions, such as Westrock and Orsted. We are outperforming ahead of the 2025 and 2030 targets, with Scope 1 & 2 emissions being 61% less than the projected benchmark emissions, seeing a total reduction of 72% vs. the benchmark base year figures.

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

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 2023, 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.

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)[9]		
Measured vs. estimated data	Assessed	Assessed	Assessed

In 2023, GIB AM improved its calculation methods, using data providers to challenge internal calculations, however by using different reasonable methods, different results can arise, and therefore a range has been established to incorporate all judgements. In 2023, 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 2023.

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 pre-industrial levels, and the Greenhouse Gas Protocol was applied in measuring and estimating operational carbon emissions.[10]

Scope 1

Scope 1 only includes fugitive emissions from refrigerants contained in GIB AM's office fridges. At around 3-4 tCO2e 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 4tCO2e.

Scope 2

Scope 2 emissions constitute purchased electricity for GIB AM's main offices and data centres. 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. 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.

Between 2019 and 2022, scope 3 emissions generated from business travel accounted for around 77% of our total emissions on average.

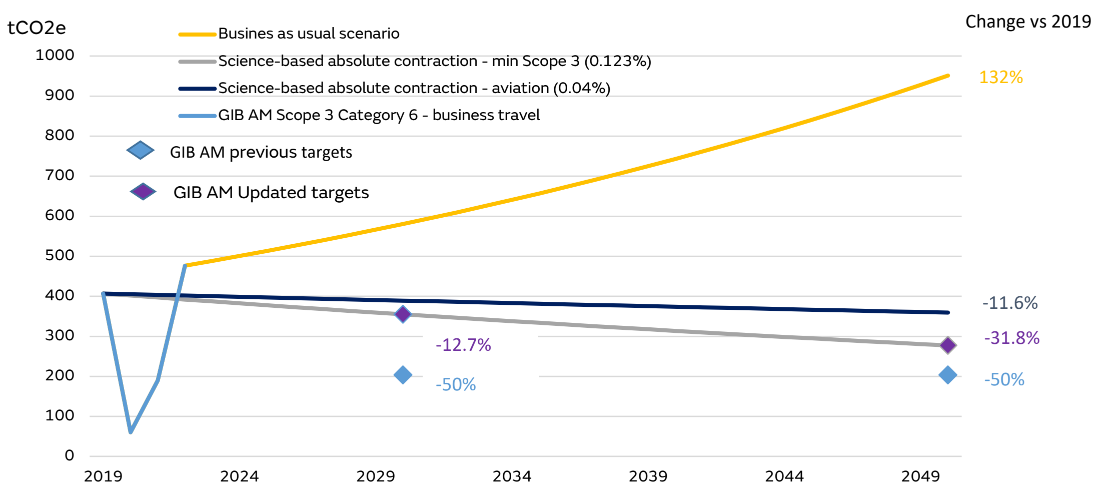
[9]Net_Zero_Investment_Framework_Implementation_Guide_Final.pdf

[10]For the detailed methodology, see: GIB-AM-Carbon-Emissions-Calculation-Methodology-VF.pdf (gibam.com)

Business travel is essential to GIB AM's value chain and reducing travel activities to reduce carbon emissions could adversely impact the firm's performance and ability to raise assets, reinforcing the need for appropriate targets. GIB AM has therefore conducted an in-depth evaluation to set an appropriate target for the reduction of scope 3 emissions associated with business travel (category 6).

The Science-based targets initiative (SBTi) provides guidance for targeting setting for users of aviation services[11]. 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 therefore 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.



In 2023, the carbon footprint of GIB AM's physical activities was 599.36 tCO2e (Table 7). Scope 1, 2 and 3 emissions increased relative to 2022. The main reason for this was the increase in business travel – both employee commute and overseas travel (scope 3). 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.

Our enhanced data collection efforts resulted in the inclusion of emissions from gas boilers and from the second data recovery site, which resulted in the slight increase in emissions (scope 1 and 2).

GHG emissions intensity also increased, albeit only marginally. GIB AM missed its targets in 2023, however we continue to look at how our operational emissions can be reduced further or maintained, such as considering an internal carbon price and sustainable aviation fuel. 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.

[11] SBTi_AviationGuidanceAug2021.pdf (sciencebasedtargets.org)

Table 10: GIB AM Carbon Footprint

GIB AM emissions	2019 tCO2e	2020 tCO2e	2021 tCO2e	2022 tCO2e	2023 tCO2e
Scope 1[12]	N/A	3.33[12]	3.83	3.82	5.59
Scope 2 Electricity consumed in office and in data recovery (DR) sites	73.37	63.3	34.1	37.2	44.58
Scope 3 Employee business travel[13]	409.94	60.9	194.89	492.31	549.19
Total	482.32	127.57	232.79	533.33	599.36
Intensity ratio: tCO2e / FTE[14]	5.82	1.64	2.71	5.08	5.12

Carbon Emissions Calculations

GIB AM published its 2023 Carbon Emissions Calculation Methodology, which was developed for the purpose of formalizing 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 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.

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.

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.

One of GIB AM's stated remuneration policy outcomes is to "Encourage effective risk management (including of sustainability and climate risk) and ensuring good governance and compliance with the appropriate financial services regulations".

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

[12] Only includes refrigerants as GIB AM does not have any company owned cars.

[13] Includes emissions from employee commute, taxis, flights and hotel stays

[14] Based on the following staff numbers: 83 (2019), 78 (2020), 86 (2021) and 105 (2022).

GIB AM may award performance-based variable remuneration. This is determined by a number of factors. In determining any such awards, the remuneration policy states that "consideration is given to climate change-related outcomes whether that be through their effective management through risk, compliance and audit processes, or through business performance measurement (including, but not limited to, through the Balanced Scorecard)".

- An indicative, non-exhaustive set of Climate Transition Plan-related performance indicators to be considered in executive remuneration includes:
- Scope 1, 2 and 3 operational carbon emissions relative to previous years and versus the targets, on an absolute and/or intensity basis;
- Portfolio emissions decarbonisation versus the benchmark and targets set;
- Investment performance of active asset management products;
- Assets under management in active asset management products;
- Relevant culture and conduct indicators; and
- Quality of engagements with industry initiatives on climate transition.

No specific percentage of executive management remuneration that is linked to Climate Transition Plan elements has been set to date. This will be reviewed in the future.

The following section outlines the metrics and targets associated with our investment strategies. The section also outlines our company wide metrics and targets.

Conclusion

The issue of climate change and its impacts, both today and in the future, has continued to grow in prominence over the past year. There have been numerous examples of the adverse impacts of climate change on the world, both from a financial perspective and considering the real-life impacts for people and the planet. Furthermore, despite continued focus by governments and companies, it is clear that climate risk will continue to materialise. That said, there also remain investment opportunities resulting from climate change whether that be mitigation or adaptation activities.

Covering governance, strategy, risk management, metrics and targets, this report outlines our approach and the enhancements made since the previous report. Whilst there remain areas of challenge for GIB AM, namely around full integration into the strategy and business model; embedding processes and procedures around climate risk and opportunity management; and regularising metric monitoring, all of which will be developed further in the coming years, GIB AM has continued throughout 2023 to enhance its approach to climate change risk and opportunity management. We have made strong progress, especially in our emissions reduction activities within our actively managed Sustainable World Fund, with financed emissions now being 61% less than the projected Benchmark emissions.

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.

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—whichever 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. This Fund does 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 estimates 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, relationship between patents and future green revenues are all based on assumptions. The CVaR solution also assumes that current valuations do not already 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)

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