



ASSET  
MANAGEMENT

# Responsible Investment Policy- 2021

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# 1. Responsible Investment Policy

## 1.1 Introduction

GIB Asset Management ("GIB AM"), trading name of Gulf International Bank (UK) Limited ("GIB UK") is committed to investing responsibly.

We have been investing responsibly for many years, through the application of Shar'iah principles and approach.

Furthermore, GIB UK are a signatory of the Principles of Responsible Investment (PRI) supported by the United Nations. As a PRI signatory, we seek to embed ESG considerations in each of our investments.

Please refer to the appendix for more details.

We strongly believe that considering both financial and non-financial factors is paramount when assessing an investment opportunity, and acting in the best interest of our clients. Investing responsibly, taking ESG factors into consideration and engaging on these topics is crucial for both asset owners and asset managers to meet their objectives.

GIB AM believes that responsible investment is critical to achieving sustainable development.

## 1.2 Policy scope

This policy applies to all GIB AM investments. This includes assets under management across Fixed Income and Equities. Each asset class has a detailed responsible investment methodology consistent with this policy.

## 1.3 Responsible investment approach

GIB AM's responsible investment approach is structured around four main elements:

1. Key pillars
2. Exclusions:
  - Avoid prohibited sectors and countries
3. Integration:
  - Embed material ESG risk factors and opportunities into investment decisions

4. Active ownership:
  - Engage in active dialogue with issuers or borrowers<sup>1</sup>
  - Participate in collective actions
  - Proxy voting

## Key pillars

GIB AM's over-arching investment philosophy is aligned with the United Nations Sustainable Development Goals. In particular, GIB AM has developed five key pillars that underpin our investment philosophy:



These pillars are used to structure our investment analysis. For example, the contribution of individual companies to addressing these issues is considered as part of the investment assessment process. The pillars are also used to assess the impact of investments, and to organise engagement activities.

## Exclusions

Our investment process seeks to screen out direct, and potentially indirect, investments into any issuer where the business model or main revenue source contravenes the responsible investment themes that we aim to enact and/or the wider sustainable development goals.

<sup>1</sup>For Fixed Income and non-passive Equity

More specifically, where we have discretion, we will not invest directly into controversial products/industries, which, to our knowledge, derive substantial revenues from/are involved in\*:

- **Controversial weapons<sup>2</sup>** - anti-personnel mines, cluster munitions, chemical/biological weapons, depleted uranium weapons and nuclear weapons.
- **Tobacco**
- **Alcohol producers**
- **Gambling**
- **Adult entertainment**

In addition, the Investment Teams will exclude from their eligible investment universe countries that are subject to a full set of UN, EU, UK or US sanctions due to their systematic breach of standards. GIB AM has no tolerance for breaches of an EU / UK / US sanction regime.

Further, the Investment Teams adhere to GIB UK's Global Sanctions Policy. GIB AM's restrictions can be complemented further by Assets Owners' unique ESG areas of concern, as reflected within the terms of a mandate.

### Integration

In order to adhere to our key principles of responsible investment.

GIB AM's approach is to screen and incorporate a broad set of ESG factors that can affect an investment, in conjunction with the more traditional financial factors. Passive mandates are excluded from this approach. Nevertheless, GIB UK can track ESG-focused indices as required, and our policy is to raise this actively with clients.

ESG factors represent an integral part of our investment analysis, helping to assess the long-term sustainability of a company and effectively mitigate risk. The three ESG categories covers issues such as:



### Environmental (E)

- Climate change
- Carbon emissions
- Natural resources
- Pollution
- Deforestation
- Energy efficiency



### Social (S)

- Labour issues
- Diversity & equal opportunity
- Product liability
- Data security
- Privacy



### Governance (G)

- Business ethics
- Board compensation
- Remuneration
- Political contributions

GIB AM recognises that a single, firm-wide ESG integration approach can be complex to implement, and not well-suited to account for the unique characteristics of different asset classes.

Hence, we do not have a blanket approach to all asset classes. Rather we have a general approach with specific asset class application.

However, each Investment Team integrates and assesses ESG factors in a manner that is fully aligned with GIB AM's sustainable investment themes.

A summary of the key features of each asset class' approach to ESG integration is below. All approaches are continuously improved.

\*Above exclusions may not be applied to mandates tracking a globally recognised benchmark.

<sup>2</sup>Our internal policies prohibit us from investing in the manufacturing and distribution of Category A goods as defined by the UK export legislation and / or weapons of mass destruction, and any transactions involving military goods where the end user is a government other than a GCC government

<sup>3</sup>The WWF Endangered Species List is used for reference – the full list is available at: [https://www.worldwildlife.org/species/directory?sort=extinction\\_status&direction=desc](https://www.worldwildlife.org/species/directory?sort=extinction_status&direction=desc)

## ▪ Fixed Income

Our primary focus is to identify investment risks and opportunities, whilst promoting responsible behaviours amongst debt-related products. ESG considerations are integrated at both a portfolio and security level within our investment process.

