



# Climate Transition Plan 2023

12th September 2023

# 1. Foundation

## 1.1 GIB AM's approach to transition planning

GIB Asset Management<sup>1</sup> (GIB AM) recognises the importance of transitioning to net zero by 2050 or sooner, and acknowledges its role in enabling and accelerating that transition in the real economy. Climate Transition Plans are a tool used by companies to demonstrate their commitment to achieving a net zero pathway, by detailing in an action plan format 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. Climate transition planning is at a relatively early stage globally, with guidance emphasising the requirement for companies to regularly revisit their plans to take on emerging best practice. As such, GIB AM commits to reviewing its Climate Transition Plan at least every three years.

**GIB AM's climate objective is to maintain net zero operational emissions and to align its Asset Management business' investment strategies with net zero emissions by 2050 or sooner.**

GIB AM's Climate Transition Plan, written in accordance with the Guidance from HM Treasury's Transition Plan Taskforce (TPT) released in April 2022, sets out GIB AM's action plan to achieve its climate objective. The plan is grounded in specific, measurable interim and long-term targets. These targets align with global commitments to limit global warming to no more than 1.5 degrees Celsius above pre-industrial levels and UK legislation to reach net zero emissions by 2050. They align with GIB AM's climate objective, covering both its operational and financed emissions.

GIB AM has committed to targets and metrics that are most impactful given the nature of its business and product suite. GIB AM commits to being transparent and regularly monitor its progress against the targets and metrics set, taking corrective action if necessary, and to publish its progress annually.

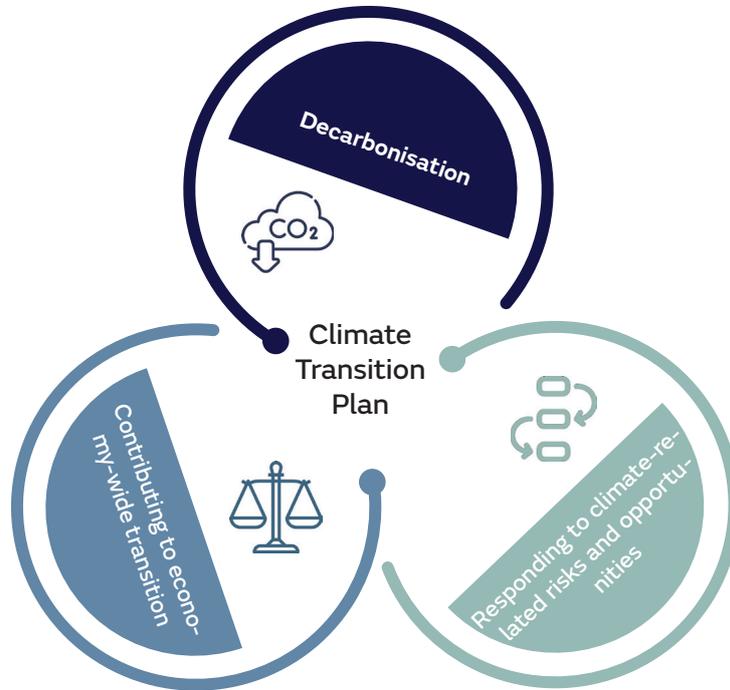
This Climate Transition Plan covers 100% of GIB AM's activities. These activities fall into three groups:

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.

<sup>1</sup>GIB Asset Management is the trading name of Gulf International Bank (UK) Limited



This Plan considers three inter-related channels through which GIB AM can take action: **Decarbonisation**, responding to **Climate-related risks and opportunities**; and **Contributing to the real-economy transition**.



### 1.1.1 Decarbonisation

This section summarises GIB AM’s decarbonisation objectives, priorities and targets.

#### *Operational emissions*

**GIB AM has been net zero operationally since 2019**, through use of carbon credits. The firm has previously set targets to reduce scope 1, 2 & 3 operational emissions by 50% by 2030.

GIB AM’s priority objective for operational emissions reduction is on upstream scope 3 emissions from business travel (category 6). This is by far the highest emitter, accounting for 91% of emissions in 2022. Other categories of scope 3 operational emissions are small, at less than 1% of scope 3 operational categories. Detailed data are provided in Section 4.

In comparison, the scope 1 and 2 emissions associated with GIB AM’s operational activities are small (totalling around 8% in 2022). Furthermore, GIB AM already moved to a higher efficiency office in 2020, as evidenced by the reduction in scope 2 emissions between the old and new offices. Further improvements would require engagement with the landlord (see Section 2).

#### **Objective 1: Reduce absolute scope 3 category 6 emissions from business travel (Reduce operational emissions)**

GIB AM’s operational emissions are small relative to its financed emissions, accounting for less than 1.3% of total emissions<sup>2</sup>.

<sup>2</sup> Upper bound has been estimated using operational emissions and financed emissions as at 31 December 2022 only from the GIB AM Sustainable World Global Equity Fund, GIB AM Emerging Market Active Engagement Fund and GIB AM Sustainable World Corporate Bond Fund. See Section 4 for further details.

## Asset Management

**GIB AM is actively engaged in aligning its offering of investment products and services with net zero emissions** (scope 3: financed emissions). GIB AM is one of the founding signatories of the Net Zero Asset Managers Initiative (NZAM), which commits to the management of assets in line with net zero by 2050 or sooner.

GIB AM's priority objective is to reduce emissions in its actively managed portfolios. GIB AM has set the following Asset Class Alignment Targets for its active equity products: 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.

### **Objective 2: Meet portfolio emissions targets for actively-managed investment portfolios (Investment decarbonisation)**

The GIB AM Sustainable World Global Equity Fund has set targets for financed emissions (scope 1 & 2) to be -30% vs benchmark by 2025, -55% vs benchmark by 2030, and -92% vs benchmark by 2050. At the time of becoming a signatory to NZAM, it was only the GIB AM Sustainable World Global Equity Fund that had been launched, but given GIB AM now has a suite of actively-managed investment portfolios, it is in the process of updating its asset-class specific targets and portfolio reference targets.

GIB AM has a small volume of assets under management in fixed income strategies. At the time of becoming an NZAM signatory, there was little guidance on target-setting for fixed income products to drive for real-world decarbonisation. However, GIB AM will bring fixed income assets within scope of its portfolio targets as a near-term action.

GIB AM has a significant volume of assets under management managed as index strategies. This means that the manager is required to track the benchmark. As a result, it is not possible to set net zero targets for this portion of GIB AM's overall portfolio, and therefore the passively managed accounts are considered out of scope for decarbonisation. Nonetheless, client engagement is possible to encourage the adoption of net zero aligned benchmarks (see Section 3.1).

## Treasury & Banking

An assessment was conducted of GIB AM's Treasury & Banking business using the PCAF (Partnership for Carbon Accounting Financials) methodology. This assessment concluded that there was little impact from these activities on the climate (scope 3: financed emissions)<sup>3</sup>, reflecting the short-term and transactional nature of the business activities being conducted. This in contrast to the long-term investment approach taken by GIB AM's Asset Management business.

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<sup>4</sup>, and given the nature of the transaction, it was concluded that it is not within GIB AM's power to influence decarbonisation goals as a holder of those bonds.

<sup>3</sup>See Section 7 Appendix.

<sup>4</sup>GIB AM's sovereign debt holdings represent less than 8% of the balance sheet (as at 31 December 2022), and GIB AM's total sovereign debt exposure as at 31 December 2022 was US\$700mn, compared to total global Sovereign, Supranational and Agency debt markets of around \$63tn (as at July 2023). Source: Bloomberg.



For the purposes of this Climate Transition Plan, **GIB AM therefore concluded that its Treasury & Banking business was carbon-neutral, over and above operational emissions.** Hence no objectives or targets have been set.

### 1.1.2 Responding to climate-related risks and opportunities

GIB AM considers two types of climate-related risks. Physical risks include changes to climate patterns and acute and chronic climate events. Transition risks encompass financial risks arising from changes in policy, regulation, technology, and customer sentiment.

GIB AM's management of these 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**<sup>5</sup>, and intends to focus on these products in its business development efforts.

**GIB AM integrates climate-related risk and opportunity assessments into investment strategies**, where relevant. 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.

**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.

Regular consideration is given to **climate-related opportunities as part of strategy and business planning**. This includes 'what if' analyses under different scenarios such as the Bank of England's Biennial Exploratory Scenarios. 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.

Engagement with **material**<sup>6</sup> **third-party supplier and outsourced partners** is another part of GIB AM's approach, as defined in GIB AM's Outsourcing Policy (2023), Third Party Risk Framework (2023) and Third-Party Supplier Code of Conduct (2022). The objective is to drive net zero transition through supply chain selection and engagement, increasing resilience of GIB AM's supply chain.

Of these areas, GIB AM has identified one objective to prioritise in relation to climate-related risks and opportunities.

**Objective 3: Scale assets under management in GIB AM's active investment products aligned with, or supporting, the climate transition (Grow aligned solutions)**

### 1.1.3 Contributing to economy-wide transition

GIB AM has assessed the levers at its disposal to contribute towards an economy-wide transition.

