

CLIMATE CHANGE STATEMENT

Group Policy
July 2023



1. Climate change as a systemic risk

We believe climate change is a critical issue that will transform the economy, and the drive to decarbonise will shape the investment landscape and how our clients choose to invest. We consider managing climate risks, at an investment and systemic level, as part of overall risk management, and we are committed to providing solutions to help our clients navigate the low carbon transition and to meet the net zero commitments they have made in line with our fiduciary duty.

We support the 2015 Paris Agreement goal of limiting global average temperature increase to well below 2 degrees Celsius (°C) above pre-industrial levels, and pursuing efforts to limit the temperature increase to 1.5 °C taking into account the imperative of a just transition. Given the speed and scale of the transition that is required to keep within these limits, we recognise climate-related transition risks, for example as the result of policy and technology developments, as well as physical risks from and adaptation requirements to address climate-related events and changes that are already increasing in frequency and severity.

2. The importance of nature

Nature and climate are strongly interdependent. Nature loss and degradation exacerbates climate change risks and addressing climate change will be critical for protecting ecosystems and species. Protecting and restoring nature and ecosystems may also present the most effective solutions to adapting to climate change. We recognise the central role of nature and seek to incorporate nature considerations as we address climate risks and opportunities.

This includes:

- **Committing to tackle commodity-driven deforestation** – Commercial agriculture is the single largest cause of deforestation and forest degradation globally. In March 2022, we joined the Finance Sector Deforestation Action Pledge (FSDA), we committed to using best efforts to eliminate agricultural commodity-driven deforestation from our portfolios by 2025.
- **Promoting better disclosure** – as signatories to CDP Forests, we encourage better disclosure and progress in the supply chains of key agricultural commodities. We welcome the Taskforce on Nature-related Disclosures framework and support its development.
- **Stewardship** – as active investors we will use engagement and, where relevant voting, to address nature and biodiversity risks, including our commitment on deforestation. We will collaborate with other investors to engage with companies, policy makers and data providers. We will continue to improve the integration of nature-related risks, opportunities and impacts into our investment decisions.

3. Our commitments

3.1 Committing to net zero

In July 2021, we joined the Net Zero Asset Managers (NZAM) initiative and committed to support the goal of net-zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. Specifically, we committed to:

- Work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net-zero emissions by 2050 or sooner across all assets under management ('AuM')
- 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

- Review our interim target at least every five years, with a view of ratcheting up the proportion of AuM covered until 100% of assets are included.

We submitted our initial interim targets in July 2022¹. For our equity and corporate fixed income funds, our three targets are:

1. **Engagement** – 90% of financed emissions in material sectors are either assessed as net zero, aligned with a net zero pathway, or the subject of direct or collective engagement and stewardship actions by 2030.
2. **Net zero coverage** – 75% of AuM in material sectors considered to be achieving net zero, ‘aligned’ to net zero, or ‘aligning’ to net zero by 2030.
3. **Decarbonisation** – Primarily through engagement, seek to achieve a 50% reduction in financed carbon emissions (carbon emission per USD million invested attributed using enterprise value including cash (EVIC)) by 2030.

3.2 Position on fossil fuels

We recognise that fossil fuels will continue to play a role in the energy mix, albeit at a necessarily much more limited level. We may therefore continue to hold companies with fossil fuel exposure in our portfolios. We consider engagement, to drive effective decarbonisation, to be the more impactful approach to deliver real world emissions reductions relative to divestment, and as active managers, we will escalate or exclude where we consider insufficient progress is being made. As signatories to the Powering Past Coal Alliance (PPCA) Finance Principles, we commit to supporting the just transition away from unabated 3 coal power generation by no later than 2030 in the OECD and European Union, and no later than 2040 in the rest of the world. Our GAM Sustainability Exclusions Policy, which applies to over 80% percent of the in-scope AuM, restricts investments in high impact fossil fuels, including thermal coal and oil sands.

