

# Principal Adverse Impact Statement

30/06/2023



# Statement on Principal Adverse Impacts of Investment Decisions on Sustainability Factors

## Summary

KBI Global Investors Limited (LEI: 635400Q9ONBFNLALUK61) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of KBI Global Investors Limited and its wholly owned subsidiary, namely KBI Global Investors (North America) Limited, collectively referred to as KBI for the purposes of this statement.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1st January to 31st December 2022.

A summary of Principal Adverse Indicators considered by KBI is presented below.

Applicable to	Theme	PAI Indicator	Number
Investment Companies	Greenhouse Gas Emissions	GHG Emissions	1
		Carbon footprint	2
		GHG intensity of investee companies	3
		Exposure to companies active in the fossil fuel sector	4
		Share of non-renewable energy consumption and production	5
		Energy consumption intensity per high impact climate sector	6
	Biodiversity	Activities negatively affecting bio diversity-sensitive areas	7
	Water	Emissions to water	8
	Waste	Hazardous waste and radioactive waste ratio	9
	Emissions	Additional PAI: Investments in companies without carbon emission reduction initiatives	4 (Table 2)
	Social and Employee Matters	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	10
		Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	11
		Unadjusted gender pay gap	12
		Board gender diversity	13
Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)		14	
	Investments in companies without workplace accident prevention	1 (Table 3)	

# Description of the Principal Adverse Impacts on Sustainability Factors

## Table 1

Indicators applicable to investments in investee companies					
Adverse Sustainability Indicator	Metric	Impact in 2022	Impact in 2021	Explanation	Actions taken, actions planned and targets set for the next reference period

### Climate and other Environment-related Indicators

Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	890,260	n/a	n/a	<p>KBI Global Investors has committed to reduce the carbon intensity of its investments in line with the framework set out by the Net Zero Investment Management Initiative, of which the firm is a signatory.</p> <p>Additionally, the firm engaged with 60 companies on climate-related issues during the period and will continue to engage on this topic during 2023.</p> <p>KBI also excluded companies with large-scale involvement in coal extraction, coal-fired power generation and unconventional oil and gas (above certain thresholds) from all portfolios. This is expected to continue in 2023.</p> <p>KBI also used proxy voting to support climate-related aims and expect to do so again in 2023. KBI voted against management on 40 climate related resolutions representing 45% of these resolutions. KBI also withheld or voted against the re-election of 16 directors as a signal to the relevant boards that stronger independent oversight and board management of climate risks were needed.</p> <p>Carbon and climate-related performance of companies is integrated into our investment processes and hence investment decisions.</p>
		Scope 2 GHG emissions	204,312	n/a	n/a	
		Scope 3 GHG emissions	7,226,933	n/a	n/a	
		<b>Total GHG emissions</b>	<b>8,326,227</b>	n/a	n/a	
	2. Carbon Footprint	Carbon Footprint	587	n/a	n/a	
	3. GHG intensity of investee companies	GHG intensity of investee companies	997	n/a	n/a	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	12%	n/a	n/a	
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	79%	n/a	n/a		
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	11.4 NACE Code A: Agriculture, Forestry and Fishing  1.3 NACE Code B: Mining and Quarrying  0.4 NACE Code C: Manufacturing  3.9 NACE Code D: Electricity, Gas, Steam and Air Conditioning Supply  1.4 NACE Code E: Water Supply; Sewerage, Waste Management & Remediation Activities  0.2 NACE Code F: Construction  0.1 NACE Code G: Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles  0.5 NACE Code H: Transportation and Storage)  0.3 NACE Code L: Real Estate Activities	n/a	n/a		

# Description of the Principal Adverse Impacts on Sustainability Factors

**Table 1** (continued)

Indicators applicable to investments in investee companies					
Adverse Sustainability Indicator	Metric	Impact in 2022	Impact in 2021	Explanation	Actions taken, actions planned and targets set for the next reference period