By far the most significant lever available was assessed to be through the asset management products and services that GIB AM chooses to offer, and how it integrates climate transition into those products. As a provider of capital, GIB AM can influence decisions made by investee companies pertaining to decarbonisation.

<sup>5</sup> See Section 1.2 for a description of how the products are aligned with or support the transition

<sup>6</sup> 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.

This takes place throughout the investment decision-making process – from initiation, engagement, proxy voting and finally if deciding to divest. GIB AM’s approach is set out in its [Responsible Investment Policy 2023](#) and [Stewardship Policy 2022](#).

GIB AM has not set an additional priority objective for ‘contributing to economy-wide transition’, and considers that this falls under **Objective 3 Grow aligned solutions**.

### 1.1.4 Interactions across channels of influence.

The TPT guidance suggests considering how the actions under each channel interact, and describing any trade-offs between objectives and priorities.

**Objective 2 Investment decarbonisation and Objective 3 Grow aligned solutions** are linked and there may be conflicts between them. For example, in selecting a new stock for inclusion in the GIB AM Sustainable World Global Equity Fund, the manager would have to consider current emissions, projected emissions and also the likely returns to be delivered by the stock. An alternative stock might have a lower emissions projection but also lower expected financial returns leading to a possible trade-off, given that the Fund must also deliver performance in line with its objectives.

Likewise the target could be met by substituting in stocks with lower emissions today, but that would impact real-world decarbonisation less than including a high-emitting stock and using the power of engagement to drive down emissions over time.

There may also be trade-offs between **Objective 1 Reduce operational emissions and Objective 3 Grow aligned solutions**. One reason for business travel is to visit portfolio companies for due diligence and engagement purposes – both of which are drivers of investment returns.

A second reason for travel is to build client relationships and encourage a shift into GIB AM’s active investment funds or indices that track net zero. As a result, if business travel is reduced to cap carbon emissions, there may be detrimental impacts on GIB AM’s ability to deliver performance and to raise assets.

### 1.1.5 Standards

Standards for climate transition plans are under continuous development. GIB AM will update and adapt its Climate Transition Plan in line with evolving standards on a periodic basis.

## 1.2 Business Model Implications

This section sets out how GIB AM has embedded the strategic ambition of its Climate Transition Plan in its business model, highlighting key implications.

### *Operational Impacts*

GIB AM is a financial services business and has low operational emissions.

Nonetheless, several operating model decisions have been influenced by GIB AM’s climate transition objectives.



**First, GIB AM moved to a more energy efficient office in 2020**, as evidenced by the reduction in scope 2 emissions. The building in which GIB AM rents its new office is EPC D-rated, falling short of the EPC A and A+ required to be consistent with net zero. GIB AM is committed to engaging with the landlord to encourage enhancements. A minimum C rating is expected to be required by legislation by 2028.

**Second, GIB AM has adopted hybrid working and video-conferencing technology.** Hybrid working has contributed to lower employee commuting-related emissions (scope 3 category 7 emissions). It has also helped to reduce business travel, as some meetings can be held virtually. It is likely that further investment in virtual working technology will be required over time to ensure that virtual working is as effective as possible. However, this is unlikely to be financially material in terms of operating or capital expenditure.

**Overall, there are no major changes planned.**

### *Asset Management*

**GIB AM took the decision to reorient its business around sustainable investing in 2018.** Recognising the opportunities from investing in line with sustainability drivers, GIB AM developed and launched a new suite of active asset management products that integrate sustainability in their investment decision-making processes.

**As a result, there are no significant business model implications for this Climate Transition Plan looking ahead.** However, GIB AM expects that, over time, there will be a shift in assets under management towards the recently-launched active products and away from less sustainability-focused active and non-climate aligned indexation strategies. Furthermore, further sustainable products will be considered as client demand and the market evolves over time.

**There will be a continued need to invest in the business and to ensure good investment decision-making.** This may require further operating expenditure over time: growing the investment teams; building skills, experience and knowledge; adding data and data systems (for example enhanced portfolio emissions reporting, reducing manual processes around ESG data analysis); incremental reporting requirements and associated systems. Such incremental expenditure has been captured within the general financial planning, rather than accounted for in isolation, given it does not only relate to climate. The volume of resources in the asset management part of the business is likely to grow relative to that accounted for by the Treasury business over time.

## **GIB AM active investment products**

GIB Asset Management has four flagship funds. All of the products adhere to the Sustainable Finance Disclosure Regulation (SFDR), and are classified as either Article 8 or Article 9.<sup>7</sup>

### *GIB AM Sustainable World Global Equity Fund*

**Founding Principle:** The greatest profits belong to the companies that can provide solutions to the world's greatest challenges facing both People and the Planet.

**Differentiation:** Investment process defines and tracks a number of mega and sub-themes.

**Process:** Companies are identified and assessed to determine their potential to deliver sustainable financial returns through their positive impact on the sub-themes.

<sup>7</sup> Article 9 funds are those with a clearly defined sustainable investment objective, while Article 8 funds promote ESG characteristics without a specific sustainable investment goal.

### *GIB AM Sustainable World Corporate Bond Fund*

**Founding Principle:** Delivering compelling long-term returns whilst investing in the most resilient businesses that are addressing the world's greatest challenges.

**Differentiation:** Relatively few fixed income strategies can deliver strong returns and the opportunity to invest sustainably.

**Process:** Framed by the same approach to global themes as Sustainable World Global Equity Fund, but expressed through the corporate bond market.

### *GIB AM Emerging Markets Active Engagement Fund*

**Founding Principle:** A differentiated, core, active Emerging Market strategy. Re-defining what true active management means.

**Differentiation: Incorporate** the tool of engagement across the portfolio – working alongside portfolio companies - to drive a change in company characteristics, unlocking hidden value in the process.

**Process:** The focus is on: Operational, strategic, capital allocation engagement to improve compounding power of a company; and governance alongside material social and environmental improvements to reduce the implied cost of capital, this drives a re-rating in valuations.

### *GIB AM European Focus Fund*

**Founding Principle:** Long-run stock market returns are driven by a small number of exceptional companies. The strategy aims to identify these businesses and own them over a meaningful timeframe.

**Differentiation:** Highly focused on understanding corporate culture as a key source of competitive advantage when assessing a business's potential and sustainability.

## *Treasury & Banking*

As the Treasury & Banking business has been concluded to have a largely neutral impact on climate, and there are no priority objectives relating to Treasury business activity, there are no business model implications from this Climate Transition Plan.

### *Material Interdependencies*

GIB AM's ability to deliver its Climate Transition Plan is dependent on a number of factors.

**Reducing business travel emissions is highly dependent on stakeholder requirements.** At present, many clients and potential clients require in person meetings with GIB AM colleagues, having seen a significant rebound in in-person requests since the lifting of COVID-related travel restrictions.

GIB AM's ability to deliver on its climate ambitions therefore will depend on how client behaviour changes, such as if they embrace a more climate-friendly approach. It will also depend on GIB AM colleagues' preferences and choices about travel.

The emissions associated with business travel will depend critically on the extent to which the aviation industry is able to transition to net zero. If solutions such as sustainable aviation fuel become mainstream, then this would support GIB AM's ability to transition.

The ability of the portfolio managers to deliver portfolio decarbonisation will be heavily dependent on the actions taken by companies in their portfolios, and, in turn, government and policy decisions. For example, if all companies globally were mandated to reach net zero by 2050, it would be significantly easier for GIB AM to deliver its asset class alignment targets, but harder to deliver an incrementally faster pace of decarbonisation in the GIB AM Sustainable World Global Equity Fund than the benchmark. Although engagement with companies can be a powerful tool, it must be recognised that any investor's power to influence real-world decarbonisation is more limited than that of those companies themselves.

GIB AM's ability to scale capital in its suite of products will depend on a number of factors. One key driver will be ensuring that all colleagues have the right training and support around climate transition, enabling them to make sound decisions whether that be in investment decisions or in supporting functions, and to deliver the required performance alongside decarbonisation goals. GIB AM's approach is to provide appropriate training and to include climate responsibilities in relevant role descriptions.

Another key determinant will be client demand. For example, it is not currently possible to deliver net zero whilst delivering index performance versus traditional benchmarks; to deliver the climate transition through indexation would require clients to stipulate the use of climate-friendly benchmarks. GIB AM's approach is to engage with clients to help them understand climate risks and opportunities, and the available investment products (see Section 3).

## 2. Implementation Strategy

This section sets out the roadmap of short-, medium- and long-term actions GIB AM will take to deliver on its strategic ambition set out in this Climate Transition Plan.

### 2.1 Business planning, operations, products & services

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.

GIB AM has set out a number of implementation actions.

