Website disclosure for Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR)

(a) Summary

The mission of the Fund is to contribute to the mitigation of climate change through a reduction of greenhouse gas (GHG) emissions, in line with the long-term global warming targets of the Paris Climate Agreement. The Fund fosters primarily energy efficiency and renewable energy investments for SMEs and private households in emerging countries via qualified financial institutions, thereby contributing to the reduction of primary energy consumption. Those investments are Sustainable Investments in accordance with Article 9 of the Sustainable Finance Disclosure Regulation (SFDR).

The ambition of the Fund is further intended to generate positive impact with regards to environmental and social developments, thus adhering to multiple frameworks used as industry best practice, including the IFC Operating Principles for Impact Investing (OPIM).

As a result of its mission and investment objective, the Fund contributes to multiple Sustainable Development Goals, primarily:

- SDG 7 Affordable and Clean Energy,
- SDG 9 Industry, Innovation and Infrastructure
- SDG 12 Responsible Consumption and Production
- SDG 13 Climate Action

The Fund complies with the “do not significantly harm” principle from Article 2(17) of the Sustainable Finance Disclosure Regulation (EU) 2019/2088 (SFDR) in relation to the principal adverse impact indicators in Annex I of the draft Regulatory Technical Standards (RTS) of the SFDR, issued on February 2021. Careful assessment and yearly monitoring on Environmental and Social (E&S) (also known as ESG) factors and performance of PI Investments decreases potential adverse sustainability impacts, caused by the activities of Partner Institutions.

For all activities, the Fund’s investment process ensures that its Partner Institutions (PI) Investments are not contributing to potentially negative effects on the environment, clients, employees and communities of the Partner Institutions.

(b) No significant harm to the sustainable investment objective

For all activities, the Fund’s investment process ensures that its Partner Institutions (PI) Investments are not contributing to potentially negative effects on the environment, clients, employees and communities of the Partner Institutions. All PI Investments are screened against an exclusion list, aligned with IFC’s exclusion list (the exclusion list will be sent to Investors upon request). Moreover, all PI investments are screened against a list of E&S criteria aligned with sector-specific frameworks, such as the IFC Performance Standards and by other frameworks such as the United Nations Guiding Principles on Business and Human Rights. This process ensures that none of the Investments are linked to severe and significant harm. The Eligible Projects must comply with the Fund’s quantitative criteria of GHG emission reduction and/or qualitative definition of acceptable renewable energy.

Furthermore, the Fund is actively engaging with Partner Institutions to encourage the adoption of better management practices on environmental and social issues when risks are identified. Even if a potential investee company is not involved in any excluded activities, it still may not fully meet the Fund’s

Sustainability Risk policy. In such cases, an action plan is defined and included in the relevant transaction documentation; it therefore becomes mandatory for the investee company to put in place actions to address gaps in a timely manner. The results of the whole E&S assessment are summarized in the final Investment Memorandum. Progress is regularly checked via monitoring reports and onsite visits. This approach allows the Fund to track how investments improve investee companies E&S performance from appraisal to project close.

The Fund complies with the “do not significantly harm” principle from Article 2(17) of the Sustainable Finance Disclosure Regulation (EU) 2019/2088 (SFDR) in relation to the principal adverse impact indicators in Annex I of the draft Regulatory Technical Standards (RTS) of the SFDR, issued on February 2021. Careful assessment and yearly monitoring on Environmental and Social factors and performance of PI Investments decreases potential adverse sustainability impacts, caused by the activities of Partner Institutions.

SUSTAINABILITY RISKS

Pursuant to Art. 6 in the SFDR, Sustainability Risks (as defined hereafter) are (i) integrated into the Investment decision and (ii) the Fund shall disclose the results of the assessment of the likely impacts of Sustainability Risks on the returns of the Fund.

An analysis of sustainability risks focuses on E&S risks that can impact the value of the Fund. Sustainability risks can be linked to environmental degradation, and climate-related events resulting from climate change (the so-called physical risks) or to the society’s response to climate change (the so-called transition risks), which may result in unanticipated losses that could negatively affect the investments and financial condition of the Fund. Social events (e.g. inequality, inclusiveness, labor relations, investment in human capital, accident prevention, changing customer behavior, etc.) or governance shortcomings (e.g. recurrent significant breach of international agreements, bribery issues, products quality and safety, selling practices, etc.) may also translate into sustainability risks.

