Sustainability Risk Policy

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1 Introduction

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 the integration of Sustainability Risks (or Environmental, Social and Governance risks) in the investment decision-making process.

Detailed information on responsAbility’s approach regarding the integration of Sustainability Risks in the investment decision process can also be found in each individual fund’s Environmental, Social and Governance (ESG) Management System[1]. The ESG Management System sets out the individual product’s approach to ESG assessment and risk management throughout the investment cycle and has been developed in line with the requirements described in IFC Performance Standard 1.

This policy is subject to change and may be amended, supplemented, or superseded by one or more separate policies.

1.2 Commitment

As one of the world’s leading asset managers in the field of impact investments, responsAbility targets attractive returns for our investors whilst promoting environmentally and socially responsible, inclusive development. As such, responsAbility ensures that ESG criteria are fully incorporated into all its investment decisions.

As an impact investor, responsAbility strives to:

- Generate positive inclusive and sustainable development impact as also environmental and social impact
- Minimize the negative impacts and ESG risks of its investments
- Act in accordance with applicable laws and regulations, and promote investees’ compliance with applicable laws and regulations; and
- Align with relevant requirements of international standards and principles (including but not limited to IFC Performance Standards, UN Principles for Responsible Investment and IFC Operating Principles for Impact Management).

2 Sustainability Risks

2.1 General Approach

Sustainability Risks refer to environmental, social or governance events or conditions that, if occurring, could cause an actual or a potential material negative impact on the value of the investment.

An analysis of Sustainability Risks focuses on environmental, social and governance conditions such as environmental factors (water and land, the production of waste, greenhouse gas emissions, etc.), or social and governance matters (respect for human rights, labour conditions, anti-corruption and anti-bribery matters, etc.).

responsAbility continuously assesses, on a best effort basis and for all its asset classes, the likely impacts of Sustainability Risks on the financial return of its products. This is achieved by integrating this assessment in its due diligence processes and therefore into all investment decisions.

2.1.1 Assessment Process

Each financial product that responsAbility manages or advises will establish and implement an ESG Management System to ensure that all potential investments are:

- Screened against an exclusion list[2] that defines the types of projects that responsAbility does not finance;

[1] The ESG Management System of each responsAbility Fund can be accessed upon request.
[2] Specific to each Fund within responsAbility.

- Categorized according to their potential ESG risk profile;
- Evaluated through an ESG due diligence or similar form of robust assessment;
- Managed in order to mitigate negative issues and to favor positive outcomes; and
- Monitored on an ongoing basis throughout the investment period.

The assessment process defines a provisional ESG risk category for each proposed investment into high, medium, and low risk, depending on its profile. This risk category determines the level of ESG due diligence required and the actions that may be needed to minimize potential ESG impacts.

Following the approach outlined in this policy, responsAbility requests all prospective investee companies to undertake that their business is conducted in a way that:

- Complies with all applicable laws and regulations;
- 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; and
- Seeks to enhance the sustainable economic development of the area in which the fund invests.

When required, the ESG Management System also includes investors' requirements on ESG issues.

2.1.2 Ongoing Monitoring & Continual Improvement

responsAbility strives to actively engage with investee companies to encourage the adoption of better management practices when risks are identified. Every 18 months, responsAbility 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 responsAbility to track how investees evolve their ESG performance during the entire investment cycle.

2.1.3 Escalation Procedure

If an investee company does not fully meet the requirements of this policy, an ESG action plan is defined and included in the relevant transaction documentation. It therefore becomes mandatory for the investee to put in place actions to address gaps in a timely manner.

The results of the whole ESG assessment are summarized in the final investment memorandum. This ensures that the investment committee is notified of any potential Sustainability Risk, as well as the mitigation actions defined to minimize the negative impacts on the financial product.

If a breach with the requirements of this policy occurs after disbursement, the applicable investment committee will be informed and decisions to how to mitigate the risks will be taken.

2.2 Principal Adverse Sustainability Impact Disclosure

To act in the best interests of our clients, responsAbility not only assesses the impact of Sustainability risks on the financial return of financial products in a systematic way. ResponsAbility also considers Principal Adverse Sustainability Impacts (PASI) of its investment decisions on Sustainability factors. In contrast to the analysis of Sustainability Risks, an analysis of PASI's has an outward facing approach as it focuses on the negative impacts on the environment and society caused by a financial product and services responsAbility manages and implements.

responsAbility's Policy on Adverse Impact Disclosure will be available from 30th of June 2021.

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 ESG compliance of investee companies are properly 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

The Impact & ESG team 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

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 Sustainability Impact: PASI's capture the impact of investment decisions (and advice) that result in negative effects on Sustainability factors

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

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 which will decide on the further measures, depending on the breach.

Name, position, signature

R. Mommartz

Rochus Mommartz, CEO