	Objective	Time Horizon	Implementation actions
1	<b>Reduce absolute scope 3 category 6 emissions from business travel</b>	Short Term	<p><b>1.1</b> Work with colleagues to find practical ways to minimise business travel-related emissions:</p> <ul style="list-style-type: none"> <li>▪ Reduce the need to travel, e.g. by substituting travel with video conferences;</li> <li>▪ Modality shift for necessary travel, e.g. from aviation to high speed rail;</li> <li>▪ Supplier selection e.g. flying with more efficient airlines;</li> <li>▪ Seating selection, e.g. flying in economy rather than premium seating; and</li> <li>▪ Route selection, e.g. flying only for less GHG intensive medium-long haul travel.</li> </ul>
		Short term	<b>1.2</b> Consider the adoption of an internal carbon budget / price to help travellers understand the impact of their choices, and act as a nudge to reduce emissions.
		Medium Term	<b>1.3</b> Investigate use of alternative fuels, e.g. direct procurement of biofuels <sup>8</sup> .
2	<b>Meet portfolio emissions targets for actively-managed investment portfolios</b>	Short Term	<b>2.1</b> Develop relevant interim supplementary targets specifically for GIB AM Emerging Markets Active Engagement and GIB AM European Focus Funds.
		Short term	<b>2.2</b> Bring GIB AM Sustainable World Corporate Bond Fund into scope of target-setting, agreeing appropriately ambitious targets.
		All horizons	<b>2.3</b> Engage with portfolio companies to encourage them to deliver real-world decarbonisation.
3	<b>Scale assets under management, in GIB AM's actively managed investment products aligned with, or supporting, the climate transitions</b>	All horizons	<b>3.1</b> On-board new clients whilst delivering to existing client expectations.

GIB AM has not quantified the contribution of each separate action to the achievement of the priority objectives. For 1.1-1.3, that reflects the high levels of uncertainty around the likely impacts from each action. The outcome of items 2.1 and 2.2 will be quantification of the decarbonisation pathway for each Fund. Action 2.3 has not been possible to quantify at this stage. For item 3.1, by 2026, GIB AM envisages having a \$15bn+ asset management business, the majority of growth deriving from the actively-managed offering.

<sup>8</sup> Use of sustainable aviation fuels (SAF) by consumers has not been formally recognised by the Greenhouse Gas Protocol. However, SBTi provides guidance on how corporate SAF procurement can, if meeting certain criteria, be used to meet SBTi scope 3 targets. See p32 [https://sciencebased-targets.org/resources/files/SBTi\\_AviationGuidanceAug2021.pdf](https://sciencebased-targets.org/resources/files/SBTi_AviationGuidanceAug2021.pdf).

## 2.2 Policies and conditions

This section outlines how GIB UK's internal policies and conditions align with the objectives and priorities set out in the Climate Transition Plan. All policies have an Executive Sponsor and are approved by at least a GIB AM Management Committee, and for some, by the Board. All policies are reviewed, and updated as required, on a regular basis, usually every 18 months.

### *Operational emissions*

GIB AM does not have any policies in place specifically for operational carbon emissions.

A comprehensive **Greenhouse Gas Emissions Calculation Methodology** is in place. This covers how emissions are measured and estimated.

The **Travel Policy** contains some requirements around the selection of travel options. This includes using economy class where flights are short, and placing limits on the use of first class<sup>10</sup>. This will contribute to **Objective 1 Reduce operational emissions**.

GIB AM has an **Outsourcing and Third-Party Supplier Code of Conduct**<sup>11</sup>. This encourages the firm's suppliers to establish clear commitments and targets within their environmental policies to improve their environmental footprint. An ESG assessment forms part of the on-boarding process, and some suppliers may not be selected if they fall short of the required criteria.

GIB AM has an **Environmental and Social Policy**<sup>12</sup>. This covers expectations around impacts on the environment and people, including aspects relating to culture such as employee wellbeing, equality, diversity and inclusion.

### *Asset Management*

GIB AM has implemented a **Stewardship Policy**<sup>13</sup>, with a clear escalation and voting policy, that is consistent with its ambition for all assets under management to achieve net zero emissions by 2050 or sooner.

GIB AM has a **Responsible Investment Policy**<sup>14</sup> that acts as the guardrails to its investment approach. Prior to and over the life of an investment, GIB AM assesses and monitors potential negative impacts on sustainability by investee companies. A general set of exclusions are in place, furthermore each strategy has some specific exclusions.

Both of these policies are important for achieving **Objective 2 Investment decarbonisation and Objective 3 Grow aligned solutions**.

### *Treasury & Banking*

Treasury & Banking activity is governed by a series of policies and the key conditions are dictated by GIB AM's Risk Appetite Statement.

<sup>9</sup> GIB AM has interpreted 'conditions' from the TPT Guidance as referring to risk appetite limits.

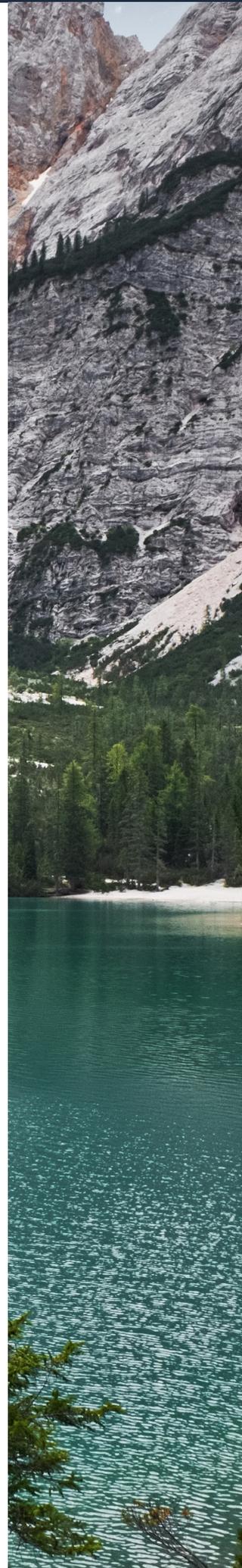
<sup>10</sup> Carbon footprint of first class is higher than economy in large part due to lower passenger density

<sup>11</sup> <https://gibam.com/assets/GIB-UK-Outsourcing-and-Thirdparty-upplier-code-of-conduct-2023.pdf>

<sup>12</sup> <https://gibam.com/assets/GIB-AM-Environmental-and-Social-Policy-2022.pdf>

<sup>13</sup> [https://gibam.com/assets/Stewardship-Policy\\_2022.pdf](https://gibam.com/assets/Stewardship-Policy_2022.pdf)

<sup>14</sup> [https://gibam.com/assets/GIB-AM-Responsible-Investment-Policy-2023\\_VF.pdf](https://gibam.com/assets/GIB-AM-Responsible-Investment-Policy-2023_VF.pdf)



## 2.3 Financial planning

As outlined in Section 1, the major changes to GIB AM's strategy to align with the climate transition were initiated with its strategic refresh in 2018. A significant investment was made in the business, concentrated in 2019-2022 to achieve the associated strategic goals. That included: on-boarding new investment teams and personnel; developing and launching four UCITS funds; building a new sustainability team; growing the climate-related risk management expertise and frameworks; and related investments in supporting data, systems and infrastructure.

**GIB AM does not envisage a further step change in operating or capital expenditure for GIB AM to deliver the priority objectives set out in this Climate Transition Plan.** No research and development activity on climate solutions is planned. There are no expected one-off restructuring costs to align with a lower-carbon operating model.

Nonetheless, there will be aspects of **increased business-as-usual spending** that may also contribute to the objectives outlined in this document. As explained in Section 1.2, further investment may be needed with respect to operational efficiencies such as the office building and to support continued adoption of hybrid working and video technology. With respect to **Objective 3 Scale aligned solutions**, continued investment in the asset management area is likely to be needed to ensure good investment decision-making and drive performance. As the investment volumes scale, further investment is likely to be needed in people. Training and development costs are included in business-as-usual training budgets. There are no incremental costs expected for **Objective 2 Investment decarbonisation**.

**There are not expected to be material changes to asset valuations and asset lives** as a result of delivering this Climate Transition Plan, nor therefore on depreciation. As a financial services business, GIB AM is itself asset-light, with the more significant risks to its portfolio holdings. Reflecting that (see Section 4.2), a Key Risk Indicator (KRI) is monitored that measures the performance of GIB AM's seed capital holdings under physical and transition risk scenarios.

GIB AM does not anticipate there being an impact on revenue from implementing the plan outlined to deliver **Objective 1 Reduce Operational Emissions and Objective 2 Investment decarbonisation** in this Climate Transition Plan.

GIB AM's strategy business plan is predicated on **incremental revenue streams** from the new investment management products and services that GIB AM has developed and launched over the past two years, consistent with **Objective 3 Grow aligned solutions**. By 2026, GIB AM envisages having a \$15bn+ asset management business, the majority of growth deriving from the actively-managed offering.

## 2.4 Sensitivity analysis

This section discloses the key assumptions and dependencies underlying GIB AM's business, operational, and financial plans and implications for achieving the firm's strategic ambition in its Climate Transition Plan if these central assumptions are not met.



The plans outlined in Section 2.1 depend of the following key assumptions, and the impacts if these are not proved correct are explained.

