GIB

GIB UK Climate-related financial disclosures 2021

Contents

Introduction

This document sets out disclosures on climate-related risk for Gulf International Bank (UK) Limited (GIB UK), which trades under the name "GIB Asset Management".

It covers the reporting year 1 January 2021 – 31 December 2021.

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 support the roadmap towards mandatory climate-related disclosures as set out by Her Majesty's Treasury in 2020. As we hold more than USD 5 billion in assets under management (AUM), we expect to be required to disclose on a mandatory basis from 1 January 2023, with first disclosures required to be published by 30 June 2024.

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, we therefore do so, and we commend our investees that have put measures in place to disclose in line with TCFD recommendations.

We define climate-related risks as:

- Transition risks: risk posed to the financial sector by a low-carbon transition. They include policy, technology and changes in consumer behaviours risks.
- Physical risks: include temperature increase, rain falls patterns, water availability, sea level rise, or degradation of soil fertility.
- Liability risks: for example the failure to meet sustainability commitments, greenwashing or mislabelling of products or services.

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 UK.

Katherine L. Garrett-Cox

Katherine Garrett-Cox, CEO, GIB UK
22.07.2022

Glossary

AROC	Audit and Risk Oversight Committee
AUM	Assets under management
ESG	Environmental, Social and Governance
FI	Fixed Income
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
GCC	Gulf Cooperation Council countries
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
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
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
UCITS	Undertakings for the Collective Investment in Transferable Securities
WACI	Weighted average Carbon Intensity; measures a portfolio's exposure to carbon-intensive companies, defined as the portfolio weighted average of companies' Carbon Intensity (emissions/sales)

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 172, 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 UK 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 Risk Management Framework ▪ Reviewing metrics related to climate-risk on a frequent basis
Nomination and Remuneration Committee (NRC)	▪ Reviewing and approving senior control function pay, including the holder of the Senior Management Function on Climate Risk ▪ 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 discharge 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 issues, usually quarterly. The Board oversees company-level performance metrics and targets, including those related to sustainability, using the company's Balanced Scorecard. In 2021, climate change was discussed at the Board's annual strategy day. The Board reviewed and assessed a range of climate scenarios and how each would affect the firm's strategy, business plan and financial position.

GIB UK provided the Board with climate-related risk training in 2021 to ensure that Directors were aware of the latest developments and hence could make informed decisions.

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 financial risks from climate change within GIB UK's risk 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 UK compliance with existing and new regulation and guidance [which includes that linked to climate change]
Head of Strategy	▪ Leads GIB UK's efforts to embed sustainability [including climate] considerations across GIB UK ▪ 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 investment strategies at GIB UK
Head of Treasury	▪ Responsible for managing risks within the Treasury department

GIB UK'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 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.