## Climate and other Environment-related Indicators

<b>Biodiversity</b>	<b>7.</b> Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0%	n/a	n/a	<p>KBI engaged with 1 company, with the aim of reducing the adverse impact on biodiversity of those companies, during the period. KBI will continue this engagement in 2023.</p> <p>KBI did not designate any company involved in severe controversy relating to biodiversity to be a Sustainable Investment for the purposes of the EU's SFDR regulations. This will continue to be the case in 2023.</p> <p>Voting: use of voting rights as escalation in the event of significant negative impacts.</p>
<b>Water</b>	<b>8.</b> Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.5	n/a	n/a	<p>Emissions to water was integrated (where relevant) into KBI's ESG scoring methodologies which directly impact on whether and how much KBI invested in a company. This is expected to continue in 2023.</p> <p>KBI engaged with four companies on water-related issue during the year. KBI expects to conduct engagement on this issue during 2023.</p>
<b>Waste</b>	<b>9.</b> Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	2.1	n/a	n/a	<p>Waste output was integrated (where relevant) into KBI's ESG scoring methodologies which directly impact on whether and how much KBI invested in a company. This is expected to continue in 2023.</p> <p>KBI supported one shareholder resolution on a related issue, against the company management's recommendation. KBI expects to conduct engagement on this issue during 2023.</p>

# Description of the Principal Adverse Impacts on Sustainability Factors

**Table 1** (continued)

Indicators applicable to investments in investee companies						
Adverse Sustainability Indicator	Metric	Impact in 2022	Impact in 2021	Explanation	Actions taken, actions planned and targets set for the next reference period	

## Indicators for Social and Employee, Respect for Human Rights, Anti-Corruption and Anti-Bribery Matters

Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%	n/a	n/a	<p>KBI excluded companies which were in repeated and serious breach of the UNGC Principles, without corrective action, from all portfolios.</p> <p>Companies with less severe breaches were excluded from consideration as Sustainable Investments for the purposes of the EU's Sustainable Finance Disclosure Regulations. Breaches were also integrated (where relevant) into KBI's ESG scoring methodologies which directly impact on whether and how much KBI invested in a company.</p> <p>KBI expect these policies to remain in force during 2023.</p>
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	45%	n/a	n/a	<p>KBI excluded companies which were in repeated and serious breach of the UNGC Principles, without corrective action, from all portfolios.</p> <p>KBI expect this total exclusion policy to remain in place for 2023.</p>
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	12%	n/a	n/a	<p>KBI supported a shareholder resolution asking for a Report on the Gender Pay gap. KBI is aware that many companies still do not report this data and plans to engage with companies to encourage better disclosure.</p>
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	36%	n/a	n/a	<p>KBI engaged with 9 companies on this topic during the year and expect to continue to engage on this issue during 2023.</p> <p>KBI voted against or withheld votes for one or more board members of 60 companies due to a lack of gender or racial diversity on the board and it voted in favour of 8 shareholder proposals asking for Reports on Employment Diversity, Equity, and Inclusion Reports.</p> <p>Board gender diversity was integrated (where relevant) into KBI's ESG scoring methodologies which directly impact on whether and how much KBI invested in a company. KBI expects this to continue in 2023.</p>
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	n/a	n/a	<p>KBI did not invest in any companies involved in anti-personnel mines, cluster munitions, chemical weapons and biological weapons.</p> <p>KBI expect this complete exclusion policy to continue to be in place during 2023.</p>



## Description of the Principal Adverse Impacts on Sustainability Factors

Table 1 (continued)

Indicators applicable to investments in investee companies						
Adverse Sustainability Indicator	Metric	Impact in 2022	Impact in 2021	Explanation	Actions taken, actions planned and targets set for the next reference period	

### Indicators applicable to investments in sovereigns and supnationals

Environmental	15. GHG intensity	GHG intensity of investee countries	n/a	n/a	n/a	
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	n/a	n/a	n/a	

### Indicators applicable to investments in real estate assets

Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	n/a	n/a	n/a	
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	n/a	n/a	n/a	

## Additional Indicators for Principal Adverse Impacts on Sustainability Factors

Table 2

	Adverse Sustainability Impact	Adverse impact on sustainability factors (qualitative or quantitative):	Metric	Impact	Explanation	Actions taken, actions planned and targets set for the next reference period
Additional climate and other environment-related indicator	Emissions	Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	33%	The percentage of the portfolio's market value exposed to issuers without a carbon emissions reduction target.	Targets to reduce carbon emissions were integrated (where relevant) into KBI's ESG scoring methodologies which directly impact on whether and how much KBI invested in a company. KBI engaged with 55 companies on climate-related targets during 2022 and expects to engage on this topic again in 2023.