Potential sustainability risks are integrated into the investment decision process and ongoing risk monitoring to the extent that they represent potential or actual material risks and/or opportunities to maximizing the long-term risk-adjusted returns. Sustainability risks are notably integrated into due diligence and research, valuation, asset selection, portfolio construction, and ongoing investment monitoring alongside with other material risk factors by leveraging information and resources:

- information disclosed by Partner Institutions (which may include quarterly financials, earnings calls, general company reporting and / or disclosures, including sustainability-related disclosures);
- publicly available information (such as news reports or industry data); and
- third-party research and data.

The impacts following the occurrence of a sustainability risk may be numerous and vary depending on the specific risk, region, and asset class. In general, where a sustainability risk occurs in respect of an asset, there will be a negative impact on, or entire loss of, its value.

Despite the proactive approach with regard to sustainability risks, it cannot be ruled out that environmental, social or governance factors can influence the value of the Fund’s Investments and the Fund's return.

Such assessment of the likely impact is therefore be conducted for each PI Investment. A systematic E&S process ensures that investments do not have severe negative issues associated with them. The E&S criteria are fully embedded in the investment process and the Fund’s E&S due diligence allows the Fund to identify potential negative practices or issues that among other things might contradict universal human rights principles and environmental regulations. By identifying these issues and engaging with the PI to address them, the Fund can ensure that the investments only have a positive impact.

WEBSITE REFERENCE

Interested parties may visit the Investment Manager website for more information about the principal adverse impacts of investment decisions on sustainability factors and sustainability risk information:

https://www.responsability.com/en

(c) Sustainable investment objective of the financial product

The mission of the Fund is to contribute to the mitigation of climate change through a reduction of greenhouse gas (GHG) emissions, in line with the long-term global warming targets of the Paris Climate Agreement. The Fund fosters primarily energy efficiency and renewable energy investments for SMEs and private households in emerging countries via qualified financial institutions, thereby contributing to the reduction of primary energy consumption. Those investments are Sustainable Investments in accordance with Article 9 of the Sustainable Finance Disclosure Regulation (SFDR).

The ambition of the Fund is further intended to generate positive impact with regards to environmental and social developments, thus adhering to multiple frameworks used as industry best practice, including the IFC Operating Principles for Impact Investing (OPIM).

As a result of its mission and investment objective, the Fund contributes to multiple Sustainable Development Goals, primarily:

- SDG 7 Affordable and Clean Energy
- SDG 9 Industry, Innovation and Infrastructure
- SDG 12 Responsible Consumption and Production
- SDG 13 Climate Action

The Fund examines the sustainability impact created, prior to due diligence (and prior to investment) in order to establish whether the investment is coherent with the Fund's overall impact objectives. Key performance indicators are in this regard collected and assessed to measure the sustainability impact of the fund. The key performance indicators of the fund include i) CO2 emission reductions and ii) Clean energy capacity installed (MW).

(d) Investment strategy

There is no benchmark (EU Climate Transition Benchmark or EU Paris-aligned Benchmark) available for the Fund according to Article 9 (3) of the SFDR. Energy savings and GHG reductions are assessed and monitored on an ex-ante basis, comparing project emissions with baseline emissions for a scenario where no mitigation intervention occurs. Only renewable energy projects and projects that generate significant energy savings and reduce greenhouse gas emissions by 20% are eligible for funding.

(e) Proportion of investments

All the Investments (with the exception of those investments used for hedging or other money market instruments or investments for which there is insufficient data) can be considered as Sustainable investments as per Article 2(17) in the SFDR. This includes Partner Institution (PI) Investments resulting in the Fund holding equity instruments in the PI and other type of exposures to the PIs. The proportion of the investments which are not Sustainable Investments may not contribute to an environmental or social objective within the meaning of the SFDR, however, the Fund will, where appropriate, apply the same policies and procedures to all of the Fund’s Investments with respect to ensuring minimum environmental and social safeguards. As such, the investments which are not Sustainable Investments are not expected to affect the delivery of the Fund’s overarching sustainable investment objective on a continuous basis.

(f) Monitoring of sustainable investment objective

Careful assessment and monitoring on Impact & E&S-factors is a central part of the Fund’s investment process. Every 12 months, the Fund monitors the environmental and social performance of its PIs. The monitoring is supported by impact/E&S questionnaires and the process includes an assessment of the responses provided by each investment company. The Fund will also collect and disclose annually the principal adverse impact indicators in Annex I of the draft Regulatory Technical Standards (RTS) to the SFDR.