### *Operational emissions*

- **Increase in availability of renewable energy in the UK:** Holding down GIB AM's operational scope 2 emissions would be significantly easier if the share of renewables in the UK electricity grid were to increase, and hence the UK emissions factor were to fall. Reducing scope 2 emissions is not one of the priority objectives in this plan, but nonetheless it would be beneficial if more of the electricity for the office could be sourced from renewables.
- **Substitutes for or low-carbon technology for aviation.** In order to reduce gross emissions for business travel, an assumption has been made that either demand for in-person activity will fall or there will be a technological solution to aviation emissions. Without either development, this plan envisages having to rely significantly on carbon offsets even in 2050.

### *Asset Management*

- **Policy and regulatory change:** It is expected that government and regulatory policies will encourage portfolio companies to decarbonise. Over time, this should result in an increase in the proportion of companies in investment benchmarks to be committed to aligning with net zero and ultimately with 100% actual alignment by 2050 or whatever date is specified in the relevant economies' national plans. Without this policy support, it would be significantly more challenging for GIB AM to deliver portfolio decarbonisation and asset class alignment targets.
- **Link between climate resiliency and investment returns:** Several of GIB AM's investment strategies include the hypothesis that value can be generated by more effective management of climate risk or taking advantage of climate opportunities. A key assumption is that the investment manager can find ways to exploit this, in line with investment guidelines, and thereby deliver superior returns. If this proves incorrect, it will be challenging to deliver **Objective 3 Grow aligned solutions**. Similarly, if investors significantly underestimate the impact and costs from climate change, any resultant repricing of assets / volatility may be challenging to navigate.

## 3. Engagement

This sections outlines how GIB AM plans to engage with its stakeholders to deliver its Climate Transition Plan objectives.

### 3.1 Engagement with value chain

#### *Operational*

As explained in Section 1.1.1, GIB AM has not set a decarbonisation objective relating to its supply chain, as this channel is judged to be second order relative to its financed emissions portfolio. Nonetheless, GIB AM includes criteria relating to climate change in its selection of new suppliers, and also considers this as part of periodic reviews. Where suppliers are assessed to have relatively weak scores, GIB AM aims to engage with them, encouraging the suppliers to have commitments and targets in place to improve their carbon footprint, or switch provider to one that is net-zero aligned.

GIB AM will engage with its office building landlord to encourage energy efficiency improvements to the building.

## Asset Management

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

## GIB AM Fund engagement approaches

### Emerging Markets Active Engagement (EMAE) Fund

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

### Sustainable World Fund

Adding enhanced value is core to the GIB AM Sustainable World Fund investment philosophy. The manager seeks to accomplish this by building strong relationships and engaging with investee companies to drive change. GIB AM believes that the engagement may drive actual positive change in tackling global sustainability challenges, and generates potential alpha in our portfolio returns.

Furthermore, proxy voting is a key part of engagement. It provides an opportunity to exercise our rights as owners of companies, including on topics relating to climate transition.

### Other products

The GIB AM European Focus Fund and GIB AM Sustainable World Corporate Bond Fund also use engagement as a tool in their investment approach. Their specific approaches to support the net zero transition will be developed in the short term.



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.

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.

GIB AM aims to discuss information and analytics with asset owners about net zero investing. For example, GIB AM's 2022 Impact and Engagement Report provides assets owners with data about the Funds' carbon footprints, as well as the details of engagement undertaken with portfolio companies with regards to net zero.

### *Treasury & Banking*

Given there are no transition objectives for the Treasury & Banking business, no engagement is undertaken. As noted, where there are scope 3 emissions associated with activities (through the purchase and sale of government bonds), GIB AM has little to no scope to influence climate outcomes through its small holdings.

## 3.2 Engagement with industry, government and civil society

GIB AM is committed to engaging with entities within its industry, and beyond, to support its climate transition objectives. It aims to ensure that any relevant direct and indirect policy advocacy undertaken is supportive of achieving global net zero emissions by 2050 or sooner.

Highlights of recent engagement include:

- **Climate Financial Risk Forum:** Contributed towards the Climate Disclosures Dashboard Guide, published as part of the latest set of guides to help the financial sector develop its approach to addressing climate-related financial risks and opportunities. The Climate Financial Risks Forum is jointly chaired by the FCA and PRA. GIB AM was also included as an example of disclosing a 'stretch' metric good practice.
- **Taskforce for Nature-related Financial Disclosures (TNFD):** GIB AM is an official supporter of TNFD. It contributes to work streams, such as adoption readiness for the new standards.
- **Friends of Ocean Action:** Friends of Ocean Action is a group of over 70 ocean leaders who are fast-tracking solutions to the most pressing challenges facing the ocean. The mission of Friends of Ocean Action is to use knowledge, means and influence to help the international community take the urgent steps needed to "conserve and sustainably use our ocean, seas and marine resources for sustainable development". There have been several initiatives within this group that relate to GIB AM's Climate Transition Plan, such as encouraging entrepreneurs who are tackling ocean sustainability issues and supporting the development of the Blue Carbon Principles.

GIB AM participates in a number of membership bodies and supporters' alliances. As part of its consideration when joining new bodies, GIB AM considers the alignment of their and GIB AM's objectives on climate transition. All bodies of which GIB AM is a member must be assessed to be either neutral on climate or whose work and aims contribute to the net zero transition, or GIB AM would not join such organisations. In addition to those mentioned above, these are: Taskforce for Climate-related Financial Disclosure (TCFD), Institutional Investors Group on Climate Change (IIGCC), CDP, UN Principles for Responsible Investment (UN PRI), UK Finance, UN Principles for Responsible Banking (UN PRB), Investment Association, and International Financial Reporting Standards (IFRS) Alliance.

GIB AM does not engage directly with government, public sector or civil society. All such engagement takes place via membership bodies.

## 4. Metrics and Targets

This section outlines the metrics that GIB AM considers most impactful given the nature of its business. It also explains the targets that have been set, which are monitored on a regular basis with the aim of putting in place timely corrective action if required. GIB AM publishes its progress against its targets and metrics on an annual basis in its Annual Report.

### 4.1 Operational emissions

#### Metrics

GIB AM applied the Greenhouse Gas Protocol in measuring and estimating operational carbon emissions<sup>15</sup>. By far the largest category is scope 3 emissions, apart from during the Covid pandemic when business travel was significantly reduced.

GIB AM emissions	2019 tCO <sub>2</sub> e	2020 tCO <sub>2</sub> e	2021 TCO <sub>2</sub> e	2022 tCo <sub>2</sub> e
<b>Scope 1<sup>16</sup></b>	N/A	3.31	3.83	3.82
<b>Scope 2</b>				
Electricity consumed in office <sup>17</sup> and in data recovery (DR) sites <sup>18</sup>	73.37	63.3	34.1	37.2
<b>Scope 3</b>				
Category 1: Purchased goods and services <sup>19</sup>	N/A	N/A	9.68	0.45
Category 3: Fuel and energy-related activities	6.23	4.87	2.29	2.59
Category 5: Waste generated in operations	0.096	2.31	0.02	0.01
Category 6: Business Travel <sup>20</sup>	406.82	60.32	189.96	476.50
Category 7: Employee commuting <sup>21</sup>	3.12	0.58	0.82	1.73
<b>Total</b>	<b>489.64</b>	<b>134.69</b>	<b>240.70</b>	<b>522.30<sup>23</sup></b>
Intensity ratio <sup>22</sup>	5.90	1.73	2.80	4.97

<sup>15</sup> For the detailed methodology, see: <https://gibam.com/assets/GIB-AM-Carbon-Emissions-Calculation-Methodology-VF.pdf>

<sup>16</sup> Only includes refrigerants as GIB AM does not have any company owned cars.

<sup>17</sup> Electricity bills are provided by building management. No account was taken of home use.

<sup>18</sup> DR site emissions estimated for the year estimated using Q1 data as a proxy. This is because full yearly data were not available due to the provider not providing the data.

<sup>19</sup> Emissions from the procurement of capital goods (Category 2) are aggregated into Category 1 calculation, given the very limited procurement of capital goods. Note that this has been restated for 2022 following an improvement to the methodology to use the emissions generated from new procurement in the specified reporting year, rather than emissions resulting from the material use of all goods and services owned or controlled by GIB AM, irrespective of whether they were purchased in the specified reporting year. Restatement was to reduce emissions by 2.64 CO<sub>2</sub>e.