## Additional Indicators for Principal Adverse Impacts on Sustainability Factors

Table 3

Additional indicator for social and employee, respect for human rights, anti-corruption and anti-bribery matters	Social and Employee Matters	Investments in companies without workplace accident prevention	Share of investments in investee companies workplace accident prevention policies	12%	The percentage of the portfolio's market value exposed to issuers without a workplace accident prevention policy	Workplace safety policies were integrated (where relevant) into KBI's ESG scoring methodologies which directly impact on whether and how much KBI invested in a company. KBI engaged with three companies on workplace safety issues during 2022 and expects to engage on this topic again in 2023.
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## Description of policies to identify and prioritise principal adverse impacts on sustainability factors

KBI has responsible investment and corporate responsibility as one of its founding pillars, based on the conviction that economic and financial actors have a greater responsibility towards a sustainable society and that the Environmental, Social and Governance (“ESG”) characteristics of companies can be a long-term driver of financial performance. KBI considers that, in addition to economic and financial aspects, the integration within the investment decision process of ESG dimensions, including an analysis of principal adverse impacts on sustainability factors, allows a more comprehensive assessment of investment risks and opportunities. Accordingly, the management of adverse impacts forms an important part of KBI’s due diligence process.

European Union regulations on sustainability-related disclosures in the financial services sector require investment managers to prioritise, identify and describe the principal adverse indicators of investment decisions.

Taking into account the nature of KBI’s investments and its knowledge of those investments and their adverse impact on sustainability factors (such knowledge also being informed and enhanced by research and information received from external ESG research providers), KBI considers the factors set out in the table above. KBI considers, in particular, the probability of occurrence of the various indicators, the degree of severity of the adverse impact, and the extent to which the adverse impact is unavoidable.

As listed above, following an analysis of various climate and environment adverse impact indicators, KBI selected the “*Investments in companies without carbon emission reduction initiatives*” as an additional Climate indicator based on its importance to the achievement of the aims of the Paris Agreement. Following an analysis of various social adverse impact indicators, KBI selected the “*Investments in companies without workplace accident prevention*” as an additional Social indicator based in its importance for workforce safety.

### Data and Methodology

KBI reviews and monitors those adverse impacts on an ongoing basis. This monitoring is based on its knowledge of the companies, and/or on externally-sourced data from MSCI ESG Research in particular. When selecting the external data provider, KBI carried out a comprehensive assessment of various data vendor products which took account of data quality and data coverage for its universe of investments, and the methodology used by the data vendors. The availability of data varies by indicator, as not all data is available from the investee companies or from other reliable sources, and KBI takes this into account in its analysis of the results. Where data is not available, KBI may engage with the relevant company/companies to request them to publish the data, or engage with its data vendor to identify ways of obtaining (or estimating if necessary) the missing data. It is also the case that where KBI does obtain data, it may not be fully accurate in all respects and there is a material margin of error.

KBI has been unsuccessful in attempts to obtain data relating to nine investee companies which were “delisted” from public exchanges and hence for which data was not available from our data supplier.

As at 31 December 2022, KBI’s consolidated Assets under Management (AuM) were approximately €14.8bn. Included in this AuM is approximately €52m which is invested in third party funds and which represents 0.3% of the firm’s overall AuM. The firm has made reasonable endeavours, including engaging with its third party data provider, to source data on a look-through basis relating to these funds for the purposes of this Statement however no relevant or meaningful data was available. Taking into account the immaterial level of AuM in such third party funds, KBI confirms that the information contained in this Statement is not materially impacted by the non-inclusion of relevant data associated with the third party funds.

KBI engages with investee companies on the topic of the principal adverse indicators (and other issues), as set out in its Engagement Policy which is published on its website and as detailed below.

### Policies

KBI has a set of relevant policies, outlined below, each of which has aspects relevant to adverse impact. Each of these policies has been approved by the firm’s Responsible Investing Committee on various dates no earlier than 2022. The Responsible Investing Committee is a sub-committee of the firm’s Executive Committee which has responsibility for all aspects of Responsible Investing, including identifying and prioritising adverse impacts, and which reports to the firm’s board of directors. All policies are reviewed at least annually.

- Responsible Investing policy
- Engagement Policy
- Proxy Voting Policy
- Sustainability Risk Policy
- Due Diligence Policies with regard to Principal Adverse Sustainability Impacts of Investment Decisions

## Engagement

KBI carries out both direct and collaborative Engagement. KBI believes that this has benefits in terms of reducing adverse impact on sustainability, but also assists investment performance. There are many reasons for commencing Engagement, including but not limited to concerns relating to adverse impact on sustainability, but KBI has decided to particularly prioritise adverse impact relating to climate and diversity when engaging with companies.

