2022

ASSET
MANAGEMENT

GIB Asset Management
Climate-related Financial Disclosures

ASSET MANAGEMENT

Contents

Introduction 3

Glossary 4

Governance 5

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

Strategy 8

- Corporate strategy
- Climate risk and opportunity identification and impact: strategic scenario analysis
- Other ways our organisation considers climate-related risks and opportunities
- Transition to a lower-carbon economy
- Investment strategies
- Equities
  - Sustainable World
  - Emerging Markets Active Engagement
  - Indexation Strategies
- Fixed Income
  - Sustainable World Corporate Bond
- Strategic implications
- Exclusions
- Active ownership

Risk management 16

- Climate-related risks identification, assessment, mitigation, monitoring and reporting
- Scenario and stress tests

Metrics and targets 18

- Financed emissions targets
- Financed emissions metrics
- Operational emissions targets & metrics

Conclusion 21

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).

It covers the reporting year 1 January 2022 – 31 December 2022.

Both our Treasury & Banking and Asset Management businesses are covered in these disclosures.

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.

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.

In assessing climate-related risks and opportunities, we believe that it is important to consider both how these factors affect us as an entity, but also the impact GIB AM has on the climate through its activities. This report should also therefore be read in conjunction with our Impact and Engagement Report, which aims to explain the impact of our active investment activities on people and the planet.

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,
CFO, GIB Asset Management
April 2023

Glossary

AROC	Audit and Risk Oversight Committee
AUM	Assets under management
the Board	GIB UK Board
CEO	Chief Executive Officer
CO2	Carbon Dioxide
DR	Data Recovery
ESG	Environmental, Social and Governance
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
GIB AM	GIB Asset Management
GIB UK	Gulf International Bank (UK) Limited
H2	Second half of the year
ICAAP	Internal Capital Adequacy Assessment Process
IPCC	Intergovernmental Panel on Climate Change
IT	Information Technology
MSCI ESG Rating	Letter score provided by third-party rating agency MSCI, which includes likelihood of climate risk impact on company
NRC	Nomination and Remuneration Committee
NZAM	Net Zero Asset Managers Initiative
PAIs	Principle Adverse Impacts
PRA	Prudential Regulation Authority
RAS	Risk Appetite Statement
RCSA	Risk and Control Self-Assessment
SBTi aligned	Confirms whether company targets are ratified by third-party SBTi
TCFD	Taskforce for Climate-related Financial Disclosures
TPT	Transition Plan Taskforce
UN	United Nations
UN SDGs	United Nations Sustainable Development Goals

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	▪ Reviewing and approving GIB AM management's plan to manage financial risks from climate change and overseeing its execution
Audit and Risk Oversight Committee (AROC)	▪ Ensuring that the financial risks from climate change are embedded into the 2022 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 (which includes those relating to climate change)
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 (UK)'s 2022 Risk Management Framework ▪ Reviewing, considering and approving aggregate salaries and performance awards (which includes incorporating considerations relating to performance against sustainability targets) ▪ Making recommendations to the Board on whether the Board has an appropriate balance of skills, experience and knowledge to dis-charge its responsibilities (including with respect to climate risk)

Information is provided to the Board and its Committees in a number of ways. In particular, AROC receives climate risk-related metrics in its Risk & Compliance Dashboard on a quarterly basis. The Board receives a regular paper on sustainability-related issues, usually half-yearly.

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.