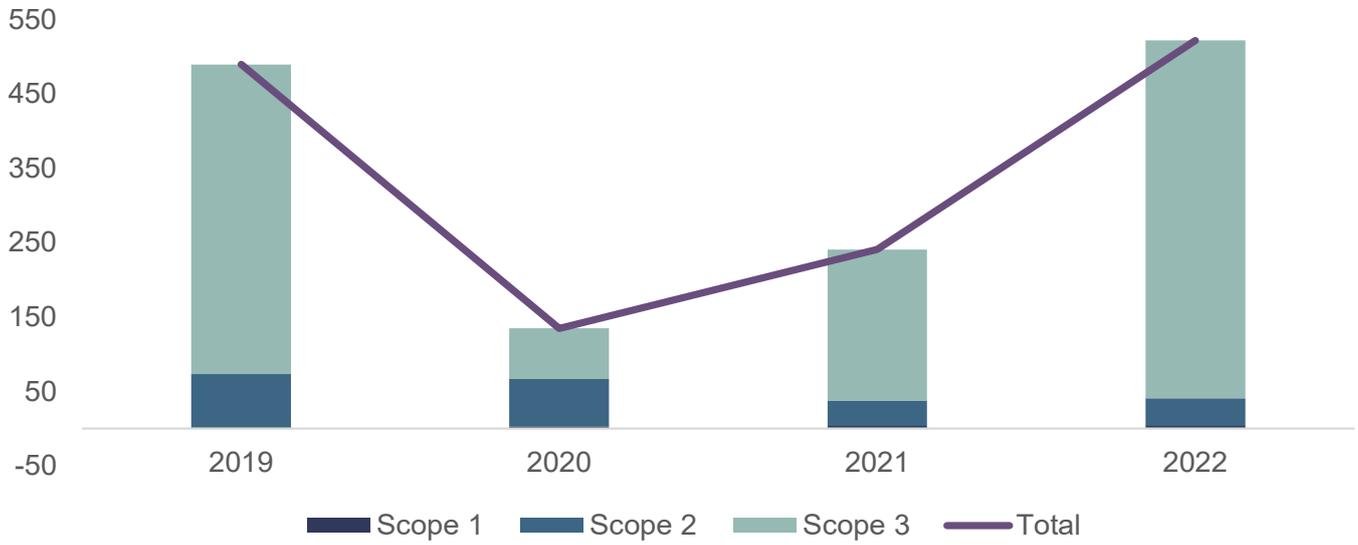
<sup>20</sup> Includes emissions from taxis, flights and hotel stays only, reflecting assessment of materiality for GIB AM. See procedures for further details.

<sup>21</sup> Average commute time provided by the Department of Transport was used to estimate travel kilometres, and employee method of travel was assumed to be in line with London average. Assumptions were made for number of days working from home. Taxi km were estimated using the GBP amount spent on taxis. Estimates used based on London black cab pricing. Hotel night emission factor depends on hotel country location. Where country emission factors were not available, estimates were used.

<sup>22</sup> Based on the following staff numbers: 83 (2019), 78 (2020), 86 (2021), 105 (2022).

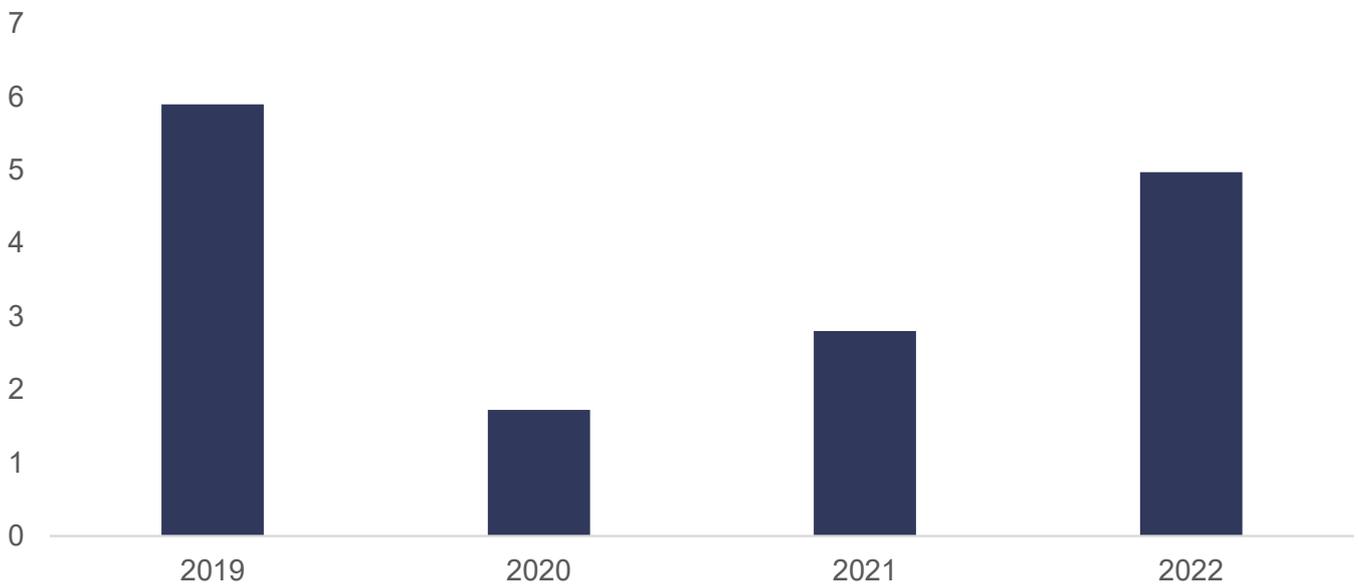
<sup>23</sup> Restated from 2022 TCFD Report due to restatement of Category 1 purchased emissions. See footnote 19.

Chart 1: Greenhouse gas emissions by scope\*



\*Source: GIB AM

Chart 2: Greenhouse gas emissions intensity\*



\*Source: GIB AM

## Targets

GIB AM has set ambitious climate-related targets to advance its Climate Transition Plan. The targets were chosen to be consistent with temperature warming of no greater than 1.5 degrees Celsius above pre-industrial levels.

In 2019, GIB AM set itself a target to reduce overall carbon emissions by 50% by 2030, and to reduce emissions by 50-55% by FTE.

In this Climate Transition Plan, the targets have been reviewed, and disaggregated targets have been adopted.

### Scope 1

Scope 1 emissions only includes fugitive emissions from refrigerants contained in GIB AM's office fridges. At around 3-4 tCO<sub>2</sub>e per years, 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 new target has been set to **maintain scope 1 emissions at less than 4 tCo<sub>2</sub>e.**

### 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. As discussed in Section 1.2, 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. That was in line with the 50% reduction target set out.

The target will 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.

### Operational 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.

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



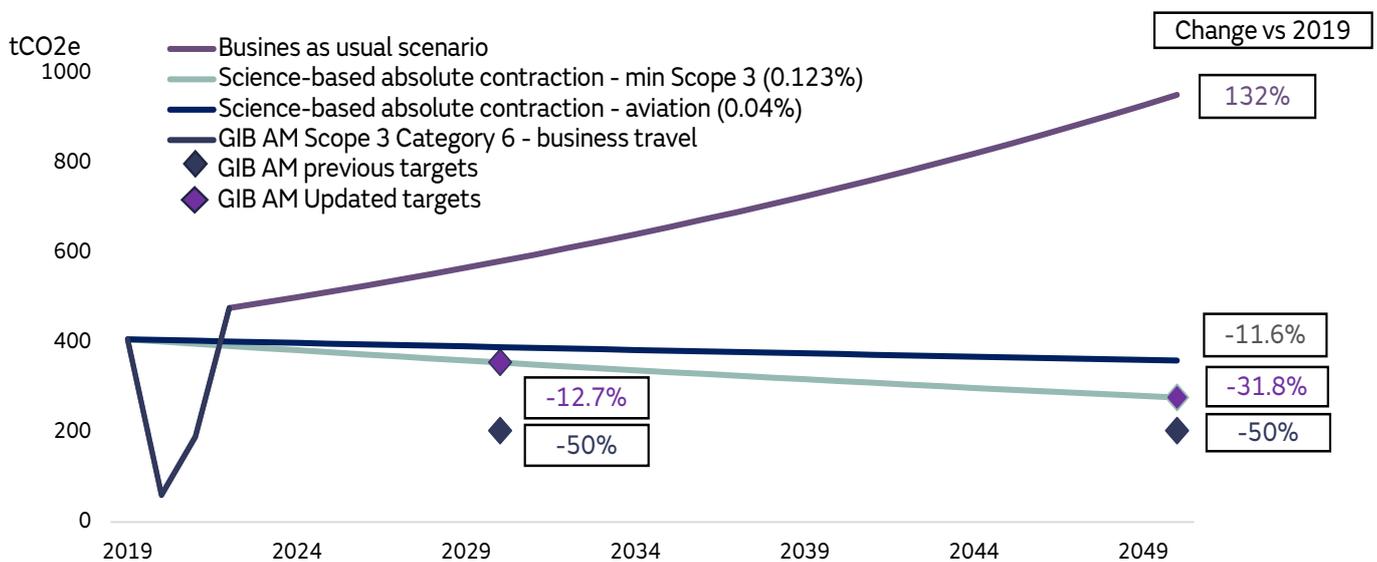
Business travel is essential to GIB AM’s value chain and reducing travel activities to reduce carbon emissions could adversely impact the firm’s performance and ability to raise assets, reinforcing the need for appropriate targets.

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<sup>24</sup>. It concludes that an absolute contraction method should be used. Two targets are suggested: 0.4% per year (2019-2050) based on the aviation sector specifically, and 1.23% per year as the minimum annual linear reduction permissible for scope 3 targets. By 2050, these would result in a reduction in GIB AM emissions by around 12% and 32% respectively compared with a 2019 baseline (Chart 3). 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 traveller market for sustainable aviation fuel, it has concluded that the previous target reduction of 50% by 2030 is overly ambitious. GIB AM has therefore revised up the 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.