For Climate, KBI prioritises engagement with companies that do not meet the minimum expectations of reporting carbon emissions to CDP and reporting on climate-related financial disclosures using the Taskforce on Climate-Related Financial Disclosures (TCFD) framework. These priorities are clearly linked to PAIs 1 to 6 in the list of Principle Adverse Impacts in Table 1 above.

On Diversity KBI prioritises diversity at board and senior management level within investee companies. Its engagement priorities are supported by its voting policy, where KBI has a particular focus on board accountability in terms of climate and diversity at board and senior management level. This is intended to improve Principal Adverse Impact 13 (Board Gender Diversity) as listed above in Table 1.

While engagements on Climate and Diversity (and their related Principal Adverse Impact Indicators) are prioritised, engagement is also carried out on a broad range of issues including efforts to reduce other adverse impacts.

Reports are prepared on Stewardship (including Engagement) activity twice annually, and made available to all staff and to clients. In addition, a log of all engagement activity is maintained by the Responsible Investing team, and this is available to all investment staff at any time.

### Direct Engagement

This will usually commence with an approach to the relevant company outlining KBI's concerns. KBI outlines its concern and asks the company to respond. KBI considers the company's response and either closes the Engagement if a satisfactory response has been obtained or pursues it further, usually via escalation to the Company Chairperson or designated independent/lead director, as appropriate. The process continues until closed. Engagement can finish either because KBI has obtained a satisfactory result or because it feels a satisfactory outcome (i.e. a reduction in the principal adverse impact on sustainability) is unlikely to be achieved, in which case it will consider divestment, if it judges it to be in the best interests of its clients.

A log is kept of all Engagement, including the objective/target of the engagement, a summary of all interactions on the issue, whether the Engagement is complete, and, when closed, whether KBI views it as successful, unsuccessful, or partially successful.

### Collaborative Engagement

As a specialist boutique asset manager with focused resources, KBI endeavours to leverage relationships to engage in collective engagement when appropriate. To that end, it is a member of or a signatory to the initiatives below and takes an active role in those most relevant to it.

- The United Nations Principles for Responsible Investment (PRI)
- Institutional Investors Group on Climate Change (IIGCC)
- CDP
- CERES Investor Network on Climate Risk
- Climate Action 100+

## Risk Controls

Compliance with the Responsible Investment Policy is embedded in KBI's control framework. Responsibilities are spread between the first level of controls performed by the management teams themselves and the second level of controls performed by the Compliance and Risk Unit ("CRU"), which can check the compliance with the responsible investment policy of the portfolios on an ongoing basis. ESG rules are monitored by the CRU in the same way as other investment management constraints, using the same tools and procedures



## References to International Standards

Principal Adverse Impacts		Standards, initiatives and public policies relevant to taking into account principal adverse impacts
1	GHG emissions (Scope 1, 2, 3 and total)	Paris Agreement on Climate Sustainable Development Goals (SDGs) EU Taxonomy Net Zero Asset Managers Initiative (NZAMI) Climate Action 100+ Carbon Disclosure Project (CDP) Science-based Targets initiative Task Force on Climate-related Financial Disclosures (TCFD) Montréal Carbon Pledge Institutional Investors Group on Climate Change (IIGCC) Asia Investor Group on Climate Change (AIGCC)
2	Carbon footprint	
3	GHG intensity of investee companies	
4	Exposure to companies active in the fossil fuel sector	
5	Share of non-renewable energy consumption and production	
6	Energy consumption intensity per high impact climate sector	
7	Activities negatively affecting biodiversity sensitive areas	Task Force on Nature-related Financial Disclosures (TNFD) Finance for Biodiversity Pledge CDP Water CDP Forest
8	Emissions to water	
9	Hazardous waste ratio	
10	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines	UN Global Compact OECD Guidelines on Multinational Enterprises UN Guiding Principles on Business and Human Rights PRI Human Rights Engagement
11	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines	
12	Unadjusted gender pay gap	Workforce Disclosure Initiative (WDI)
13	Board gender diversity	The 30% Club Ireland Investor Group
14	Exposure to controversial weapons	Ottawa and Oslo treaties
15	GHG intensity of investee countries	Paris Agreement on Climate
16	Investee countries subject to social violations	
17	Exposure to fossil fuels through real estate assets	
18	Exposure energy-inefficient real estate assets	

## The following paragraphs aim to detail the internationally recognized standards that are the most relevant to act on PAI.

