# responsAbility Sustainability Engagement Policy

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# 1 General

## 1.1 Scope and objectives

This Policy applies to responsAbility Investments AG and its subsidiaries (“responsAbility”).

The objective of this policy is to provide information on responsAbility’s approach regarding stakeholder engagement on sustainability-related aspects and risks. This policy is complementing responsAbility’s Sustainability Risk Policy, publicly available on responsAbility’s webpage.

Where appropriate, portfolio managers should consider engagement for other investment topics beyond sustainability, including financial and governance-related aspects etc.

This Policy is subject to prescriptive local laws, regulations, regulatory guidance or local addenda, in the jurisdictions in which responsAbility operates.

## 1.2 Definitions

In this Policy, the following key terms and acronyms apply:

**ESAP:** Environmental & Social Action Plan

**ESG:** Environmental, Social and Governance

**Greenhouse Gas (GHG) emissions:** emissions of carbon dioxide ($CO_2$), methane ($CH_4$), nitrous dioxide ($N_2O$), and fluorinated gasses, including sulfur hexafluoride (SF), hydroflourocarbons (HFCs) and perflourocarbons (PFCs).

**Principal Adverse Impacts (PAIs):** PAIs capture the impact of investment decisions (and advice) that lead to negative effects for sustainability factors.

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

**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.

**Technical Assistance Facility (TAF):** A pool of grant funding provided by some investors and/or donors to pay for projects that will enhance the impact and ESG performance of investee companies. In doing so, TAFs seek to complement and catalyze investment activity, further contributing to the sustainability objectives of responsAbility investment products and activities.

## 2 Engagement on sustainability factors

responsAbility considers engagement to be an important element of its impact investment activities. Engagement is a means to interact with, and provide feedback to, an investee company regarding responsAbility's impact and environmental, social and governance (ESG) requirements, and to evaluate whether the company is willing to address potential risks. Engagement also allows responsAbility to improve the intensity of impact achieved by an investee company, to the benefit of staff, customers and the wider community. As shown below, engagement can occur within a variety of channels and processes that may apply to all investees or specific business models, sectors, or asset classes.

### 2.1 As part of the general due diligence process

As an active impact investment manager, responsAbility commonly engages directly with the management of investee companies on sustainability factors. This interaction follows a structured process and can include, but is not limited to, conference calls with the management of the investee company, email exchanges, onsite meetings and site visits. Engagement will mainly be conducted by responsAbility's investment officers and/or responsAbility's sustainability experts.

Where responsAbility does engage, it is with the intention of improving investee companies' policies, improving the intensity of impact achieved by an investee company, and reducing potential risks on sustainability factors. For some products, this may involve identifying and supporting opportunities for investee companies to introduce new processes and products that will improve their impact and reduce sustainability risks e.g., helping financial institutions to set up and implement green loan programs or support smallholder farmers to implement adaptation to climate change practices. Such initiatives may be complemented/supported by technical assistance projects (see below).

responsAbility will seek to include specific references to impact and/or ESG requirements in loan agreements or shareholder agreements, according to the criteria and objectives stated in each Fund prospectus. Where needed and where possible (for example, if specific issues have been raised during due diligence and reflected in an Environmental & Social Action Plan, or ESAP – see below), further requirements may be specified.

### 2.2 Engagement across investment process to mitigate and reduce sustainability risks

responsAbility will engage with investee companies where our analysis has concluded that an investee company's activities and policies can lead to heightened sustainability or ESG risks that are material for responsAbility's investment decision. This includes cases where responsAbility has identified principal adverse sustainability impacts (PAIs) that can result in negative effects on sustainability factors. These factors may include environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters. Identification of PAIs, will typically, but not always, be identified by the collection of adverse sustainability indicators, as outlined in responsAbility's Policy on principal adverse impact of investment decision on sustainability factors (see also responsAbility's publicly available PAI statement**)**.

The engagement process will include assessments on whether an investee company is taking the necessary actions to reduce the risks from the issues identified. If so, the responsAbility Impact & ESG Department will regularly monitor these risks and will take their status into account in the investment decision.