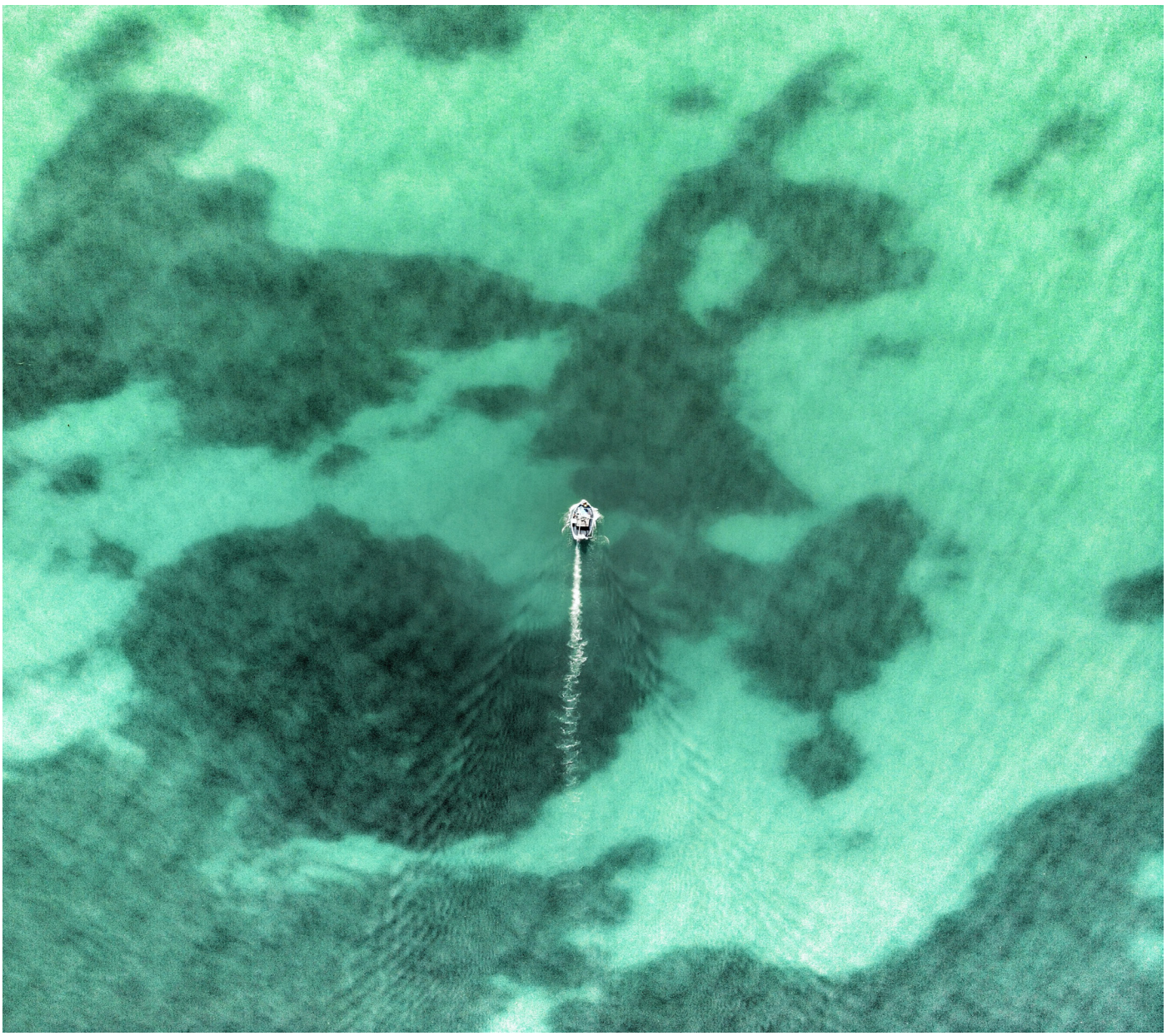
There is no separate Sustainability Committee for GIB UK business that is solely dedicated to addressing sustainability and climate-related topics. The rationale for this was that sustainability and climate-related risks and opportunities are integral to our business, and so should be embedded in other committee discussions.

GIB UK 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 – In 2021, GIB (UK) outsourced its internal audit assurance function to its parent pursuant to an agreed charter.



Strategy

Corporate Strategy

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

In 2021, using the Bank of England's Biennial Exploratory Scenarios, we conducted a strategic scenario analysis in three possible climate pathways. The results of this exercise are detailed in this section.

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

We considered the three climate scenarios from the Bank of England's Biennial Exploratory Scenario paper[1] with the aim of:

1. identifying and assessing the impact of climate-related risks and opportunities on our business; and
2. testing the overall resiliency of our firm's strategy against climate change.

The Bank of England's three scenarios are: Early Action, Late Action, and No Additional Action. They are built on a subset of the Network for Greening the Financial System (NGFS) scenarios, but have been expanded by the Bank of England to incorporate additional variables and risk transmission channels. The three scenarios all have a time horizon of 30 years, from 2021 to 2050, and each scenario estimates the extent of transition and physical risks resulting from climate change and estimates the impact of these risks.

The implications of each scenario was considered across four key elements of our business strategy:

1. Expanding **client base** & acquiring assets
2. Launching new investment management **products**
3. Embedding **sustainability** across our business and supporting clients on their sustainability journeys through our advisory work
4. Ensuring long term sustainable success for the business in terms of **financial resilience**. The focus of the analysis was on possible revenue impacts. The impact of capital expenditure, capital allocation, acquisitions and divestments, and access to capital was thought unlikely to be material.

TCFD recommends considering the impact of a number of other elements:

- **Supply chain** considerations were not thought to be material.
- The key way in which GIB UK's activities affect **climate mitigation and adaptation** activity is through our investment portfolios – these aspects were therefore considered as part of our investment strategies rather than as part of our business strategy impacts.
- We do not conduct **research and development.**
- The impact on our **operation**s would be relatively limited in all three climate scenarios, as we have limited physical presence. This aspect is considered as part of our targets for reducing carbon emissions in our operations.