Table 2: Management responsibilities for climate-related risk

Individual/group	Responsibilities
Chief Risk & Compliance Officer	▪ Has responsibility for managing climate change risk by integrating risks from climate change within GIB AM's 2022 Risk Management Framework. ▪ 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. ▪ Responsible for ensuring GIB AM compliance with existing and new regulation and guidance, which includes that linked to climate change
Head of Strategy	▪ Leads GIB AM's efforts to embed sustainability, including climate, considerations across GIB AM ▪ Leads specific sustainability-related projects and initiatives, both internally and externally-facing
Head of Equities	▪ Responsible for managing climate related risk and opportunities as part of the ongoing equity investment strategies at GIB AM
Head of Fixed Income	▪ Responsible for managing climate related risk and opportunities as part of the ongoing equity investment strategies at GIB AM
Head of Treasury	▪ Responsible for managing risks within the Treasury department

GIB AM's Management Committees support the Board with their climate-related responsibilities, according to the remit of the respective committees. For example, the Asset & Liability Committee includes in its 2022 Terms of Reference:

- 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
- Endorsing any new, or material changes to climate/ESG/Sustainability risk policies prior to submission to the AROC/Board

The Business Risk Committee reviews and monitors climate change risks on a monthly basis as part of regular risk reporting. The Investment Risk & Performance Committee reviews information relating to investment performance, which may include information relating to climate issues.

There is no separate Sustainability Committee for GIB AM business that is solely dedicated to addressing sustainability and climate-related topics. We believe that sustainability and climate-related risks and opportunities are integral to our business, and so are embedded in all committees.

GIB AM operates a Three Lines of Defence model. All three 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:** Independent Assurance – Internal Audit provides independent assurance to senior management, 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 2022 Risk Management Framework and reports independently to AROC.

Strategy

Corporate Strategy

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

Climate risk and opportunity identification and impact: strategic and scenario analysis

In order to identify climate-risks and opportunities as relevant for our business strategy, we:

- reviewed research on climate-related issues;
- conducted 2022 Risk and Control Self-Assessments on our business;
- reviewed guidance from regulators and other relevant bodies (such as the PRA/FCA Climate Financial Risk Forum);
- utilised scenario analysis from previous years (both at a strategic level and for certain portfolios);
- analysed the credit review process for Treasury counterparties; and
- reviewed peer information.

Following our analysis, we identified a number of climate-related risks and opportunities (Table 3 & 4). Past scenario analysis helped us to assess whether these risks and opportunities were likely to be material, but we also made qualitative judgements in preparing the assessment. These assessments are highly uncertain and the time frames set out are highly judgemental.

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; caused by both disruption in oil prices and transitioning away from oil	Short term (<2 years)
	Application of carbon price to GIB AM's greenhouse gas emissions	Medium term (2-5 years)
	Loss of market share, caused by not adapting sufficiently and in a timely manner to changing client demand for more low carbon products	Medium term (2-5 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 (2-5 years)
Other climate related riks	Poor perception of GIB AM, especially if we do not adequately support the transition to a lower carbon economy	Medium-long term (2-5 years+)
	Litigation due to incomplete or inaccurate disclosures of GIB AM's direct or indirect environmental impact	Medium-long term (2-5 years+)

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

Table 4: GIB AM material climate-related opportunities

Risk type	Risk
Scale AUM in investment solutions that aim to take advantage of the transition to a net zero economy.	Short (<2 years), medium (2-5 years) and long-term (2-5+ years) for delivering investment returns

Impact of climate-related risks and opportunities

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

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

- **Products and services.** Over the past few years, we have expanded our product range and all our UCITS funds promote ESG characteristics and/or have a sustainable investment objective. As a result, all our UCITS funds consider climate change risk in their investment approach, and we hope that this will position them well to take advantage of the opportunities from climate change, and to manage the associated risks.
- **Supply chain and/or value chain.** Our supply chain mainly consists of professional service activities (such as accountancy), 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 2022 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.
- **Acquisitions or divestments.** These are not part of our business strategy at the corporate level, and so have not been considered
- **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.
- **Access to capital.** The main consideration was how climate change might impact our clients and hence deposit / asset levels.

The main way in which climate-related risks and opportunities feed through into the financial planning process is through the financial forecasts for asset management revenue and costs. As discussed, that is because we view the new active management product range that has been developed as directly responding to climate change. This covers financial planning for the horizon up to 5 years ahead.

We ran a qualitative analysis in both the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP). The analysis continued to show that climate risks were immaterial to our capital and liquidity requirements.