If responsAbility's engagement leads to the conclusion that the investee company is not responding appropriately to responsAbility's sustainability criteria/requests, the case will be escalated to the investment committee/or corresponding decision-making body (e.g. responsAbility's Ethics Committee) for further discussion on the appropriate course of action, which may lead to exclusion or divestment.

#### 2.2.1 Engagement to mitigate and minimise greenhouse gas emissions

Specifically, for responsAbility funds that have a sustainable investment objective to reduce greenhouse gas (GHG) emissions: where responsAbility assesses that investee companies' GHG emission reduction performance does not correspond to their commitments in this area, engagement to understand deficiencies and shortages will take place, as a part of reducing sustainability risks. The intention with engagement is also to motivate investee companies to improve and further reduce GHG emissions and/or climate related disclosure. In cases where an investee company does not react in a satisfactory manner to this engagement and/or its performance in this area does not improve, this may lead to exclusion or divestment.

#### 2.2.2 Ongoing monitoring & continual improvement

responsAbility regularly monitors the ESG performance and sustainability risk factors of investee companies via monitoring reports and, in some cases on-site visits. Monitoring is typically also supported by monitoring reports or questionnaires and includes an assessment of the responses provided by each investment company. This approach allows responsAbility to track the evolution of investees' ESG performance throughout the investment cycle.

### 2.3 Via technical assistance projects

Another effective means of engagement is via responsAbility's Technical Assistance Facilities (TAFs), which provide funding for technical assistance projects for certain responsAbility products. TAFs can strengthen engagement by providing support to investee companies where they are seeking to intensify impact generation or reduce sustainability risks. TAF activities aim to strengthen the operational capacity of current or potential investee companies of certain Funds to ensure sustainable business growth and maximize development impact. By strengthening the capacity of these companies, technical assistance support will also help to reduce borrower risk, increase the probability of repayment, and establish a sustainable sector. TAFs may also provide training to investee companies to ensure that they are equipped with the necessary knowledge and resources to enhance their sustainable business model. This engagement and support allows responsAbility to enhance the intensity of the impact of its investment activities and reduce sustainability risks, while strengthening the resilience of investee companies and sectors.

### 2.4 Via voting

For equity investments where responsAbility funds hold a position, in shareholder votes we will vote to enable and encourage investees such that:

a) management ensures that ESG performance is maintained in line with industry-accepted best practice (e.g., IFC Performance Standards), or the ESG standards set out in the fund prospectus, if these are higher;
b) company strategy is in line with the ethos of the impact strategies set out in the relevant fund prospectus and consequently identified at the time of investment.

Such votes will take into account the other duties incumbent on responsAbility as fund manager, as well as the social, economic and financial context in which the investee is operating.

### 2.5 In cooperation with other stakeholders

In certain cases, responsAbility may collaborate with other stakeholders of investees and/or actors in our investee markets if considered to be in the best interest of the investee company or sector respectively.

#### 2.5.1 Direct engagement by cooperating with other stakeholders

Where sustainability risks have been identified for an investee company or group of investee companies, responsAbility may work together with other lenders and/or shareholders, as well as local communities, NGOs and/or regulatory bodies to provide a coordinated response to the issue and support in resolving it.

#### 2.5.2 Indirect engagement by participating in industry bodies and working groups

responsAbility considers collaborative engagement an integral part of our role as an impact investing pioneer. This is underlined by the active engagement that responsAbility has in industry groups to ensure best practices in each sector for investee companies and investors. Examples of these groups include the Social Performance Task Force (SPTF), Global Impact Investor Network (GIIN), the UN Principles for Responsible Investment (PRI), the Operating Principles for Impact Management (OPIM), Swiss Sustainable Finance (SSF), among others.

# 3 Responsibilities and Accountability

### 3.1 Document Owner and Approval

responsAbility's Impact & ESG department is the owner of this Policy.

### 3.2 Review of this Policy

This Policy will be reviewed periodically by the Document Owner.

# 4 Conflicts of Law

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

In the event of any conflict between this Policy and applicable laws and regulations, the latter shall prevail.

# 5 Breaches of this Policy

All breaches of this Policy must be escalated to Compliance.

Signatures:

Rochus Mommartz, CEO

Paul Hailey, Head of Impact & ESG