[1]See: https://www.bankofengland.co.uk/stress-testing/2021/key-elements-2021-biennial-exploratory-scenario-financial-risks-climate-change

Table A1 provides an overview of our findings.

Table A2 outlines the impact of climate-related risks and opportunities on our business, strategy and financial planning. However, we acknowledge that in practice the likely impacts are highly uncertain and so we use the assessment as a starting point for discussion only, rather than a definitive view.

Unsurprisingly, we found that the risks and opportunities differ significantly across the three scenarios, as does the likely best management response for us. The key benefit in running the scenarios was that it stimulated additional thinking and discussion around how climate risk could affect our clients and business, and what the appropriate actions to take in each case would be.

Overall, the analysis reinforced to us the importance of taking climate change risks seriously. We believe that our business strategy is well-designed for taking advantage of the investment opportunity presented by companies looking to drive the transition to a more sustainable economic approach.

Other ways our organisation considers climate-related risks and opportunities

This year we did not re-run a climate change stress test in the Internal Capital Adequacy Assessment Process (ICAAP) or Internal Liquidity Adequacy Assessment Process (ILAAP) because previous analysis had showed that it was immaterial to our capital and liquidity requirements and there were no material changes to the inputs to that process.

However, we continue to run stress tests for our active equity asset management portfolios on a quarterly basis to assess their relative resilience to transition and physical scenarios.

At an **Operational Risk** level, departments integrate material non-financial climate-related risks in their Risk & Control Self-Assessment (RCSA) processes. An example of the sort of risk assessed would be the assessment of physical risks from climate change for business continuity, or the risks relating to the use of energy by our data centres.

We continue to assess climate risk and opportunities for our **Treasury counterparties** as part of the credit review and approval process.

Transition to a lower-carbon economy

We had a number of initiatives in place during 2021 aimed at contributing to the transition to a lower carbon economy.

- We are one of the founding signatories of the Net-Zero Asset Managers Initiative
- We are a signatory of the Principles for Responsible Investment

See also the section on metrics and targets.

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

Indexation strategies are not covered here, as – aside from active ownership activities (see below) – there is no scope for consideration of climate-related risks and opportunities.

Sustainable World

In our global equities team, we use research provided by third parties in addition to our own proprietary research (e.g. global and regional sustainability agreements, academia, research and corporate standards) to identify recognised global sustainability challenges ("Drivers"). The sustainability Drivers are then utilised to define the key themes ("Themes") that are integrated into the investment management process.

These Drivers and Themes inform the investment team of risks and opportunities for transitioning to a low carbon economy. They directly feed into the companies that are put forward as investment opportunities and therefore into portfolio construction.

We integrate ESG-specific data into our fundamental analysis to complete a detailed assessment of each issuer. This includes alignment of the company to its corresponding Theme; analysis of the company's product and service offerings; and the operations of the business, including its governance practices. We use our assessment of each issuer and its view of the relevant Theme(s) to produce our own forecast of the company's future earnings and valuation, together (where possible) with an assessment of the positive ESG impacts associated with those forecasts. This enables us to form an ESG-integrated view of the value of the company and invest where we believe there is potential for long-term value creation, and avoidance of risk, including climate and transition risk.

ESG Plus scoring approach

GIB UK's data-driven ESG scoring solution is designed to evaluate firms' environmental, social and governance exposures and opportunities. Thousands of distinctive, firm-level data points relating to E, S and G are carefully scored individually and funnelled down into themes. A financial materiality overlay is then applied to all themes; linking key sub-industries with relevant, financially material data. Themes are further grouped into GIB UK's key pillars that form the basis of our Responsible Investment Approach and allow analysis beyond the traditional E, S and G groupings.

This results in a robust, transparent, dynamic and financially material company ESG scores accentuating a multi-faceted approach to examining data. The use of historic and contemporary data allows us to examine and evaluate not only trends in firm-level progress, but also the associated drivers. Data feeds are daily as companies disclose and events occur, thus enhancing the timeliness, accuracy and flexibility of our scores. This allows us to utilise ESG data as a potential leading indicator of company performance, and finally, to determine portfolio weightings.

The scoring approach can be used in standalone portfolios, and as an input to other strategies.

Fixed Income (FI)

Sustainability factors are fully integrated into the active FI process. At a portfolio level, ESG-related matters help drive the screening process and influence allocation decisions (sector / geographies). Climate-related and carbon transition aspects are considered across the board and most specifically where materiality is the highest, like in the Oil & Gas or Utilities sectors (e.g. thermal vs renewable energy). Macro and sustainability-linked themes are carefully considered in the selection of companies and their business models.

