

## Statement on the Sustainable Finance Disclosure Regulation

The Sustainable Financial Disclosure Regulation ('SFDR') is a European Regulation that forms part of the EU's Action Plan to integrate sustainability consideration into its financial policy framework in order to mobilise finance for sustainable growth. SFDR imposes new transparency obligations and periodic reporting requirements on investment managers at both the product and the firm level.

Although the SFDR is an EU Regulation, there are a number of ways in which it can be relevant for UK firms. Gulf International Bank (UK) Limited (referred to as 'GIB Asset Management', 'GIB AM', 'the firm', 'we') has chosen to comply with the requirements of SFDR on account that we may market a fund in the EU in our capacity as a third country manager. Such funds may be registered for marketing under the National Private Placement Regime in one or more EU Member States and as such the SFDR would apply in respect of those funds.

### **Fund Classification**

As one of the core requirements, SFDR asks asset managers to classify their products into one of the following:

- (1) Article 9: which have a sustainable investment objective (with a strong ESG focus); or
- (2) Article 8: which promote, amongst other characteristics, environmental or social characteristics (with some degree of ESG focus); or
- (3) Article 6: for those products which do not fall into either Article 8 or 9 (with no ESG focus).

GIB AM Sustainable World Fund is an Irish-domiciled fund and is classified as an '**Article 9**' under the SFDR, on account of the investment objective for the fund to seek value whilst having a positive impact on global sustainability.

For further information on the sustainable investment objective of the GIB AM Sustainable World Fund, please see the relevant fund supplement which can be accessed [here](#).

### **Article 3(1): ESG and the investment process.**

Under Article 3(1) of the SFDR, we set out below a summary of our policy on the integration of sustainability risks into our investment decision making process.

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

- (1) **Key pillars** (see below)
- (2) **Exclusions**, where we look to avoid prohibited sectors and countries.
- (3) **Integration**, where we have embedded material ESG risk factors and opportunities into our investment decisions.
- (4) **Active ownership**, where we engage in active dialogue with issuers or borrowers, participate in collective actions and proxy voting.

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:

- Equality, diversity and human capital development
- Health and wellbeing
- Governance and accountability
- Climate, environmental action and water

- Innovation and infrastructure

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.

**Screening:** 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. ESG factors represent an integral part of our investment analysis, helping to assess the long-term sustainability of a company and effectively mitigate risk.

For further details, please refer to our [Responsible Investment Policy](#) which provides an overall description of our approach to ESG and Responsible Investment.

#### **Article 4: Principal Adverse Impacts**

As required under articles 4(1)a, 4(2) and 4(5)(a) of the SDR, we set out below a summary on our due diligence policy regarding the principle adverse impacts of our investment decisions.

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.

**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.

**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.

**Business Codes:** GIB AM is a signatory to the United Nations Principles for Responsible Investment ('PRI'), The PRI works to understand the investment implications of ESG factors to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

**Article 5 (1): GIB AM's Remuneration Policy**

The firm's Remuneration Policy contains appropriate information on how the Remuneration Policy is consistent with the integration of sustainability risk. Sustainability is at the forefront of GIB AM as a strategic goal, and thus is embedded across the organisation.

Last review date: **5 November 2021**