4. Governance and Strategy

The Board is responsible for our sustainability and associated climate strategy. The Board Risk Committee provides oversight of climate-related risks and the Chair of the Risk Committee has taken on specific responsibility for climate-related issues. Our Sustainability Committee, chaired by our Global Head of Sustainable and Impact Investment, is one of ten key group oversight committees, and reports on our progress to the Group Management Board and the Board of Directors on a quarterly basis.

Management-level oversight is provided through relevant committees including the Investment Management Oversight Committee, Risk Oversight Committee and Sustainability Committee. Climate risks are embedded in risk and control self-assessments (RCSAs) for relevant functions.

Our strategy focuses on three areas:

Committing to net-zero – the Net Zero Asset Managers commitments include setting interim targets, implementing targeted stewardship and policy advocacy in support of achieving global net-zero emissions by 2050 or sooner.

Developing new climate products and solutions – to facilitate the decarbonisation of client portfolios and increase investment in climate solutions.

Building out climate analytics – to better incorporate climate risks and opportunity into our investment decisions and help our clients understand their climate exposure.

¹ Further details of our net zero targets are published here - [gam-committing-to-net-zero-report_202207_en.pdf](#)

5. Risk management

As active investors, we use fundamental analysis, supported by independent Environmental, Social and Governance (ESG) data and research, recognised NGO sources, and our own engagement with companies, to identify, evaluate and prioritise key sustainability factors. We consider climate change a key sustainability factor within our investment process.

ESG integration – we seek to integrate relevant transition and physical climate-related risks and opportunities into our investment decision-making. We look to companies to have appropriate governance, strategy, risk management and disclosure relating to greenhouse gas (GHG) emissions and climate-related impacts along a company's value chain. We use a range of data, analysis and research to understand climate-related risks. This includes MSCI Climate Metrics and Climate Value At Risk Analysis, CDP², TPI and Climate Action 100+ (CA100+) Net Zero Benchmark and is complemented by our fundamental analysis.

Engagement – Climate change is a key engagement theme. We encourage companies to implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change risk, take action to reduce GHG emissions across the value chain, consistent with the Paris Agreement's goal of net-zero emissions by 2050; and provide enhanced corporate disclosure in line with the final TCFD recommendations. We engage directly and as part of collaborative initiatives such as CA100+. We sit on the Steering Committee of CA100+ and fully support this initiative and the recently published Net-Zero Company Benchmark. We also encourage disclosure through CDP.

Policy advocacy – We support and engage in policy advocacy through the PRI Global Policy Reference Group, the Institutional Investor Group on Climate Change (IIGCC) and the UK's Investment Association (IA). We are signatories to the Global Investor Statement on Climate Change.

Voting – We expect companies to identify and report material and business-specific risks, including climate-related risks. We will consider voting against relevant directors where we consider there are material failings in risk oversight of environmental and social issues, including climate change and will consider voting against the Board Chair or other responsible directors of companies in high impact sectors that do not take proactive measures to address and disclose climate-related risks³.

ESG risks oversight – Quarterly investment risk review meetings, conducted by our Head of Discretionary Investment and our Investment Risk teams, include an ESG portfolio review. This includes a review of absolute and relative carbon intensity of the portfolio relative to its benchmark, fossil fuel exposure and a review of those holdings with the highest carbon intensity.

6. Metrics and disclosure

We publicly support the TCFD recommendations as a framework to improve disclosure on climate-related risks and opportunities within financial markets. We are committed to report in line with these recommendations and likewise encourage our investee companies to provide TCFD-aligned disclosures.

We are also committed to increasing fund-level disclosure of carbon metrics. Fund and portfolio level reporting on absolute carbon emissions, carbon intensity and weighted average carbon intensity is reported for 70% of our fund by AuM.

² CDP is a not-for-profit charity that runs the global disclosure system - <https://www.cdp.net/en/>

³ Link to [GAM Corporate Governance and Voting Principles](#)

Important information

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