At the security/company specific level, sustainability considerations are also fully integrated into the analysis, from what the company does (products, processes) to how it does it (e.g. policies, targets) and where it allocates its capital for future developments. Quantitative indicators are considered where relevant (including ESG rating, carbon emissions and intensity for climate), however data availability/consistency remains broadly incomplete or insufficient and is always combined with analysts' qualitative assessments.

The impact of ESG factors on the current and future financial health of a company is a major consideration as we intend to invest in companies that will thrive and outperform over the medium to long term. Engagement and discussions with the investee companies is also a preferred way to foster long term performance.

How will the strategies be affected by transition to a lower-carbon economy? Similar to the scenario analysis elsewhere in the document, if we realise a lower-carbon economy as anticipated, then the underlying investments made by the strategies could outperform. However, if 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 Responsible Investment Policy sets out our approach to exclusions. For all active equity strategies, we exclude companies whose operations have, in our opinion, a negative impact on the Sustainability Themes, including climate risk.

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.

We aim to engage with the companies in which we invest across all asset classes and geographies, where possible and permitted by client mandates. We engage to gain additional understanding of material topics and, when relevant and possible, drive change with the aim of enhancing our investee companies' ESG credentials or other corporate characteristics. We may conduct our engagement activities in house, or in collaboration with others.

For us, 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. In 2021 we did not split out our votes against climate resolutions specifically, and we voted for climate-related shareholder resolutions consistent with recommendations by 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) is supporting and overseeing 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 UK has established and implemented a 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 disclosure mandatory. 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 UK has two divisions: Asset Management and Treasury. Because Treasury relates mainly to short term (usually below 3 years) interbank lending, it was deemed that the asset management business, which invests in companies for the longer term and is exposed to these companies losing or gaining value due to climate-change related risks, was the priority. The second priority was the portfolio of bonds which are purchased and held to maturity by the Treasury team. This portfolio is made up of high quality investment grade bonds.

Carbon data for Financed Emissions are provided to GIB UK by third parties. While third party data provide 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 UK's investments (e.g. our asset management portfolio, which generates revenue from clients' investments) and the portfolio of bonds held on the balance sheet. The Risk function monitors climate-related risks to ensure they are in line with our 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 Asset Management portfolios (scope 1+2)
- the potential losses resulting from transition or physical climate risk scenarios on our actively-managed Asset Management portfolios relative to their benchmark
- the carbon intensity of our Bond Investment portfolio (scope 1+2) and its exposure to the oil and gas sector

We hold 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 bond investment portfolio is very low (typically below three years). Hence, we are little affected by 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, offering protection against changes in the value of these investments. Nonetheless, we continue to monitor 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, especially 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, we 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 Strategy section).

In addition to this, we conduct quarterly climate change stress scenario testing on active asset management portfolios.

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 included changes in share prices.

We currently model shocks with market risk factors using scenarios developed from the International Energy Agency Beyond Two Degrees energy transition scenarios. The scenarios measured the exposure to both physical and transition risks.

The International Energy Agency Beyond Two Degrees energy identified four scenarios. These are smooth transition, too late, too sudden transition, full damage and targeted natural disaster (see Table 3).

Table 3:The International Energy Agency Beyond Two Degrees Energy 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		

Metrics & Targets

At GIB UK, 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. Together with our strategy to increase our range of products that embed sustainability, these targets form our Climate Action Plan.

The following section outlines our investment strategies and their associated metrics and targets. 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 targets and track a number of metrics (Table 4).

We committed to managing 100% of our actively managed assets to be in line with Net Zero targets. Although that was a small proportion of our total assets in 2021, 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. As we manage the indexation business to our clients' wishes, the next step is to engage with these clients in order to better understand their needs and develop opportunities for them in the move to Net Zero which we have committed to do with all clients in 2022.