Transition to a lower-carbon economy: Climate action plan

We have made a number of commitments that are relevant for enabling a lower carbon economy**:**

- We are one of the founding signatories of the Net-Zero Asset Managers Initiative. This requires a commitment to support the goal of net zero greenhouse gas emissions by 2050, in line with global efforts to limit warming to 1.5°C. It also commits to support investing aligned with net zero emissions by 2050 or sooner. (Table 5) summarises the commitments made, action plan and latest progress.
- As a UK-based organisation, we recognise 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).

The priority area for 2023 is to consider the climate transition strategy for our Treasury business in greater detail.

See also the section on metrics and targets.

Table5: Net Zero Asset Manager Commitment progress update

Commitment	Action plan & progress
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	We have strong relationships with our asset owner clients, and aim to discuss their decarbonisation goals with them. Over 2022, there was generally growing interest in discussing sustainability-related topics.
Set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner	We have set an interim target of the proportion of assets to be managed in line with net zero by 2050 or sooner. This covers all our 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 our active fixed income fund being launched late in 2022.
Review interim target 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.
Set interim targets for 2030, consistent with a fair share of the 50% global reduction in CO_2 identified as a requirement in the IPCC special report on global warming of 1.5°C	We have set interim targets for 2030 for in-scope assets consistent with a fair share.
Take account of portfolio Scope 1 & 2 emissions and, to the extent possible, material portfolio Scope 3 emissions	We measure Scope 1, 2 & 3 emissions for all portfolios.
Prioritise the achievement of real economy emissions reductions within the sectors and companies in which we invest	We prioritise the achievement of real economy emissions reductions within the sectors and companies in which we invest. Engagement with these companies is prioritised based on an AUM/Emissions basis. We mainly invest in low emitting industries, where these industries are not yet compelled to set Net Zero targets, however we foresee the number of companies setting Net Zero targets to increase over the next year.

Commitment	Action plan & progress
If using offsets, invest in long-term carbon removal, where there are no technologically and/or financially viable alternatives to eliminate emissions	We do not use offsets in our investment portfolios
As required, create investment products aligned with net zero emissions by 2050 and facilitate increased investment in climate solutions	We have developed several strategies aligned with net zero emissions by 2050: The Sustainable World Fund and Sustainable World Corporate Bond Fund. We are actively marketing these solutions.
Provide asset owner clients with information and analytics on net zero investing and climate risk and opportunity	We aim to discuss information and analytics with asset owners about net zero investing. For example, our 2022 Impact and Engagement Report provides assets owners with data about the Funds' carbon footprint, as well as the details of engagement undertaken with portfolio companies with regards to net zero.
Implement a stewardship and engagement strategy, with a clear escalation and voting policy, that is consistent with our ambition for all assets under management to achieve net zero emissions by 2050 or sooner	Our 2022 Stewardship Policy covers the escalation and voting policy. Our engagement in 2022 for the Sustainable World Fund focused on net zero.
Engage with actors key to the investment system including credit rating agencies, auditors, stock exchanges, proxy advisers, investment consultants, and data and service providers to ensure that products and services available to investors are consistent with the aim of achieving global net zero emissions by 2050 or sooner	We engage with actors across the system on net zero topics, for example PRA/FCA Climate Financial Risk Forum. We also aim to engage with our suppliers, in line with our Outsourcing and Third-Party Supplier Code of Conduct.
Ensure any relevant direct and indirect policy advocacy undertaken is supportive of achieving global net zero emissions by 2050 or sooner	We ensure that any relevant direct and indirect policy advocacy undertaken is supportive of achieving global net zero emissions by 2050 or sooner. We do not undertake any direct advocacy activity, and we expect that all of our membership / partnership organisations support the achievement of net zero by 2050 or sooner.
Publish TCFD disclosures, including a climate action plan, annually, and submit them to the Investor Agenda via its partner organisations for review to ensure the approach applied is based on a robust methodology, consistent with the UN Race to Zero criteria, and action is being taken in line with the commitments made	This document sets out our TCFD disclosures, including our climate action plan. In 2022, we made disclosures through the CDP platform.