- At a portfolio level, as part of our top-down analysis, we look to identify ESG associated risks as well as emerging megatrends (such as new clean technologies, developments in energy or healthcare). These help drive our screening and influence our allocations (sector / geography / security). At this level, our engagement activity mostly targets other industry participants such as investment banks or rating agencies, aiming at improving established behaviours.
- At a security level, as part of our bottom-up analysis, ESG factors are a component of our wider credit analysis. This process combines a quantitative and qualitative assessment, using information gathered from company public filings, third-party data providers and through direct discussion with issuers. At this level, engagement is focused on corporations and can range from broad topics like corporate disclosure to very specific points on carbon emissions, for example.

## ▪ Equities

Our approach utilises an extensive range of ESG raw data and analysis from third party providers. The raw data and company information is provided real-time by large, industry leading ESG data providers.

We evaluate and integrate these to create our proprietary scoring methodology, which we use to generate company scores at both a thematic and overall level. The scoring methodology focuses on a company's ESG credentials, whilst emphasising those data points that are financially material. This proprietary scoring methodology is then used to analyse our entire investment universe for risks and opportunities.

## Active Ownership

### ▪ Engagement

GIB AM proactively engages with companies in which we invest across all asset classes and geographies. The only exception is mandates for which clients have specifically instructed us not to engage in stewardship.

Nonetheless, for any such mandates, we commit to engaging proactively with those clients to explain the benefits from stewardship.

Through engagement with these companies, we 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. GIB AM may conduct its engagement activities in house, in collaboration with others, or via the use of a third party provider.

Further, GIB AM may engage with companies that we have chosen not to invest in due to ESG reasons. Such engagements aim to enhance these companies' ESG practices and characteristics.

### ▪ Proxy voting

GIB AM considers proxy voting to be a useful tool for engagement in active equity products. Any voting recommendations and research provided by third-party providers are considered by GIB AM in the context of its proprietary research and other public sources. GIB AM is by no means obligated to follow the recommendations set by proxy voting research providers.

Discretion is exercised during any vote execution to align this with the best interest of its clients and to take ESG considerations into account.

## 1.4 Fiduciary duties

GIB AM is committed to act in the best interest of its clients. As such, we consider both financial and non-financial (i.e. ESG) factors in our decision making process and engage with investees on various topics including ESG.

In addition to this, we believe that having an effective governance system and risk management function is imperative to having good oversight and policies to ensure that ESG factors, risks and opportunities are managed effectively across GIB AM.

## 1.5 Climate change

GIB AM acknowledges the scientific consensus driven by the Intergovernmental Panel on Climate Change that climate change (specifically global warming) is a reality<sup>4</sup>.

Further, we note the UK Parliament declaration<sup>5</sup> that we are facing a climate emergency.

We recognise that climate related risks affect our business in different ways, creating both environmental and financial risks.

GIB AM recognises that we, as a business community, are facing unprecedented challenges when it comes to mitigating these risks. We believe that we, and our peers, bear the collective responsibility to behave in a way that is consistent with saving our planet. Our approach is to set over-arching principles for our business, and to apply these appropriately across our business functions.

## 1.6 Tracking and reporting

We aim to align with the PRI in reporting our activities and progress, and to be accountable in meeting our responsible investment goals.

This includes disclosing how ESG issues are integrated within our investment practices, reporting on progress and achievements from our investments, raising awareness amongst the investment community and providing complete transparency to Asset Owners in meeting their ESG aims.

Proxy voting and engagement activity will be reported and will be available to investors, as applicable, on at least an annual basis.

ESG integration and/or selected thematic ESG metrics will be published as part of client reporting, as applicable. Any explicit ESG targets are monitored as part of our existing investment and risk oversight processes.

## 1.7 Managing conflicts of interest

We are aware of potential conflicts of interest that can arise internally within GIB AM and with clients. We strive to identify and manage conflicts of interest that may occur, in particular those arising from our engagement and voting activities. Our Policy for the Management of Conflicts of Interest keeps the best interest of our clients in mind. GIB AM requires all employees that take part in proxy voting and engagement activities to disclose any personal or business related conflict of interest to the Business Risk Committee (BRC).

These employees will be excluded from engaging and / or voting (and from decision making) on these issues. In the case of proxy voting, and where GIB AM has an electronic system that allows for unguided votes based on predefined criteria, GIB AM will let the system cast the vote without human interference. Additionally, the BRC will ensure that any further conflict of interest incident is dealt with in the appropriate manner.

<sup>4</sup>IPCC (2014) Fifth Assessment Report. Available at: <https://www.ipcc.ch/assessment-report/ar5/>

<sup>5</sup>BBC (2019) 'UK Parliament declares climate change emergency. Available at: <https://www.bbc.co.uk/news/uk-politics-48126677>

## 2. Appendix

### 2.1 United Nations Principles for Responsible Investment (PRI)

GIB (UK) is a PRI signatory. The PRI 'works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions'.

The PRI has six principles:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry

Principle 5: We will work together to enhance our effectiveness in implementing the principles

Principle 6: We will each report on our activities and progress towards implementing the principles

### 2.2 Governance integration

Gulf International Bank (UK) Limited believes that an effective governance framework includes the following:

- Clearly defined roles and responsibilities across the organisation
- Executable and auditable decision making process
- Enforceable discipline (e.g. monitoring of compliance with policies and procedures)
- Committees taking collegial decisions, based on reporting/escalated information and effective change.