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 4: Net Zero Asset Managers Initiative summary

Target Years	Targets set for: 2025, 2030, and 2050
Baseline Year	Baseline year: 2019
Quantified Target to be achieved by target year	**Asset Class Alignment:** Our target is to have 80% of in-scope assets to be '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. **Portfolio Reference Targets** Our point-in-time scope 1 and 2 benchmark targets for in-scope portfolios: ▪ Reduce emissions by ~30% by 2025 ▪ Reduce emissions by ~55% by 2030 ▪ Reduce emissions by ~92% by 2050

Baseline Year Performance for the target metrics	**Asset Class Alignment:** As of December 2021, we had 56% in-scope AUM (in material sectors) at least committed to Net Zero Targets. We will engage with the shortfall to top up to the NZAM specified 70%. This will be prioritised on an AUM/emission basis. **Portfolio Reference Targets** Our estimated Financed Emissions in millions of tons (2020 data): GIB AM Sustainable World Fund: 0.415m ton C02e; benchmark 1.253 (MSCI World) GIB ESG Plus 0.985; benchmark 1.242 (MSCI World) We finance a significantly smaller proportion of emissions compared to the benchmark as a result of avoiding heavily emitting industries and choosing companies that manage their emissions profile - often with SBTI-aligned emissions goals – better than their peers in the benchmark.
Methodology used to set target(s)	Our methodology is based on recommendations provided by PAII Net Zero investment framework. Financed Emissions was the chosen metric for reporting. However, we will also monitor and report absolute emissions along with our Financed Emissions targets. The holding date chosen for portfolio positions was 01/10/2021. This is the oldest date possible to have a consistent holding date between the three portfolios, as this was the first whole day of trading for the most recently launched in-scope fund, GIB AM Sustainable World Fund. The Benchmark year for emissions was chosen as 2019, as this was the most recent year with complete reported emissions for companies that report emissions (i.e. 2020 data). We will align holdings and emissions data dates as soon as possible, likely in late 2022/early 2023, when calendar year 2021 emissions data are made available. We used a simple benchmark method to calculate emissions and emissions targets. Benchmark Financed Emissions were calculated and grossed to the same size as each portfolio. Benchmark Financed Emissions were then reduced by 8.5% per annum to establish the maximum emissions allowed in 2025, 2030, and 2050. Portfolios should keep Financed Emissions below their respective benchmark Financed Emissions at each of the target dates. Point-in-time targets were used, based on IPCC P2 scenario and our own estimates. While our portfolio targets are tied to benchmarked Financed Emissions, by monitoring our absolute emissions we will remain committed to achieving a Net Zero pathway even if benchmark Financed Emissions go up.

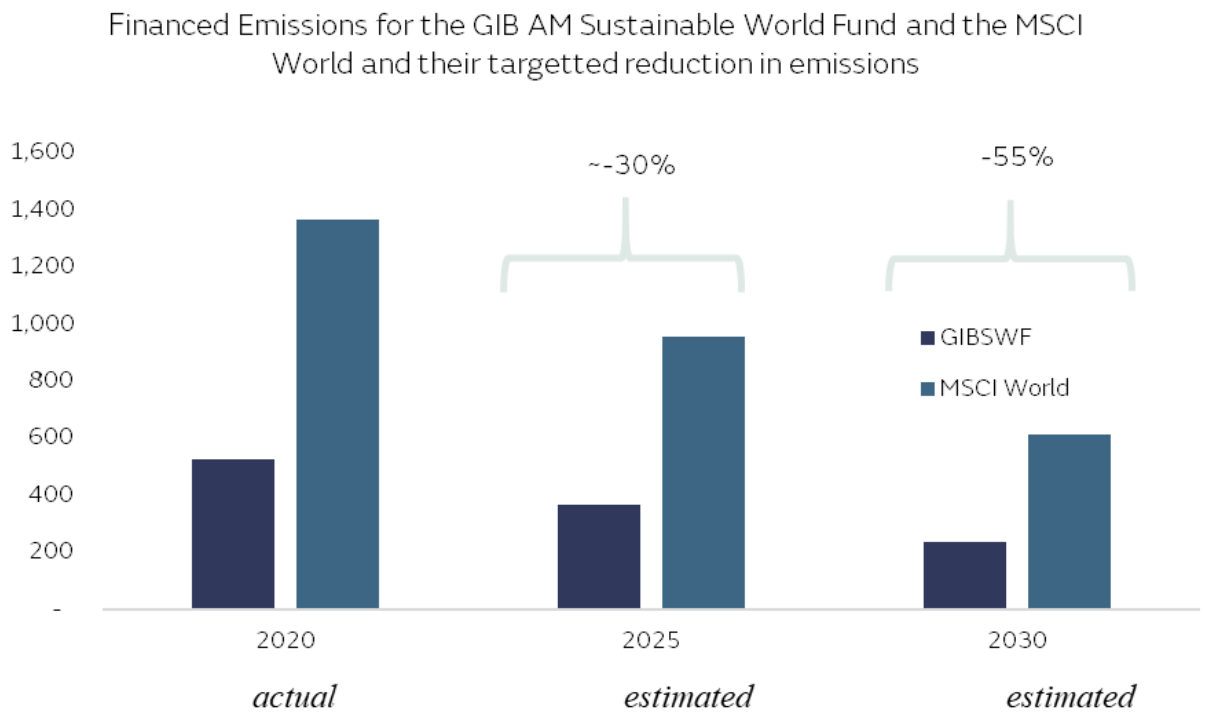
Coverage of Scope 1,2 and extent of Scope 3 coverage of financed emissions.	Using third party estimates (such as Bloomberg or MSCI) to fill in gaps in reporting, we had 100% coverage or estimated coverage of the in-scope portfolios. We did not include any scope 3 emissions as we did not feel that scope 3 reporting for the relevant companies in our portfolio was reliable enough to include. We plan to phase in scope 3 emissions in future iterations of our targets.