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	GIB AM absolute reduction targets in place (see below), and we put in place several initiatives to reduce our Scope 1 & 2 emissions (such as moving to a more energy efficient office in 2020). The main challenge for us is Scope 3 emissions (excluding category 15 financed emissions, for which see Table 5), especially business travel. Although we have asked colleagues to minimise travel, this has been challenging in practice.
Work with our supply chain to accomplish net zero by 2050 or sooner	We have in place a 2022 Outsourcing and Third-Party Supplier Code of Conduct that encourages them to have an environmental policy in place that set out clear commitments and targets to improve their environmental footprint; to implement optimized measures to progressively reduce and minimise 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

In 2021, we conducted scenario analysis to help inform our decision-making. Using the Bank of England's Biennial Exploratory Scenarios, we conducted a strategic scenario analysis in three possible climate pathways. Overall, the analysis helped us to road test the opportunities and risks that could materialize across different climate scenarios, and we concluded that our business strategy is well designed to take advantage of the investment opportunity presented by companies looking to drive the transition to a more sustainable economic approach. For further details, see here.

We assessed that the analysis was equally relevant for 2022 as in the previous year, and so we did not refresh the exercise.

Investment strategies

Climate related risks and opportunities are included in the investment strategies through several different approaches, to ensure a comprehensive and diverse understanding of the underlying issues.

Equities

Sustainable World

The global equities team utilise research provided by third parties, in addition to its own proprietary research, to identify recognised global sustainability challenges such as those contained in the UN SDGs, the Paris Agreement and the Stockholm Resilience Centre's Nine Planetary Boundaries. 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 companies 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.

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. Upon investment and over the life of an investment, the team assesses and monitors securities based on Principal Adverse Impacts (PAIs)

Emerging Markets Active Engagement

The Emerging Markets team combine fundamental bottom-up research with active engagement to maximise risk-adjusted returns by driving Environmental, Social and Governance (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 opportunity, 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 lowing 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.

In the due diligence part of the investment process, the team considers PAIs on sustainability factors as part of the assessment of business risks and opportunities related with a prospect company. Through regular interactions with a prospect company, the team is also able to assess the receptiveness and commitment to undertake an improvement on relevant PAI metrics.

Indexation Strategies

Indexation strategies are not covered here, as – aside from active ownership activities (see below) – there is limited scope for consideration of climate-related risks and opportunities.

Fixed Income

Sustainable World Corporate Bond

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 recognised global sustainability challenges such as those contained in the UN SDGs, the Paris Agreement and the Stockholm Resilience Centre's Nine Planetary Boundaries. 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. 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.

Upon investment and over the life of an investment, the team assesses and monitors securities based on the PAIs.

Strategic implications

How will the strategies be affected by transition to a lower-carbon economy? The whole economy will be affected by the transition, however if we realise a lower-carbon economy as anticipated, then the underlying investments made by the strategies could outperform. If, on the other hand, there is no transition, or an ineffectual late-action transition, performance may be affected as forecast behavioural and economic changes fail to materialise.

Exclusions

Our 2022 Responsible Investment Policy sets out our approach to exclusions. Prior to and over the life of an investment, we assess and monitor potential negative impacts on sustainability by our investee companies. Our strategies each have different exclusions.

We also review global norms, and will also exclude issuers that are subject to United Nations, European Union, United Kingdom or United States sanctions from the eligible investment universe.

Active ownership

The dual understanding of a company's behaviour provided by our understanding of impact and integration offers a good platform for engaging with company management and therefore, engagement is a tool used across many of our strategies for sustainability issues, including climate risk. Our strategies use engagement to varying degrees.

