Global Climate Partnership Fund

Principle Adverse Sustainability Impact (PASI)

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1. General

1.1 Scope and objectives

This policy applies to the Global Climate Partnership Fund (GCPF) via its Investment Manager (IM) responsAbility Investments AG and its subsidiaries ("responsAbility"). The objective of this policy is to provide information on GCPF and responsAbility's approach regarding principal adverse sustainability impacts, as per the EU Sustainable Finance Disclosure Regulation (SFDR)[1].

The European Union has identified 64 adverse sustainability indicators to be calculated and analysed in the investment process, of which 16 will be mandatory to report for responsAbility and its investees, and 48 will be voluntary.[2] The indicators refer to standard environmental, social and governance (ESG) factors, such as carbon footprint, share of non-renewable energy consumption or activities negatively affecting biodiversity-sensitive areas (E), board gender diversity, unadjusted gender pay gap, due diligence over human rights (S) and investees' efforts to work against corruption, including extortion and bribery (G).

This policy is subject to change and may be amended, supplemented, or superseded by one or more separate policies.

2. Principal Adverse Impacts

2.1 Summary

Since inception, GCPF has been defining, collecting, and disclosing positive impact indicators. As all investees of GCPF have an impact at the environmental and social level, they will need to report on their principal adverse sustainability impacts. These impacts are defined by the European Union as "negative, material, or likely to be material effects of investment decisions on sustainability factors." These impacts can occur in various areas, including environment, human health, and society in general.

Therefore, GCPF not only assesses the impact of sustainability risks[3] on the financial return of financial products in a systematic way, but also considers principal adverse sustainability impacts caused at by the Fund. GCPF collects (and discloses upon request) the adverse sustainability indicators for each applicable reference period, starting from 2022.

The collection of indicators is based on a systematized process. Where data cannot be provided directly from investee companies, GCPF ensures that needed data is collected and indicators are disclosed. The indicators that are disclosed can be found in the tables 1.1, 1.2 and 1.3 below.

[1] Please find the sustainable finance disclosure regulation (SFDR) under this link.
[2] Find the full list of adverse sustainability indicators in the EU regulatory technical standards in Table 1-3 of Annex I of the SFDR delegated regulation.
[3] Reference is made to the Sustainability Risk Policy.

2.2 Description of mandatory and additional principal adverse sustainability impacts

For each reference period, GCPF discloses the following mandatory and additional adverse sustainability indicators identified by the European Union.

Mandatory climate and other environment-related indicators

No	Adverse sustainability indicator	Metric
1	GHG emissions	Scope 1 GHG emissions Scope 2 GHG emissions Scope 3 GHG emissions (From 1 January 2023) Total GHG emissions
2	Carbon Footprint	Carbon Footprint
3	GHG intensity of investee companies	GHG intensity of investee companies
4	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
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
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
7	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
8	Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
9	Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average

Table 1.1: Climate and other environment-related indicators

Mandatory indicators on social and employee, respect for human rights, anti-corruption and anti-bribery matters

No	Adverse sustainability indicator	Metric
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
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
12	Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies
13	Board gender diversity	Average ratio of female to male board members in investee companies

No	Adverse sustainability indicator	Metric
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

Table 1.2: Indicators on social and employee, respect for human rights, anti-corruption and anti-bribery matters.

Additional indicators for climate and the environment and for social and employee matters, respect for human rights, anti-corruption and anti-bribery matters

No	Adverse sustainability indicator	Metric
15	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
16	Lack of grievance/complaints handling mechanism related to employee matters	Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters

Table 1.3: Additional indicators for climate and the environment and for social and employee, respect for human rights, anti-corruption and anti-bribery matters

For definitions of the indicators, please refer to the EU Regulatory Technical Standards.

2.3 Description of policies to identify and mitigate principal adverse sustainability impacts

All investments by GCPF are carefully screened against the Fund's eligibility criteria, that are linked to positive sustainability impacts. The investments are moreover checked against negative indicators as outlined in table 1.1, 1.2 and 1.3 (where material) in this policy as well as GCPF's ESMS.

Each of the indicators above (in table 1.1, 1.2 and 1.3) are prioritized for disclosure. The indicators are collected directly from investee companies. For each of the indicators the values and numbers are analysed individually, based on best industry practice, investee companies' calculation methods, and benchmarking against sector averages, etc.