Financed Emissions metrics

We track our Financed Emissions from our investments for all portfolios (Table 5), and have made some methodological improvements since 2020.

Table 5: Summary of Financed Emissions carbon data

	Financed emissions (2020) (millions of tons)	WACI (2021) (tCO2e/$M SALES)
GIB AM Sustainable World	0.415	36.6
Benchmark (MSCI World)	1.253	129.8
ESG Plus	0.985	78.6
Benchmark	1.242	127.2
GIB AM Indexation	N/A	147.5
GIB Fixed Income	N/A	25.6



Source: MSCI and GIB UK analysis

Operational emissions targets & metrics

We have set ambitious climate-related targets to advance our transition plan. The targets are 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 2021, the carbon footprint of GIB UK's physical activities was tCO2e 232.8 (Table 6). This is significantly higher than our emissions in 2020. The increase in emissions is mainly due to the fact that business travel increased in Q3 and Q4 2021 as the travel restrictions associated with COVID-19 were relaxed. However, even with the increase in emissions in 2021, GIB UK remained within its target of reducing emissions by 50% by 2030, using 2019 as a baseline and the interim target of reducing emissions by 10% in 2021, using 2019 as a baseline: GIB (UK)'s 2021 emissions were around 50% lower than in 2019.

We remain committed to holding down carbon emissions as much as possible and recognise that, like 2020, 2021 was also an unusually subdued year, given the limited business travel in the first half in particular.

We monitor our carbon footprint on an annual basis.

Table 6: GIB UK's physical activities carbon emission in tCO2e

	tCO2e			
	2019	**2020**	**2021**	**Change relative to 2019 (%)**
Scope 1				
Emissions from refrigerants	N/A	3.3(1)	3.8	N/A
Scope 2				
Electricity consumed in office and in data recovery sites	73.4	63.3(2)	34.1(3)	-53.6%
Scope 3				
Employee business travel (air, commute, taxi, hotel)(4)	409.9	60.9(5)	194.9	-52.5%
Total	**482.3**	**127.6**	**232.8**	**-51.7%**
FTE employees	83	78	86	
Total per FTE	**5.82**	**1.64**	**2.71**	**-53.4%**

(1) This figure is re-stated based on improved GHG methodology. Only includes refrigerants as GIB (UK) does not have any company owned cars.
(2) Electricity bills are provided by building management. The kwh amount was re-instated due to information being made available that 1 Curzon Street Office was in use at the end of 2020. No account was taken of home use.
(3) Electricity bills are provided by buildings management. The kwh is considerably lower than 2020 figures due to the relocation to a more energy efficient office. No account was taken of home use.
(4) Includes emissions from employee commute, taxis, flights and hotel stays. Average commute time provided by the Department of Transport is used to estimate travel kilometres, and employee method of travel was assumed to be in line with London. 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.

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. We recognise that climate risk is complex and interconnected with other risk factors, and that we need to continue to develop how we identify, assess, monitor and control it.