Engagement is defined by us as all efforts by minority investors to help move controlling owners and management teams onto a roadmap of change – one which provides a pathway of higher incremental returns and/or an improved ESG profile. Through engagement with these companies, we gain additional understanding of material topics and, when relevant, drive change with the aim of enhancing our investee companies' ESG credentials and or other corporate characteristics. GIB AM may conduct its engagement activities in house, in collaboration with others, or via the use of a third party provider.

For us, proxy voting is a key part of engagement. It provides us with an opportunity to exercise our rights as owners of companies. Proxy voting serves two purposes: to allow us to formally express our view on certain aspects of a company, such as remuneration or the effectiveness of the current board of directors; and second, to serve as an opportunity to engage with our companies on current resolutions and future issues. Proxy voting is not relevant to the fixed income business.

The Emerging Markets Active Engagement team does not specifically split out votes related to climate resolutions. Votes are considered on a case by case basis, and climate related shareholder resolutions are generally in line with recommendations by our proxy research provider, Glass Lewis.

The Global Equities team aims to vote at all company meetings, in line with GIB AM policies. In 2022, it did not split out votes related to climate resolutions specifically. However, subject to assessment of the individual merit of resolution, the team will always aim to support climate resolutions where able. This may or may not be in line with the recommendations of our proxy research provider, Glass Lewis.

Risk management

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

The Risk function (as second Line of Defence) supports and oversees the first Line of Defence in their management of climate-related risks. Climate-related risks are identified through, amongst other methods, analysis, discussions, the Key Risk process, and RCSAs. The Legal team performed a specific analysis setting out sustainability-specific risks relevant to our business that could potentially create legal or regulatory liability, how those risks are currently mitigated and suggestions for further mitigation. The intention is that the risks identified by this analysis are in turn assessed in each relevant department's Risk and Control Self-Assessment.

GIB AM has established and implemented a 2021 Regulatory Change Management Framework to ensure that changes to its regulatory obligations are identified, analysed and implemented on a proportionate basis before they become effective. The framework also considers existing and emerging regulatory requirements related to climate change. This includes, for example, the requirement to consider climate risk within ICAAP (PRA requirement), or the upcoming requirement to make TCFD disclosures mandatory (FCA requirement). As a result, the firm provides TCFD training to various stakeholders.

Climate-change related risks are prioritised in terms of which are to be assessed first. For example, GIB AM has two divisions: Asset Management and Treasury & Banking. Because Treasury & Banking relates mainly to short term (usually below 1 year) 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.

Carbon data for Financed Emissions are provided to GIB AM by third parties. While third party data provides a good basis for climate-risk analysis, we are in the process of exploring data gaps and ways to bridge such gaps. Regular interactions take place with our main vendor of climate risk data to monitor progress to close coverage gaps and stay aware of market developments on the climate risk analytics front.

The main risks relate to GIB AM's investments (e.g. our asset management portfolios, which generate revenue from clients' investments) and the Treasury portfolio of bonds held on the balance sheet. The Risk function monitors climate-related risks to ensure they are in line with our 2022 Risk Appetite Statement (RAS), which is approved by the Board. The climate risk section of the RAS includes metrics around:

- the carbon footprint of our actively-managed portfolios (scope 1+2) excluding emerging markets engagement mandates and products. For fixed income products carbon intensity (emissions per $ of revenue).
- the potential losses resulting from transition or physical climate risk scenarios on our actively-managed equity portfolios relative to their benchmark
- the carbon intensity of our Treasury bond Investment portfolio (scope 1+2) and its exposure to the oil and gas sector

GIB AM does not lend money for infrastructure or real estate projects, it holds no retail exposures (e.g. mortgages), very little corporate exposures (the vast majority of assets are placed with central banks and financial counterparties) and the duration of the Treasury bond investment portfolio is very low (typically below five years). Hence, there is only a small exposure to climate-related risks through these channels. We sometimes use our own capital to seed asset management products so they can be launched and build a performance track record. However, currently seed capital investments are hedged either fully via total return swaps, or partially by shorting index futures or fixed income total return swaps, offering protection against changes in the value of these investments. Nonetheless, we continue to monitor these risks and conduct regular scenario modelling as part of our stress testing approach.