Those indicators that investee companies cannot provide - due to lack of information and tools - are estimated or reasonable assumptions are made. This includes indicators related to GHG emissions, carbon footprint and water emissions where investee companies usually have limited resources to disclose and report on them. The estimations are made by adhering to international best practices, such as the GHG Protocol, WRI Aqueduct tool etc. or by cooperating with third party data providers or consultancies.

If irremediable impacts are identified, the investment committee is informed and decisions on how to either mitigate the impacts or divest are taken.

2.4 Engagement policies

GCPF actively engages with its investee companies to encourage the adoption of better management practices on environmental and social issues when risks or principal adverse sustainability impacts are identified.

Furthermore, GCPF regularly monitors the ESG performance of the investee companies via monitoring reports and, when possible, on-site visits. The monitoring is typically also supported by questionnaires and the process includes an assessment of the responses provided by each investment company. This approach allows GCPF to track how investees evolve their ESG performance and principal adverse sustainability impact during the entire investment cycle.

More information on GCPF and responsAbility's approach to engagement can be found in the IM's Sustainability Engagement Policy here.

2.5 GCPF's ESG risk analysis process

GCPF establishes and implements an ESMS to ensure that all potential investments are screened against potential negative effects on environment or society, including but not limited to:

- An exclusion list that defines the types of projects that GCPF does not finance;
- Categorisation according to potential ESG risk profile;
- Evaluation through an ESG due diligence;
- Management in order to mitigate negative issues and to favour positive outcomes;
- Monitoring on an ongoing basis throughout the investment period;
- Application of a climate risk and/or climate transition assessment when identified as necessary.

GCPF insists that all prospective investee companies ensure that their business is conducted in a way that:

- Complies with all applicable laws;
- Upholds high standards of business integrity and honesty;
- Excludes harmful ESG practices and commits to continuous improvement;
- Provides safe and healthy working conditions for all its employees and contractors;
- Seeks to enhance the sustainable economic development of the area in which the fund invests;
- Addresses all external or internal sustainability factors that may affect the value of GCPF's investments.

When required, the ESMS also includes investor requirements on ESG issues.

2.6 References to international standards

GCPF's IM responsAbility adheres to the following responsible business conduct codes and internationally recognized standards for due diligence and reporting:

- IFC performance standards
- UN PRI (United Nations Principles for Responsible Investment)
- Operating Principles for Impact management
- IRIS+ (by the Global Impact Investing Network)
- UN Guiding Principles on Business and Human Rights
- UN Global Compact
- OECD Guidelines for Multinational Enterprises
- ILO Declaration on Fundamental Principles and Rights at Work

3. Accountability

3.1 Responsibilities

responsAbility's Impact & ESG Team is responsible for ensuring that this policy is adequately applied. responsAbility will maintain adequate capacity and resources to facilitate the implementation of this policy and to ensure that the adverse sustainability indicators of investee companies are properly collected, analysed and managed. Furthermore, the control of the key elements of this policy is included in responsAbility's Compliance monitoring program.

3.2 Document Owner and Review of this Policy

responsAbility's Impact & ESG department is the owner of this policy. The policy will be reviewed periodically by the document owner.

3.3 Definitions

In this policy, the following key terms apply:

ESG: Environmental, Social and Governance;

ESG at responsAbility: ESG or "Environmental, Social and Governance" is a process to minimize negative environmental, social or governance risks of investments;

Sustainable Investment: An investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance;

Sustainability Risk: An environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment;

Principal Adverse Impact (PAI): A PAI is any impact of investment decisions or advice that results in a negative effect on sustainability factors, such as environmental, social and employee concerns, respect for human rights, anti-corruption, and anti-bribery matters;

Adverse sustainability indicators: The European Union has identified 64 adverse sustainability indicators that can be integrated and analysed in the investment process, of which 16 will be mandatory to report for responsAbility and its investees, and 48 will be voluntary;

Sustainability Factors: Environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters, compensation, etc.;

SFDR: 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, including Commission

Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards.

4. Conflicts of Law

This policy is intended to comply with the laws and regulations in the place of establishment and in the countries responsAbility operates.

5. Breaches of this Policy

All breaches of this policy must be escalated to responsAbility's Legal & Compliance team and GCPF's Board of Directors, which will decide on the further measures, depending on the breach.