\*Source: GIB AM analysis and SBTi Guidance

**Business as usual:** Assumes growth in scope 3 emissions of 2.5% per year, based on typical GDP growth rates

<sup>24</sup> [https://sciencebasedtargets.org/resources/files/SBTi\\_AviationGuidanceAug2021.pdf](https://sciencebasedtargets.org/resources/files/SBTi_AviationGuidanceAug2021.pdf)

**Summary of Targets**

Type	Emissions reduction of			
	Scope 1	Scope 2	Scope 3	Scope 3
Target	Flat	-50%	-31.9% by 2050 (equivalent to -0.123% per year)	-70% by 2050
Absolute or intensity		Absolute	Absolute	Intensity
Time horizon	All horizons	All horizons	Long term	Long term
Base year	2020	2019	2019	2019
Interim targets	N/A	N/A	-12.7% by 2030	-40% by 2030
Metric	tCO2e	% reduction	% reduction	% reduction
Units	tCO2e	tCO2e	tCO2e	tCO2e/FTE
Measured vs. estimated data	Measured	Measured and estimated	Measured and estimated	Measured and estimated

**4.2 Asset Management**

**Metrics**

GIB AM tracks financed emissions for all its investment funds.

Weighted average carbon intensity (tons CO2e / \$m sales)*	GIB AM Sustainable World Global Equity Fund (SWF)	GIB AM Emerging Markets Active Engagement (EMAE) Fund	GIB AM Sustainable World Corporate Bond Fund (SWCBF)
Scope 1+2	43.6	72.1	216.9
Scope 3 <sup>25</sup> upstream	251.3	293.3	273.2
Scope 3 <sup>25</sup> downstream	196.7	212.5	456.8

Source: MSCI ESG Research Carbon Calculator, as at 31/12/2022

NB: the European Focus Fund had not been launched as at year-end 2022, so is not included in this table.

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.

**Targets**

Target-setting has followed the Paris Aligned Investment Initiative (PAII) Implementation Guide.

<sup>25</sup> Net Zero Investment Framework Implementation Guide Final.pdf

<sup>26</sup>Scope 3 are emissions that are not produced by the company itself, but are indirect emissions that result from activities related to the business, however occur outside of the company’s direct control. Scope 3 emissions can be further broken down into two categories: upstream (purchased goods and services) and downstream (sold goods and services).

GIB AM has set an interim target of the proportion of assets to be managed in line with net zero by 2050 or sooner. This covers all actively managed equity assets. Indexation / passive assets are not yet included, as mainstream indices cannot yet be said to be consistent with net zero. Active Fixed Income assets are also not yet covered, due to the active fixed income fund being launched late in 2022, but setting such targets is included as Action 2.2 (see above). The proportion of assets in scope as at 31 July 2023 was 1.9%, largely reflecting the high volume of index solutions. The interim targets for 2030 are consistent with a fair share of the 50% global reduction in CO2 identified as a requirement in the IPCC special report on global warming of 1.5°C.

GIB AM is required to review interim targets at least every five years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are included. The next review date for the interim target is at least by October 2026.

**Asset Class Alignment Targets: Active equity assets**

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”
<b>Absolute or intensity</b>	N/A	N/A	N/A
<b>Time horizon</b>	Short term	Long term	Long term
<b>Base year</b>	N/A	N/A	N/A
<b>Interim targets</b>	By 2025	By 2030	By 2035
<b>Metric</b>	Percentage of assets		
<b>Units, methodologies and definitions on which this metric relies</b>	Percentage. Definitions for each group of assets defined as per the PAII Net Zero investment framework (see section 7.2 for the full set of criteria). <sup>25</sup>		
<b>Measured vs. estimated data</b>	Assessed	Assessed	Assessed

In the Sustainable World Global Equity Fund, the proportion of in-scope assets as at 31 December 2022 that was ‘committed to aligning, ‘aligning with net zero’ aligned with net zero’ or ‘achieving net zero’ was 85%.

**Portfolio Reference Targets - GIB AM Sustainable World**

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

NB: Portfolio reference targets are point-in-time

The PAII Net zero investment framework was used to define the methodology for the portfolio reference targets. The point in time targets were based on the IPCC P2 scenario (with no or limited overshoot) and on GIB AM’s own estimates. Scope 3 data were excluded from the targets due to concerns about lack of available data.

As at 31 December 2022, in the Sustainable World Global Equity Fund, the reduction in point-in-time scope 1 & 2 emissions versus the benchmark was 73%.

**4.3 Treasury & Banking**

There are no metrics and targets set for the Treasury & Banking business.

**4.4 Carbon Credits**

GIB AM has not been able to reduce its gross carbon emissions to zero, nor does it expect to be able to reach gross zero emissions by 2050 despite its best efforts.

It therefore believes that it will require the use of some offsets to achieve net zero in 2050. Given that, and as a proponent on tackling climate change as early as possible, GIB AM believes that it should invest in carbon credits today in order to support the net zero transition – both to reduce net emissions today and to support the development of a thriving supply of carbon credits globally. Specifically, GIB AM has committed, since 2019, to achieving net zero in its operational emissions, achieved through purchasing offsets.

The figures included in this report show gross emissions only, rather than netting off the offsets purchased in each year.

Carbon offsets are not used in GIB AM’s investment portfolios, nor does GIB intend to offset its scope 3 financed emissions.



The offsets used by GIB AM in the past have been largely nature-based carbon removal credits. However, for 2022 emissions, GIB purchased a bundle of carbon credits through the Regional Voluntary Carbon Market initiative. This included both nature and technology-based credits, such as cook-stoves, solar and wind projects.

A range of providers have been used in the past, however, GIB AM requires all providers to supply evidence that the carbon credits have been prepared consistent with recognised global standards, for example, VERRA’s Verified Carbon Standard (VCS) and the “Core Carbon Principles” established by the Integrity Council for the Voluntary Carbon Market (Integrity Council). The Integrity Council’s ‘Core Carbon Principles’ establish a set of threshold standards for high-quality, high-integrity carbon credits which seek to minimise the negative impacts associated with the voluntary carbon market. Additionally, GIB AM requires providers to have received independent third-party verification against those standards.

GIB AM’s use of carbon credits is reported annually.

**GIB AM Carbon Credits**

	2020	2021	2022
<b>Number</b>	200 tonnes CO2e	250 tonnes CO2e	534 tonnes CO2e
<b>Cost</b>	£1,800	£1,500	UK trees £2,958 RVCM credits - price cannot be disclosed
<b>Type</b>	Tree planting	Tree planting	Tree planting and bundle of carbon credits
<b>Codes and certification</b>	Verified Carbon Standard (VCS)	Woodland Carbon Code	Wood Carbon Code / Verra
<b>Provider</b>	Carbon Footprint Ltd	Time4Trees	Regional Voluntary Carbon Market Company (RVCM) and Time4Trees

Source: GIB AM

**5. Governance**

This section outlines GIB AM’s arrangements for ensuring sound and effective governance of the Climate Transition Plan.

**5.1 Board oversight and reporting**

The Board of Directors is responsible for overseeing the Climate Transition Plan. This includes considering the Climate Transition Plan elements in wider strategy, risk management and decision-making on resource allocation. The Board takes collective responsibility, and has not designated a specific Director to take the lead on the Climate Transition Plan. GIB AM is a fully owned subsidiary of Gulf International Bank BSC, and the Climate Transition Plan is not subject to shareholder approval nor an advisory vote.

A draft of the Climate Transition Plan was shared with the Board and approved at its September 2023 meeting.

The following references are made to governance of climate-related risks and opportunities in GIB AM's Governance Framework and associated Terms of Reference for the Board and its Committees. References to the environment and climate should be interpreted as including climate transition, and hence GIB AM's Climate Transition Plan.

**Individual Directors' Responsibilities:** In line with the Companies Act Section 2006 sections 171 to 177, Directors must consider the long-term consequences of any decision, including the impact of the company's operations on the environment.

The Board is responsible for:

- 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 Climate Transition Plan);
- The review and approval of management's plan to manage financial risks from climate change and other sustainability-related factors and oversee their execution; and
- Reviewing the Balanced Scorecard and associated business performance indicators (which may include climate-related targets).

**Audit and Risk Oversight Committee (AROC):**

- AROC ensures that the financial risks from climate change are embedded into the Risk Management Framework; and
- AROC evaluates GIB AM's financial and non-financial risk profile and risk monitoring, including Key Risk Indicators (KRIs) for financial and non-financial risk, which includes those pertaining to climate risk.

**Nomination and Remuneration Committee (NRC):**

- NRC reviews and approves senior control function pay, including the holder of the Senior Management Function responsible for integrating the financial risks from climate within GIB AM's Risk Management Framework;
- NRC reviews, considers, and approves aggregate salaries and performance awards, incorporating considerations relating to performance against sustainability targets; and
- The NRC also makes 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 change, climate risk and net zero targets.