Although all efforts are made to ensure sound management of climate-related financial risks, there remain challenges in conducting rigorous analysis. Limited data is available, more notable for companies in emerging markets or fixed income securities. Further, the data that exists is mostly backward-looking (such as actual emissions). There remains little consistency in terms of methodology and approach, resulting in challenges in making meaningful comparisons across time and entities. The process for managing these risks will continue to evolve as data, methodologies and tool kits improve.

Scenario and stress tests

In 2021, GIB AM conducted a strategic scenario analysis with the aim of identifying and assessing the impact of climate-related risks and opportunities on our business and testing the overall resiliency of the firm's strategy against climate change (see 2021 report).

In addition to this, Risk conducts quarterly climate change stress scenario testing on all active equity asset management portfolios. Risk does not currently conduct quarterly climate change stress testing on Fixed Income portfolios as the method developed is not applicable to Fixed Income instruments. GIB AM is currently engagement with third party providers to identify a solution to perform climate scenarios applicable to Fixed Income instruments.

Stress tests are conducted by translating the impact of climate-related environmental and economic risks into financial risks, using different market risk factors. The market risk factors include changes in share prices.

We currently model shocks with market risk factors using scenarios developed by 2 Degrees Investing Initiative. The scenarios measured the exposure to both physical and transition risks. They cover four scenarios: smooth transition, too late, too sudden transition, full damage and targeted natural disaster (see Table 7).

Table 7:2 Degrees Investing Initiative Scenarios:

Transition risk		Physical Risk	
Smooth transition	Too late, too sudden	Full damage	Weather Event (Floods, Storms, Drought, Wildfire)
Implementation allowing a gradual economic transition	Abrupt and sudden policies implementation	Incremental and long term effects of climate change	Acute effects resulting from increased frequency and intensity of extreme weather events/ climate-related disasters
Short term, 5 years	Short term, 5 years	Horizon 2100 – downward shocks by region and key sectors	Immediate effect of 1 in a 250 years extreme weather event / climate-related disaster
Downward shocks on energy and commodity sectors	More severe downward shock on energy and commodity sectors		

As of 2022, the above methodology is currently under review and is likely to develop as we look to further enhance our climate change stress scenario testing.

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.

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

Financed Emissions targets

We are a founding signatory of the Net Zero Asset Managers (NZAM) Initiative. As part of this initiative, we have set several portfolio reference targets and track a number of metrics (Table 8).

We have also set Asset Class Alignment targets, 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 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 2022, 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.

Fixed income has also been excluded from in-scope assets due to the complexity in determining emissions and aligning with Net Zero goals. We hope to include these in the near future as data improves in this asset class.

Table 8: Portfolio Reference Targets

Asset	Metric	Emissions	Target	Deadline
GIB AM Sustainable World	Financed Emissions	Scope 1 & 2	-30% vs Benchmark	2025
			-55% vs Benchmark	2030
			-92% vs Benchmark	2050

Financed Emissions metrics

As mentioned above, we track our Financed Emissions (Scope 1 + 2) for GIB AM Sustainable World, with a target to reduce these per our portfolio reference targets (noted in Table 8).

Table 9: Sustainable World Scope 3 Financed Emissions

Year	GIB AM Sustainable World (tons CO2e)	MSCI World Index (Benchmark)	Difference (%)
2019 (Baseline Year)	453	1,245	-64%
2022	537	1,998	-73%

Whilst our absolute financed emissions increased in 2022 compared to the Baseline Year, due to AUM increases, we are outperforming ahead of our 2025 and 2030, where we aim to have 30% and 55% less financed emissions than the benchmark, respectively. Our 2022 metrics show we have just under 75% less financed emissions than the benchmark.

We can also now estimate Scope 3 emissions, although we have not yet set targets for these financed emissions.