Annex

Strategic scenario analysis: further details

Table A1: Summary of strategic scenario analysis

Methodology	The scenarios represent plausible representations of possible futures based on different paths of government climate policy. All three scenarios explore both transition and physical risks to different degrees. The Bank of England climate scenarios take on the NGFS scenarios (Current Policies, Delayed Transition, No Action) and are consistent across many variables but have been expanded to include additional risk transmission channels and have added additional variables		
Description of scenario	Early action: ▪ The transition to a net-zero economy begins in 2021 ▪ Policymakers' implementation of carbon taxes and other climate-related policies gradually intensifies over the scenario horizon ▪ Overall impact on global GDP is muted, but some sectors are adversely affected by the transition ▪ Global carbon dioxide emissions are reduced to net-zero and global warming is limited to 1.8 degrees Celsius above pre-industrial levels by 2050	Late action: ▪ Implementation of policies by policymakers to drive the transition to a net-zero economy is delayed until 2031 ▪ Thereafter the transition is sudden and disorderly, causing short-term macroeconomic disruption (concentrated in carbon-intensive sectors) ▪ Output contracts sharply; rise in risk premia across markets ▪ Global warming is limited to 1.8 degrees Celsius above pre-industrial levels by 2050	No additional action: ▪ Policymakers do not implement any new climate-related policies ▪ Global GDP growth is lowered permanently ▪ The global average temperature increases 3.3 degrees Celsius above pre-industrial levels by 2050
Key risks	▪ Transition risks most material ▪ The impact of stranded fossil fuel assets is particularly relevant, given the geographical skew of our client base	▪ The absence of policymaker action on climate change to 2031 causes some physical risks of climate change to crystallise ▪ From 2031 onwards, as policymakers reintroduce measures to drive the transition to a net-zero economy, the impact of transition risks (stranded assets, etc.) become material	▪ The physical risks of climate change dominate

Our assessment of scenario likelihood	Likely: 3.5 out of 5 probability rating ▪ As of 2022, a great deal of activity is happening globally to tackle the issue of climate change and global warming ▪ On this basis, we concluded that the Early Action scenario is the most likely future	Possible: 1 out of 5 probability rating ▪ Could occur, especially if anti-climate change politicians secure positions of higher influence in the short-term or if the Russian / Ukraine conflict leads to a pausing of climate related measures given concerns about energy security ▪ Unlikely to sustain their influence in the political sphere beyond the medium-term, due to the increasing physical risks from climate change impacting the global economy	Unlikely: 0.5 out of 5 probability rating ▪ Unlikely to occur but still possible ▪ We believe this future is the most unlikely to occur due to 1) current high levels of policymaker action on this issue, 2) inability of anti-climate change politicians to hold office as the physical risks from climate change increase over the scenario horizon
Assessed impact	▪ The onset of a stringent transition policy from Year 1 prevents the physical risks of climate change from materialising ▪ Transition risks take hold from Year 1 and the major impacts are: downward pressure on fossil fuel prices, stranded assets, increased carbon taxes	▪ In the short to medium term, where no additional policies are implemented to combat climate change, the physical risks of climate change (e.g. extreme weather events) materialise ▪ From 2031 onwards, policymakers re-implement carbon policies to ensure the net-zero economy is realised and this in turn causes transition risks to become predominant ▪ The impact of these transition risks on organisations will be compounded by the sudden and disorderly nature of the transition	▪ The scenario solely explores the impact of the physical risks of climate change ▪ In the long-term, GDP and total assets will be reduced as physical impacts reduce GDP and limit wealth creation
Overall management response	▪ Continue to embed our sustainability strategy across our business by: 1) Building out our sustainable product; 2) Deliver our commitment to manage our in-scope assets in line with net zero by 2050	▪ More volatile market conditions in this transition scenario may create both challenges and opportunities, but hard to position for this from a strategic perspective ▪ In the shorter term, we may need to reposition our sustainable product offering to emphasise the financial performance elements alone, if the focus on sustainability as an aim in itself is lessened. However, in the longer term, reinforcing the interconnectedness between financial performance and sustainability outcomes will likely become more appealing to clients	▪ Challenging to assess best response to volatile market conditions and increasingly competitive environment given shrinking global GDP. Relative financial performance of investment strategies likely to be key, so management focus to be on ensuring we retain those capabilities and ensure these can be translated into excellent client outcomes

Table A2: Summary the impact of the climate scenarios on GIB UK's strategic goals