It is anticipated that the Climate Transition Plan will be reviewed by the Board on at least a rolling 3-year basis. Progress updates against the plan's objectives and priorities are expected to be shared with the Board on at least an annual basis.

## 5.2 Management's roles, responsibility and accountability

Responsibility for the activities required to deliver the Climate Transition Plan is held by a number of individuals at Senior Management level (Executive Committee members). Ultimately, the CEO is accountable for the delivery of the Climate Transition Plan.



Individual	Responsibilities as per role descriptions	Relevant Climate Transition Plan element
<b>Chief Sustainability Officer &amp; Head of Strategy</b>	<ul style="list-style-type: none"> <li>Leads GIB AM's efforts to embed sustainability, including climate, considerations across GIB AM; and</li> <li>Leads specific sustainability-related projects and initiatives, both internally and externally-facing.</li> </ul>	<ul style="list-style-type: none"> <li>Oversight and delivery of the Climate Transition Plan, including the setting and review of targets and monitoring of progress against them;</li> <li>Overseeing scope 3 business travel emissions and reduction strategy (Objective 1), working with all colleagues who travel on business and especially business development and investment teams;</li> <li>Preparation of business strategy &amp; plan for Board approval, to include product offering aligned with net zero; and</li> <li>Engagement with industry and industry bodies on climate change.</li> </ul>
<b>Chief Risk &amp; Compliance Officer</b>	<ul style="list-style-type: none"> <li>Has responsibility for managing climate change risk by integrating risks from climate change within GIB AM's 2022 Risk Management Framework;</li> <li>Responsible for reviewing and enhancing the types and quality of metrics used to assess climate-related risks, recognising that data availability is still challenging and methodologies need to be improved; and</li> <li>Responsible for ensuring GIB AM compliance with existing and new regulation and guidance, which includes that linked to climate change.</li> </ul>	<ul style="list-style-type: none"> <li>Elements of this plan relating to risk management, including key risk indicators; and</li> <li>Engagement with industry and industry bodies on climate change.</li> </ul>
<b>Head of Equities</b>	<ul style="list-style-type: none"> <li>Responsible for managing climate related risk and opportunities as part of the ongoing equity investment strategies at GIB AM.</li> </ul>	<ul style="list-style-type: none"> <li>Delivery of portfolio decarbonisation against targets (Objective 2);</li> <li>Delivery of investment performance in net zero aligned strategies and funds (Objective 3); and</li> <li>Engagement with portfolio companies on net zero.</li> </ul>
<b>Head of Fixed Income</b>	<ul style="list-style-type: none"> <li>Responsible for managing climate related risk and opportunities as part of the ongoing equity investment strategies at GIB AM.</li> </ul>	<ul style="list-style-type: none"> <li>Delivery of portfolio decarbonisation against targets (Objective 2);</li> <li>Delivery of investment performance in net zero aligned strategies and funds (Objective 3); and</li> <li>Engagement with portfolio companies on net zero.</li> </ul>
<b>Head of Treasury</b>	<ul style="list-style-type: none"> <li>Responsible for managing risks within the Treasury department.</li> </ul>	<ul style="list-style-type: none"> <li>Contribution to the assessment of climate impact of business and on-going updates to ensure assessment of climate neutrality remains appropriate.</li> </ul>
<b>CEO</b>		<ul style="list-style-type: none"> <li>Responsibility for business development activity, and hence scaling assets in net zero aligned strategies (Objective 3); and</li> <li>Engagement with clients on net zero.</li> </ul>
<b>COO</b>		<ul style="list-style-type: none"> <li>Responsibility for material third-party and outsourcing relationships, including engagement on net zero goals.</li> </ul>
<b>CFO</b>		<ul style="list-style-type: none"> <li>Reporting and assurance on transition metrics and objectives where included in mainstream financial reporting.</li> </ul>

The preparation of the Climate Transition Plan was led by the Sustainability Team. It was managed as a working group in a broader Sustainability Reporting project. The project reports to a Steering Group comprising several members of senior management, and which itself reports regularly to the Executive Committee. As a result, this brought together individuals from departments across the firm (Projects, Sustainability, Asset Management, Treasury, Risk, Legal, Compliance & Finance), and helped to promote cross-company ownership of the Climate Transition Plan and embed a consistent approach across the firm.

Reporting on Climate Transition Plan performance indicators, as well as delivery risks and how these are being mitigated and managed, is to the Executive Committee. Escalation to enable challenge or concerns in relation to the Climate Transition Plan is also through the Executive Committee, and ultimately to the Board.

Key corporate procedures, systems and decision-making processes have been updated to support the delivery of this plan, but further work is needed to embed this.

- **Objective 1 Reduce operational emissions:** Scope 3 category 6 business travel emissions are collected ex-post, rather than a carbon budget being set and imposed prior to booking corporate travel. Furthermore, the system is not fully automated, so colleagues are not equipped with the full information about the impact of their travel decisions on the organisation's footprint. However, procedures for the calculation of operational emissions have been fully documented. Reporting is on a quarterly basis.
- **Objective 2 Investment decarbonisation:** Applicable portfolio decarbonisation targets are considered in the investment decision-making process. Reporting is on an annual basis.
- **Objective 3 Grow aligned solutions:** Investment performance is subject to oversight by the Investment Risk & Performance Committee. Monthly performance reporting is provided to management and quarterly to the Board. Business development activity is overseen by the Executive Committee, with quarterly reporting both to that management body and to the Board. Furthermore, the Product and Client Governance Committee ensures that products are suitable for clients, that they meet regulatory requirements, and that they remain profitable for GIB AM.

The Climate Transition Plan has not been subject to external assurance, nor to internal audit. However, GIB AM's Sustainability function is subject to regular internal audits and future such audits are expected to include the Climate Transition Plan. Furthermore, the scope 1 and 2 data in this report have undergone limited assurance by an independent external auditor.

## 5.3 Culture

GIB AM has put climate transition centrally in its Business Plan, and aims to ensure that its strategy and culture are supportive of delivering the envisaged climate transition.

When describing its strategy for 2023, it included the following in its Business Plan:

*“The world is in a critical state. As well as the range of social challenges we face, the key planetary challenge is the need to deliver Net Zero by at least 2050, with a halving of global emissions by the end of this decade. We believe this transition will only happen through the combined efforts of governments, policy-makers, individual consumers and enabled by finance. At GIB AM, our vision is to change how capital is allocated to deliver a more sustainable future for both people and the planet. We can each make a contribution as individuals, such as how we choose to consume, but the potential for impact through our work at GIB is much greater – billions rather than thousands of dollars of impact”.*



This sentiment flows through into GIB AM's culture and approach, with the aim of ensuring alignment between GIB AM's climate ambitions and commitments with behaviour and ways of working of colleagues. A number of programmes/initiatives have been put in place to support this. These include:

- **Employee incentives.** All colleagues have an **objective** to champion the target culture. GIB AM sets out the following key behaviours, on which all colleagues are assessed: working together; seeking better client outcomes; and being inclusive and ethical. Within these, examples are provided of positive behaviours, and this specifically includes 'showing appreciation and supportive of GIB AM's commitments to sustainability';
- **Inclusion in recruitment practices and role descriptions.** GIB AM has included sustainability-related responsibilities in many role descriptions, and has embedded sustainability in recruitment processes. Specifically, GIB AM has hired investment personnel with specific expertise in sustainable investing (including climate). Questions around attitudes to, and understanding of, sustainability are included as standard in interview processes; and
- **Communication & engagement.** GIB AM incorporates climate transition topics and themes in its regular communication to raise awareness and drive engagement. For example, this includes publishing insight articles on investment topics relating to climate, contributing to publications, and speaking at events about the climate transition. Climate-related events are often marked, such as the launch of Carbon Disclosure Project's (CDP) science-based targets campaign, London's Climate Action Week 2023, and World Ocean Day.

GIB AM is a small firm, and so it was able to engage a large proportion of colleagues in preparing the Climate Transition Plan. This was coordinated through the Working group and Steering group.

## 5.4 Incentives and remuneration

GIB AM aligns remuneration and incentives structures with its strategic objectives and business plan. This includes the priority objectives set out in this 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".

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.

## 5.5 Skills, competencies and training

GIB AM aims to ensure that it has the appropriate skills, competencies and knowledge across the organisation to design, develop and deliver the Climate Transition Plan effectively.

In relation to the Board, GIB AM's Nomination and Remuneration Committee makes 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 change, climate risk and net zero targets. This is typically done on an annual basis using a Skills Matrix. The outcome of the exercise is typically either recruitment of new Directors with the required skills, or training is added to the annual Director training schedule. This is in addition to training provided to new Directors.

A number of training sessions have been provided to the Board over the past few years on climate change and associated risks and opportunities.

In relation to colleagues, all individuals are offered training as part of their personal development plans and training programmes are organised centrally where HR or the business identifies general gaps.