Table 10: Sustainable World Scope 3 Financed Emissions

	GIB AM Sustainable World (tons CO2e)	MSCI World Index (Benchmark)	Difference (%)
Upstream	3,095	3,927	-21%
Downstream	2,386	11,944	-80%

For the Portfolio Carbon Highlights of all our active funds, please visit our 2022 Impact and Engagement Report.

Operational emissions targets & metrics

We have set ambitious climate-related targets to advance our transition plan. The targets were chosen to be consistent with temperature warming of 1.5 degrees Celsius above pre-industrial levels.

We have set out carbon emission reduction targets at both the absolute (total reduction) and intensity based (per Full Time Employee (FTE)) levels:

- On an absolute total reduction level, our goal is to reduce our overall carbon emission by 50% by 2030; and
- On an intensity based (per FTE) level, our goal is to reduce carbon emissions by 50-55% per FTE.

For both targets, 2019 is the base year from which our firm's progress is measured.

In 2022, the carbon footprint of GIB AM's physical activities was tCO2e 533.3 (Table 7). This is significantly higher than our emissions in 2021. The increase in emissions is mainly due to the fact that business travel increased in 2022 as the travel restrictions associated with COVID-19 were relaxed. In 2021, business travel only increased in H2, whereas in 2022 business travel increased across the whole period. As a result, GIB AM was further away from its 2030 target level in 2022 than in 2021

We remain committed to holding down carbon emissions as much as possible but also acknowledge the challenges of holding down business travel.

We monitor our carbon footprint on an annual basis. More details on the carbon emissions methodology can be found here.

GIB (UK) emissions	2019 tCO2e	2020 tCO2e	2021 tCO2e	2022 tCO2e
Scope 1[1]	N/A	3.33[1]	3.83	3.82
Scope 2				
Electricity consumed in office and in data recovery (DR) sites	73.37	63.3	34.1	37.2
Scope 3				
Employee business travel[2]	409.94	60.9	194.89	478.21
Total	482.32	127.57	232.79	519.23
Intensity ratio: tCO2e / FTE[3]	5.82	1.64	2.71	5.08

[1]Only includes refrigerants as GIB AM does not have any company owned cars.
[2]Includes emissions from employee commute, taxis, flights and hotel stays
[3]Based on the following staff numbers: 83 (2019), 78 (2020), 86 (2021) and 105 (2022).

Conclusion

This report outlines the ways in which we have considered climate risk and opportunities in our governance, strategy, risk management, have set targets and monitor progress against them.

Having been a supporter of TCFD since 2019, and this being our 4th voluntary set of climate disclosures, we welcome the move towards mandatory, standardised disclosure. For the reporting year 2023, we will begin to disclose on a mandatory basis, in line with UK regulatory requirements. For the 2024 reporting year, we intend to implement the International Sustainability Standard Board's new Sustainability Standards (S1 and S2). As these are designed to fully incorporate the recommendations of TCFD, we expect these disclosures to replace standalone disclosures on climate-related issues. We believe that this evolution of approach is helpful for GIB AM and its stakeholders. In particular, when fully adopted, we hope that the standards will help us - as investors - assess the climate risk and opportunities in our investment portfolios, and, in turn, help those companies to deliver value for their stakeholders through better management of climate-related issues.

Understanding the implications of climate change for our business, and how we ourselves impact the environment, is not easy. Climate risk is complex and interconnected with other risk factors, and remains challenging to assess given data issues, lack of sophisticated models / tools and given the uncertainties inherent in climate analysis. We were pleased to contribute to the Climate Financial Risk Forum's recent practitioner guide on climate disclosures (https://www.fca.org.uk/publication/corporate/cfrf-guide-2023-climate-disclosures-dashboard.pdf), and to see an example from our 2021 disclosures shown as a 'stretch metric'. However, like others in the industry, we continue to look to find ways to enhance our approach.

Ultimately, the reason for providing a comprehensive review in this document is that we believe in the power of disclosure of climate-related risks and opportunities to encourage companies (including ourselves) to take action that will ultimately help to raise our chances of meeting the Paris Agreement commitments and limit global temperate rise.