Expanding client base & acquiring assets	Products	Sustainability	Financial resilience
Early Action			
Risks ▪ Sectoral impact on GDP in this scenario may be a risk for GIB UK, given likely greater relative impact in the geographies in which we focus (GCC) and their sector concentration (oil & gas) ▪ The most significant risk would be if this were to trigger a significant ratings downgrade for GIB UK	Risks ▪ As sustainability becomes the norm for the global economy, we may need to evolve our investment strategies that target better financial performance from climate transition opportunities ▪ Clients' asset allocation may shift in this scenario away from areas in which GIB UK has capabilities (for example, passive vs active strategies, public vs private markets)		▪ Overall, GIB UK is likely to perform most strongly in this scenario ▪ Profitability may be negatively impacted by the reduced fossil fuel revenues in the GCC, resulting from A) implementation of carbon taxes; B) stranded assets; C) downward pressure on fossil fuel prices. These factors would likely reduce client AuM and weigh on revenues. However, we might be able to help support clients in the region on their sustainability strategies, including through working with our Parent group to provide transition finance to accelerate their transition and mitigate downside impacts ▪ Increased risk of a near-term downgrade in both our and our parent's credit rating, which could affect our Treasury business in particular ▪ However, stronger demand for sustainability-focused products and services might support revenue growth

Opportunities ▪ Short-term boost demand for sustainable products, as likely to be particularly relevant for a world in climate-transition. However, our sustainability-focused products consider all aspects on sustainability, not just climate and we believe that sustainable development will be an enduring goal	Opportunities ▪ Global shift to sustainability presents the opportune environment for demand to increase for our sustainable product set	▪ Opportunities ▪ - Sustainability to become imperative as policymakers intensify their implementation of policies to drive the transition to a net-zero economy – this could be an opportunity for us, given our expertise in this area	
Late Action			
Risks ▪ Late action until 2030 likely to slow down business growth in the short term, due to the lack of encouragement of policy towards climate transition. However, climate-transition is only one element of our investment strategies ▪ Increasing physical risk to invested assets in the short to medium term to 2030 ▪ Low growth in years 11-15 of the scenario accompanied by a liquidity and capital crisis would likely impact client AUM.	Risks ▪ Disorderly nature of transition will cause a rise in risk premia on assets, affecting the risk/return profile ▪ Changes in asset allocation could present both risks and opportunities	Risks ▪ Absence of policymaker action on climate issues in the short to medium terms may dampen interest in sustainable investing	▪ This scenario would likely be worse for GIB UK relative to the early action scenario from a financial resilience perspective, though it is hard to know how the various impacts would balance out ▪ Like in the early action scenario, clients' asset volumes available to be allocated to GIB UK will likely to be reduced, though this impact would likely occur later in the scenario. It would also be likely to be a worse impact, given manifestation of physical risks such as scarcity of water, desertification, etc. in the Gulf and greater overall impact on GDP

Opportunities ▪ From 2031 onwards, the sudden and disorderly nature of the transition may prompt an increase in demand for sustainable investment solutions, though may reduce thereafter	Opportunities ▪ Disorderly markets could equally present opportunities, especially for our Treasury business to take advantage of market mis-pricings ▪ Opportune market conditions for active managers to win back assets from passive managers	▪ Opportunities ▪ Cumulative increase in climate disasters to 2031 may strengthen interest in sustainable investing and demand for our expertise ▪ When impacts do start to become apparent, there may be an opportunity to advise clients on how to transition	▪ However, efforts to diversify the client base over the coming years would work to mitigate these GCC-specific risks. ▪ Furthermore, the Treasury business and growing demand for sustainable solutions in the latter part of the period would likely support our financial position
No additional action			
Risks ▪ Physical risks of climate change will impact client assets and future asset raising, most acutely in years 26-30 ▪ Highly challenging environment for attracting clients and assets, due to the permanent reduction in global GDP growth	Risks ▪ Clients' preference for sustainable investment strategies may be reduced, given less encouragement from policy-makers	Risks ▪ Absence of policymaker action on climate issues in the short to medium terms may dampen interest in sustainable investing	▪ Overall, this is likely to be the worst outcome for GIB UK from a financial resilience perspective ▪ Investor activity depressed by the permanent reduction in global GDP growth, negatively affecting corporates' profitability ▪ Any relative attractiveness of GIB UK investment products unlikely to be sufficient to offset negative drag from overall size of asset volumes
Opportunities ▪ Businesses that are helping to drive a more sustainable approach are likely to continue to do well, which may mean that GIB UK sustainable funds out-perform. This could still continue to attract clients, even if the broader social and economic context is on a world not transitioning to net zero	Opportunities ▪ Disorderly markets may offer opportunities for our Treasury business ▪ Opportune market conditions for active managers to win back assets from passive managers	Opportunities ▪ Cumulative increase in climate disasters to 2031 may strengthen interest in sustainable investing and demand for our expertise	