This has resulted in a series of climate-relevant training programmes and activities in the past, including: Responsible Investment, Taskforce for Climate-related Financial Disclosure, Sustainability Leadership, Climate & Sustainability Risk, Greenhouse Gas Accounting, Sustainable Finance Disclosure Regulation (SFDR) and other regulatory developments. Training has specifically covered individuals with significant responsibilities for Climate Transition Plan elements, but has not been limited to that.

A number of individuals at GIB AM have received externally-awarded certifications for their efforts. This includes: GARP Sustainability & Climate Change Certificate; CISL Sustainable Finance Certificate; CFA Responsible Investment Certificate; Climate Competent Board Certificate and Designation (CCB.D); and ISO 14064: 2018 Greenhouse Gas Inventories & Measuring Carbon Footprint Certificate.

An assessment of skills and knowledge gaps will be undertaken on a periodic basis. Training will continue to be provided to support the implementation of the Climate Transition Plan, as understanding of climate risks and opportunities evolves, and as new colleagues join the firm.



Terms	Definition
<b>AROC</b>	GIB AM Audit and Risk Oversight Committee
<b>AUM</b>	Assets under management
<b>Category 6</b>	Scope 3 emissions from business travel in vehicles owned or operated by third-parties
<b>Category 7</b>	Scope 3 emissions from the transport of employees in third-party transportation providers
<b>Climate-related opportunities</b>	Defined by the Taskforce for Climate-related Financial Disclosures as Efforts to mitigate and adapt to climate change also produce opportunities for organizations, for example, through resource efficiency and cost savings, the adoption of low-emission energy sources, the development of new products and services, access to new markets, and building resilience along the supply chain.
<b>Climate-related risks</b>	Divided by the Taskforce for Climate-related Financial Disclosures (TCFD) into two major categories: (1) risks related to the transition to a lower-carbon economy and (2) risks related to the physical impacts of climate change
<b>Decarbonisation</b>	The actions the entity is taking to reduce its greenhouse gas emissions, reduce its impact on the climate and align with net zero. For example, reducing scope 1, 2 and 3 emissions (from the Transition Plan Taskforce)
<b>EMAE</b>	GIB AM Emerging Markets Active Engagement Fund
<b>EMT</b>	European MiFID Template
<b>EPC</b>	Energy Performance Certificate
<b>ESG</b>	Environmental, Social and Governance
<b>Executive Committee</b>	GIB AM Senior Management
<b>FCA</b>	Financial Conduct Authority
<b>Financed emissions (CO<sub>2</sub>e)</b>	The greenhouse gas emissions linked to investment and lending activities of financial institutions
<b>FTE</b>	Full Time Employee
<b>GHG Protocol</b>	The Greenhouse Gas Protocol
<b>GIB AM</b>	GIB Asset Management (includes Treasury & Banking)
<b>HM Treasury</b>	His Majesty's Treasury
<b>IFRS</b>	International Financial Reporting Standards
<b>IIGCC</b>	Institutional Investors Group on Climate Change
<b>ISO 14064</b>	An international standard for quantifying and reporting greenhouse gas emissions
<b>KRIs</b>	Key Risk Indicators
<b>MiFID</b>	Markets in Financial Instruments Directive
<b>NRC</b>	GIB AM Nomination and Remuneration Committee

<b>NZAM</b>	Net Zero Asset Managers Initiative
<b>PAII Net Zero Investment Framework</b>	Paris Aligned Investment Initiative Net Zero Investment Framework
<b>PCAF</b>	The Partnership for Carbon Accounting Financials
<b>PRA</b>	Prudential Regulation Authority
<b>RAS</b>	GIB AM's Risk Appetite Statement
<b>RCVM</b>	Regional Voluntary Carbon Market Company
<b>SAF</b>	Sustainable Aviation Fuels
<b>SBTi</b>	Science Based Targets Initiative
<b>Scope 1 emissions</b>	Defined by The Greenhouse Gas Protocol as direct greenhouse gas emissions that occur from sources that are owned or controlled by a company
<b>Scope 2 emissions</b>	Defined by The Greenhouse Gas Protocol as indirect greenhouse gas emissions associated with the purchase of electricity, steam, heat or cooling
<b>Scope 3 emissions</b>	Defined by The Greenhouse Gas Protocol as all other indirect emissions that occur in the upstream and downstream activities of an organisation
<b>SFDR</b>	Sustainable Finance Disclosure Regulation
<b>SWCBF</b>	Sustainable World Corporate Bond Fund
<b>SWF</b>	Sustainable World Global Equity Fund
<b>TCFD</b>	Taskforce for Climate-related Financial Disclosures
<b>tCO<sub>2</sub>e</b>	Tonnes (t) of carbon dioxide (CO <sub>2</sub> ) equivalent €
<b>The Board</b>	GIB AM Board
<b>The Integrity Council</b>	The Integrity Council for the Voluntary Carbon Market
<b>TNFD</b>	Taskforce for Nature-related Financial Disclosures
<b>TPT</b>	Transition Plan Taskforce
<b>UCITS</b>	Undertakings for Collective Investment in Transferable Securities
<b>UN PRB</b>	United Nations Principles for Responsible Banking
<b>UN PRI</b>	United Nations Principles for Responsible Investment
<b>VCS</b>	Verra's Verified Carbon Standard

## 7. Appendix

### 7.1 Treasury & Banking PCAF scope determination exercise

GIB AM has undertaken an assessment of its on-balance sheet assets as at 31 December 2022 associated with the Treasury and Banking business's activities, to assess their carbon emissions.

The Partnership for Carbon Accounting Financials (PCAF) reporting criteria were used. The process used was to identify whether GIB AM asset classes fell within the PCAF scope, and, if so, to estimate emissions using the PCAF methodology.

GIB AM's Treasury and banking business is highly specialised, and has a rather different business model from the vast majority of banks. In particular, no lending to clients is undertaken by GIB AM. As a result, significant interpretation was required of the PCAF guidance as applied to GIB AM. Indeed, a reasonable argument could be made for inclusion or exclusion of asset classes in some instances. Furthermore, there is significant flexibility within the PCAF asset class definitions that permits financial institutions some discretion over specific criteria, such as defining "short-term duration" and so it was important to agree on definitions that were appropriate for GIB AM's business model and activities.

The table below explains the assets included on GIB AM's balance sheet and summarises the rationale for the decision whether or not the assets should be considered in scope.

### 7.2 Governance processes

The project was led by the Sustainability team, with inputs from stakeholders across various departments. The Project Lead reviewed the balance sheet to identify the assets that could be deemed in-scope under specific PCAF asset class definition criteria. The findings were then presented to the Steering Group. These members were called upon to assess the inclusion or exclusion of the assets, in accordance with the PCAF asset class definitions, with the majority view determining the outcome where it was not possible to achieve a consensus.

### 7.3 Table of results

Asset	Prospective Asset Class	Steering Group Scope Determination	Decision Rationale	Additional Information
Placements (Financial Institutions)	Business Loans & Unlisted Equity	Excluded	Placements with financial institutions, i.e. deposits made for purposes such as a) liquidity management, b) regulatory requirements were excluded on the basis that they do not adhere to the criteria set out in the PCAF's definition of "business loans". In contrast to collateralised lending, these placements do not engender the depositing institution any legal control over the recipient bank's operations in case of default.	An argument was made that the financial institutions with which the deposits are placed could use placements to grant loans, and hence could be considered business loans. However, the lack of control over the bank's operations was concluded to be the most material factor.
Placements (Central Banks)	Sovereign Debt	Excluded	Placements with central banks, fundamentally deposit transactions, should be excluded since under PCAF, financial institutions' cash exposure to central banks is not considered in scope according to the PCAF criteria for the sovereign debt asset class.	
Reverse Repos	Business Loans & Unlisted Equity	Excluded	Reverse repos were excluded as they are legally sale and repurchase agreements with unique tax and regulatory implications. While functionally similar to loans in terms of cash flows, they are secured transactions, not conventional loans. The legal framework grants buyers full control over securities, unlike collateralised loans, thus necessitating adherence to the legal definition.	An argument was made that reverse repos can be viewed as collateralised lending, presenting challenges to exclusion. The exercise, focused on applicability with PCAF definitions, requires a conceptual assessment of the asset's applicability for reporting, whereas the Risk Appetite Statement (RAS) assessment monitors risk. Since reverse repos function like collateralised loans, a risk assessment based on functionality was deemed sensible for the RAS and its purpose, but not for a conceptual assessment of applicability with the PCAF definitions.
Trading Securities (Sovereign Fixed Income)	Sovereign Debt	Included	These securities align with PCAF's sovereign debt class and include only central government-issued securities.	
Trading Securities (Corporate Fixed Income)	Corporate Bonds & Listed Equity	Excluded	Excluded due to short duration and PCAF's exclusion of such assets. The Steering Group applied a <=5 year threshold, a common boundary across industries and markets.	The boundary for "short duration" was debated; some proposed 3 years versus 5 years.
Seed Capital	Business Loans & Unlisted Equity	Excluded	Exclusion was based on the fact that emissions from seed capital into funds are accounted for in Asset Management business' financed emissions, avoiding double counting under GHG Protocol and PCAF Standard.	

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