(g) Methodologies

Impact indicators to measure sustainable investment objectives are structured around the impact objectives mentioned above, and where possible are defined using IRIS+ or GOGLA definitions. Data is gathered on a continual basis to measure the attainment of the sustainable investment objective. Indicators relate to social issues or their proxies, environmental issues and governance aspects. The Fund obtains the E&S data from its investees directly, during the onsite due diligence and ongoing monitoring, which is carried out for every investment. E&S data is aligned with the aspects outlined in the IFC Performance Standards.

Besides collecting Impact and E&S data from PIs, the Fund will also collect and disclose the principal adverse impact indicators in Annex I of the RTS to the SFDR. The performance of the indicators is guiding the investment team with regards to which environmental and social aspects the fund must focus, in order to decrease potential adverse sustainability impacts, caused by the activities of PIs. The Fund will also collect and disclose annually the principal adverse impact indicators in Annex I of the draft Regulatory Technical Standards (RTS) to the SFDR.

(h) Data sources and processing

To ensure that GCPF-funded projects meet the Fund's eligibility requirements, projects are subject to an ex ante assessment and ex post monitoring. The investment manager's carbon reporting team reviews all loans reported by partner institutions. This investment managers' team consists of engineers with broad experience in the design and construction of energy efficiency and renewable energy projects.

GCPF-funded projects are reported through a proprietary online tool that has been independently reviewed for accuracy and consistency. The built-in dashboard provides partner institutions with an overview of their on-lending progress as well as energy and CO_2 reductions. The carbon reporting tool automatically converts energy savings into greenhouse gas emission reductions using consistent data sources for emission factors such as the Intergovernmental Panel on Climate Change and the International Energy Agency.

Moreover, the Fund's investment universe is integrated by non-listed partner institutions, and almost no impact and E&S information is publicly available. Therefore, all further impact and E&S data must be assessed and collected by the Fund as a result of a direct engagement exercise with each PI during an onsite due diligence and annual monitoring.

The Fund measures the attainment of its sustainable investment objective contribution via:

- Indicators that contextualise the actual need alongside the scarcity of funding in those markets.
- Indicators relating to scale of impact achieved by our investments (e.g. number of beneficiaries).
- Indicators relating to qualitative developments achieved by our investments.
- Indicators that capture the fulfilment of very specific needs of the investee company which are often unavailable in developing markets e.g. long-term finance, local currency funding, technical assistance.

Metric definitions are taken, where available, from IRIS+, GOGLA or other industry standards. Data on key indicators is gathered and processed ex ante, while a broader set of metrics is self-reported by investee companies on an annual, ex post basis.

E&S data is being obtained from investees directly, during the onsite due diligence that it is carried out for every investment. The cornerstone of this due diligence is the E&S questionnaire, which is aiming to consolidate all data reviewed during the assessment. Impact data is collected via impact questionnaires, and carefully checked via internal resources trained or educated on this topic and is thus based on actual reported data. The data that is estimated is therefore limited.

(i) Limitations to methodologies and data

As the Fund invest only in non-listed companies in emerging markets, there are no external data providers that can deliver data that can be used to measure the attainment of the Fund's sustainable investment objective, nor can external data providers deliver data to measure the sustainable adverse impact indicators. The data collection used to measure the attainment of the sustainable investment objective is thus based on reported numbers by PIs, which has not been externally verified. The combination of self-reported data and the lack of external verification can lead to few uncertainties in data output for the measuring of the fund's sustainable investment objective. To address such uncertainties and limitations, the data that is being reported to the Fund will be carefully checked by trained or educated professionals. Also, as the data derives from the primary source, the limitations are balanced out and does therefore not affect the attainment of the sustainable investment objective.

(j) Due diligence

The Fund examines the sustainability impact created, prior to due diligence (and prior to investment) in order to establish whether the investment is coherent with the Fund's overall impact objectives. Furthermore, the Fund constantly seeks to understand potential issues that might create Environment-, Social- and Governance- (ESG) -related risks, which can cause negative, unintended issues that the Fund does not want to support (including corruption, mistreatment of employees, negative impact on end beneficiaries and/or the environment).

Therefore, during a due diligence, the investment team strives to understand the current approach of its PIs to key issues, including anti-corruption, workers' rights, environmental and social management, occupational health and safety, transparency, client protection, governance etc.

(k) Engagement policies

The Fund is actively engaging with its partner institutions to encourage the adoption of better management practices on environmental and social issues when risks are identified.

(l) Attainment of the sustainable investment objective

There is no benchmark (EU Climate Transition Benchmark or EU Paris-aligned Benchmark) available for the Fund according to Article 9 (3) of the SFDR. Energy savings and GHG reductions are assessed and monitored on an ex-ante basis, comparing project emissions with baseline emissions for a scenario where no mitigation intervention occurs.