Global Climate Partnership Fund

Sustainability Risk Policy

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1. Introduction

1.1 Scope and objectives

This policy applies to the Global Climate Partnership Fund (GCPF or the Fund). responsAbility Investments AG (responsAbility or IM) is the Investment Manager of GCPF.

This Policy supports GCPF's classification as an Article 9 product under the SFDR.

The objective of this policy is to provide information on GCPF's approach for integrating Sustainability Risks into the investment decision-making process.

This policy is subject to change and may be amended, supplemented, or superseded by one or more separate policies.

1.2 Commitment

As a Fund that was conceptualized to address the climate crisis by investing in climate solutions in emerging markets, GCPF and its Investment Manager ensure that Sustainability Risks are fully incorporated into all the Fund's investment decisions.

Besides achieving its impact objectives as defined in the Fund Issue Document and Impact Framework, GCPF strives to:

- Minimize the negative environmental and social (E&S) risks of its investments and, in addition, generate positive financial and climate impacts.
- Act in accordance with applicable laws and regulations and ensure that its counterparties comply as well.
- Align with relevant requirements of international frameworks (i.e. IFC Performance Standards, UN Guiding Principles, Operating Principles for Impact Management, etc.).

2. Sustainability Risks

2.1 Definition and types of Sustainability Risks

Sustainability Risks, also known as "outside-in risk" refer to sustainability-related events or conditions that, if occurring, could cause a material negative impact on the financial product such as affecting the value of an investment. The Sustainability Risks that this policy addresses are:

- **Climate physical risk** – risks created by the physical impact of climate change, e.g. rising sea levels, or increased frequency of extreme weather conditions. These risks will vary according to the underlying business model or country/region and are monitored accordingly.
- **Climate transition risk** - risks created due to the transition to a low-carbon economy. Due to its investment strategy, GCPF has limited exposure to transition risk. The risk of a direct, negative contribution to this effect is thus limited.
- **E&S Risk** – typically viewed as "inside-out" risks, i.e. the risk that an investment/investee company may cause harm to its customers, employees, community and/or environment. However, in the context of this policy, E&S Risks may also be considered as a form of Sustainability Risk, if they pose a risk to a) an

individual investment due to regulatory or legal action from local authorities and b) the performance of the fund due to reputational risk created by a severe E&S incident.

2.2 Approach

The Fund continuously assesses, on a best-efforts basis and for all its asset classes, the likely impacts of Sustainability Risks on its financial return. This is achieved by integrating this assessment in its due diligence processes and therefore into all investment decisions. Should any major Sustainability Risks be identified, these are summarized in the final investment proposal and/or reflected in the credit rating.

Climate physical risk

The Fund is currently reviewing and updating its approach to integrating climate physical risk into its investment process, and this policy is expected to be updated accordingly within one year of its publication date. The Fund's current approach to assessing climate physical risk and to integrating the analysis in the investment process varies according to the type of project. GCPF distinguishes between two major categories of deals in terms of climate physical risk assessment:

Investments geared towards companies investing in fixed assets (e.g. solar PV installations or wind turbines above 5MW) or toward **companies operating in sectors that are identified as particularly vulnerable** to climate physical risk (e.g. agriculture), directly or via financial institutions. In these cases, a site-specific climate-risk assessment (CRA) will often be carried out by the IM as part of the ESG analysis process for that investment. If the CRA indicates that risks are high, this will be highlighted in the investment proposal for discussion by the Investment Committee (IC).

Investments in other categories, where risks may be present but are weaker, more indirect and/or spread over a wider geographic area (e.g. financial institutions with large agricultural portfolios). In these cases, the IM may assess risks at the level of the FI's portfolio during due diligence, before being summarised in the investment memo and/or reflected in the credit rating.

Climate transition risk

As mentioned, GCPF's investment strategy has limited exposure to transition risk. GCPF does not invest directly in fossil fuels, while indirect exposure (e.g. via financial institutions) is limited to a minority of each investee's activities (and is zero in terms of use-of-proceeds). Nonetheless, where the IM identifies any exposure to assets at risk via E&S due diligence and monitoring, this will be included in the overall credit analysis.

E&S Risk

GCPF has an effective E&S Management System (ESMS) that provides detailed internal guidelines with regard to how the Fund assesses and manages its E&S Risks throughout the investment lifecycle. More information on the Fund's approach to E&S Risks can be found in GCPF's Principal Adverse Impacts Statement here.

2.3 Ongoing monitoring and engagement

The IM strives to actively engage with GCPF investee companies to encourage the adoption of better management practices when Sustainability Risks are identified. The IM regularly monitors investee companies via monitoring reports and when required on-site visits. Monitoring is also supported by questionnaires and the process includes an assessment of the responses provided by each investee company. This approach allows GCPF to track how investments evolve in terms of their Sustainability Risk performance during the investment period.

2.4 Escalation procedure

Should any major Sustainability Risks be identified, the results are summarized in the final investment proposal. This ensures that the IC becomes aware of any potential Sustainability Risk, as well as the mitigation actions defined to minimize the negative impacts from an investment.

Actions to be taken in case of a breach of the policy are laid out below in section 6.

3. Accountability

3.1 Responsibilities

responsAbility's Impact & ESG Department (IED) is responsible for ensuring that this policy is adequately applied. Other relevant functions and areas within responsAbility are also required to provide support on this task. Should other departments be involved (such as Risk Management or Credit Analysis), their respective heads must also endeavour to ensure compliance with this policy.

responsAbility is responsible for maintaining adequate capacity and resources to facilitate the implementation of this policy. Furthermore, the monitoring of the implementation of the key elements of this policy on an ongoing basis is included in responsAbility's compliance monitoring program.

3.2 Document Owner and Approval

responsAbility's IED is the owner of this policy. The policy is approved by GCPF's Board of Directors.

3.3 Review of this Policy

This policy will be reviewed at least every two years by the document owner.

4. Definitions

In this policy, the following key terms apply:

E&S Risk: the risk that an investment/investee company may cause harm to its customers, employees, community and/or environment.

Sustainability Risk: An E&S event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

5. Conflicts of Law

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

6. 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 appropriate measures and/or sanctions required, depending on the materiality of the breach.