### Paris agreement: Net Zero Asset Managers initiative (NZAMI)

PAIs: 1-6 Greenhouse Gas Emissions

As a member of the Net Zero Asset Managers Initiative, KBI not only embraces global carbon neutrality objectives, but is actively taking action to accelerate investing aligned with net zero emissions by 2050 or sooner. Within this commitment, KBI disclosed dedicated targets in 2022

1. 100% of total AuM is net zero aligned by 2025,
2. A reduction of 7.6% per annum, on average, in carbon intensity of 100% of AUM by end 2024 relative to the end 2019 base.

In 2022, KBI held 215 companies in carbon related sectors (as defined by the Taskforce on Climate related disclosures). Of which, 88 companies had approved or committed Net Zero Science Based Targets. We further engaged directly or through collaborative engagement with 18 companies.

Methodologies leveraged: Paris Aligned Investing Initiative's Net Zero Investment Framework

Forward-looking climate scenario: The 7.6% reduction per annum, over the period from end 2019 to end 2024, is the reduction in annual emissions calculated as being required over the period from 2020 to 2030 to achieve a rise in global temperatures of 1.5 degrees Celsius – the amount needed to achieve the Paris Agreement aims - by the United Nations Environmental Programme in its "Emissions Gap Report 2019", which identified a gap of 32GtCO<sub>2</sub>e between the Unconditional NDC Scenario and the median estimate of the level consistent with a rise of 1.5C. The "Unconditional NDCs Scenario" is the scenario which takes into account unconditional commitments by countries to change policies to address climate change, and at the time of the report was consistent with a 3.2C rise in temperature.

GHG scopes: Scope 1, 2 (with an expectation to include Scope 3 when data availability and accuracy has improved)

### United Nations Global Compact (UNGC) and OECD Guidelines on Multinational Enterprises

PAIs: 10-11 Social and Employee Matters

As an asset manager, we recognize our responsibility to uphold human rights and address human rights abuses in our investment activities. We see human rights violations as a breach of KBI's investment principles, therefore, we pay particular attention to company exposure to human rights risks.

KBI's ultimate parent company, Credit Agricole, is a signatory of the UN Global Compact.

KBI considers specific principle adverse impacts ("Principle Adverse Impacts" or "PAIs") within its exclusion policy as part of its Responsible Investment Policy. These exclusions cover the following topics: controversial weapons, violations of UN Global Compact Principles, coal and tobacco.

In addition to research and monitoring, KBI exercises leverage with issuers through engagement. Human rights engagement follows a two-pronged approach. First, KBI aims to engage proactively with companies on identification and management of human rights risks. Second, it may engage reactively when an abuse or allegation occurs. In this case, KBI may seek to ensure that companies are taking appropriate measures for effective remediation.

### Finance for Biodiversity Pledge

PAI: 7 Biodiversity

As a financial institution, our parent company Amundi recognises the need to protect biodiversity and reverse nature loss in this decade. As such, in 2021 Amundi joined the Finance for Biodiversity Pledge, a unprecedented coalition of 103 signatories representing over €14.7 trillion in AUM across 19 countries. The pledge is a commitment of financial institutions to protect and restore biodiversity through their finance activities and investments.

This initiative brings together 84 financial institutions from around the globe, committing to protect and restore biodiversity through their finance activities and investments. Amundi represented the signatories with a speech at the High Level Segment of the Fifteenth United Nations Conference on Biodiversity (COP15) to call on global leaders to protect and restore biodiversity.

In 2021, Amundi launched a specific engagement campaign on biodiversity. In 2022, it grew the engagement pool, expanding to 92 issuers. The expansive nature of the initial engagement sample meant that Amundi could identify best practices within and across sectors and geographies, and use this as guidance for companies. Details on these practices can be seen in Amundi's standalone report. In 2022, it followed up with corporates to reemphasise the recommendations. Beyond the initial engagement pool, biodiversity was a topic of engagement for additional companies in 2022. The best practices identified in 2021 were given as a reference guide to new companies.

### Historical Comparison

N/A