

GCP
ASSET
BACKED

GCP ASSET BACKED INCOME FUND LIMITED

ENVIRONMENTAL,
SOCIAL AND GOVERNANCE
POLICY

JANUARY 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

ESG and responsible investing is a key priority for the Directors

Introduction

Since the Company's IPO in 2016, and with the impact that Covid-19 has had on escalating climate change priorities, there are considerable new environmental, social and governance ("ESG") legislation, regulation and stakeholder requirements for the Company to consider. These changes impact not only the way in which the Company is run, but also the sectors in which it invests and the investments it makes, the parties it engages with, and how it reports to investors.

The Company's investment objective is to generate attractive risk-adjusted returns through regular, growing distributions and modest capital appreciation over the long term. The Company seeks to meet its investment objective through a diversified portfolio of investments which are secured against contracted, predictable medium to long term cash flows and/or physical assets.

The Company does not use ESG criteria to evaluate investments or assess their societal impact within its stated investment appetite. However, the Directors believe that integrating strong ESG principles across all aspects of the Company's operations including the application of negative and positive pre-investment screening, is necessary in ensuring its long-term success and the success of sectors within which it operates, the businesses it invests in and the companies it chooses to engage with.

The Company is currently invested in a diversified portfolio of asset backed loans across sectors including social infrastructure, asset finance, property, energy and infrastructure.

In accordance with the Principles for Responsible Investment (the "PRIs") that our Investment Manager is a signatory to, the Directors are developing the Company's governance operating model to ensure ESG factors are considered by the Board to help guide decisions, processes and policies. The aim is to operate a sustainable business model which does not detrimentally impact the environment and that provides tangible benefits to society.



PRIs

The Company already has a strong governance protocol embedded into the way it manages its business and which is reported on a regular basis. The Directors intend

to develop this protocol by incorporating the PRIs into its ESG framework and ensure alignment across the Group.

As such, the Directors have developed the following ESG framework, in line with the

PRIs, to guide the processes and policies of the Group going forward. Each element of the framework is explored in more detail throughout the policy.

PRI	ESG FRAMEWORK	MORE INFORMATION
<p>PRINCIPLE 1: We will incorporate ESG issues into investment analysis and decision-making processes.</p>	<p>1.DECISION MAKING ESG considerations are part of our decision making process</p>	<p>See page 3</p>
<p>PRINCIPLE 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.</p>	<p>2.OWNERSHIP Our policies and procedures include consideration of ESG factors</p>	<p>See page 4</p>
<p>PRINCIPLE 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.</p>	<p>3.PARTNERSHIP We will consider the ESG approach of those we chose to engage with and invest in</p>	<p>See page 5</p>
<p>PRINCIPLE 4: We will promote acceptance and implementation of the Principles within the investment industry.</p>	<p>4.ACCEPTANCE We will promote acceptance and implementation of ESG considerations</p>	<p>See page 5</p>
<p>PRINCIPLE 5: We will work together to enhance our effectiveness in implementing the Principles.</p>	<p>5.ENHANCEMENT We will ensure our ESG framework is maintained</p>	<p>See page 6</p>
<p>PRINCIPLE 6: We will each report on our activities and progress towards implementing the Principles.</p>	<p>6.REPORTING We will report on progress against our ESG framework</p>	<p>See page 6</p>

1.DECISION MAKING

ESG considerations are part of our decision-making process

The Company:

The Company has delegated investment management to the Investment Manager, in accordance with the investment mandate. As such the key decisions made by the Board in the ordinary course of business relate to the Company's strategy, the parties it engages with and oversight of risk management by key stakeholders, such as:

- i. stakeholder engagement and conflict management;
- ii. insurance, hedging, borrowing limits;
- iii. capital raising; and
- iv. strategic investment objectives.

These decisions are governed by the terms of reference of the Board and its Committees.

The Directors are required to review the terms of reference on an annual basis and in doing so over the course of the year, will ensure that ESG considerations are incorporated, if not already included.

Our investments:

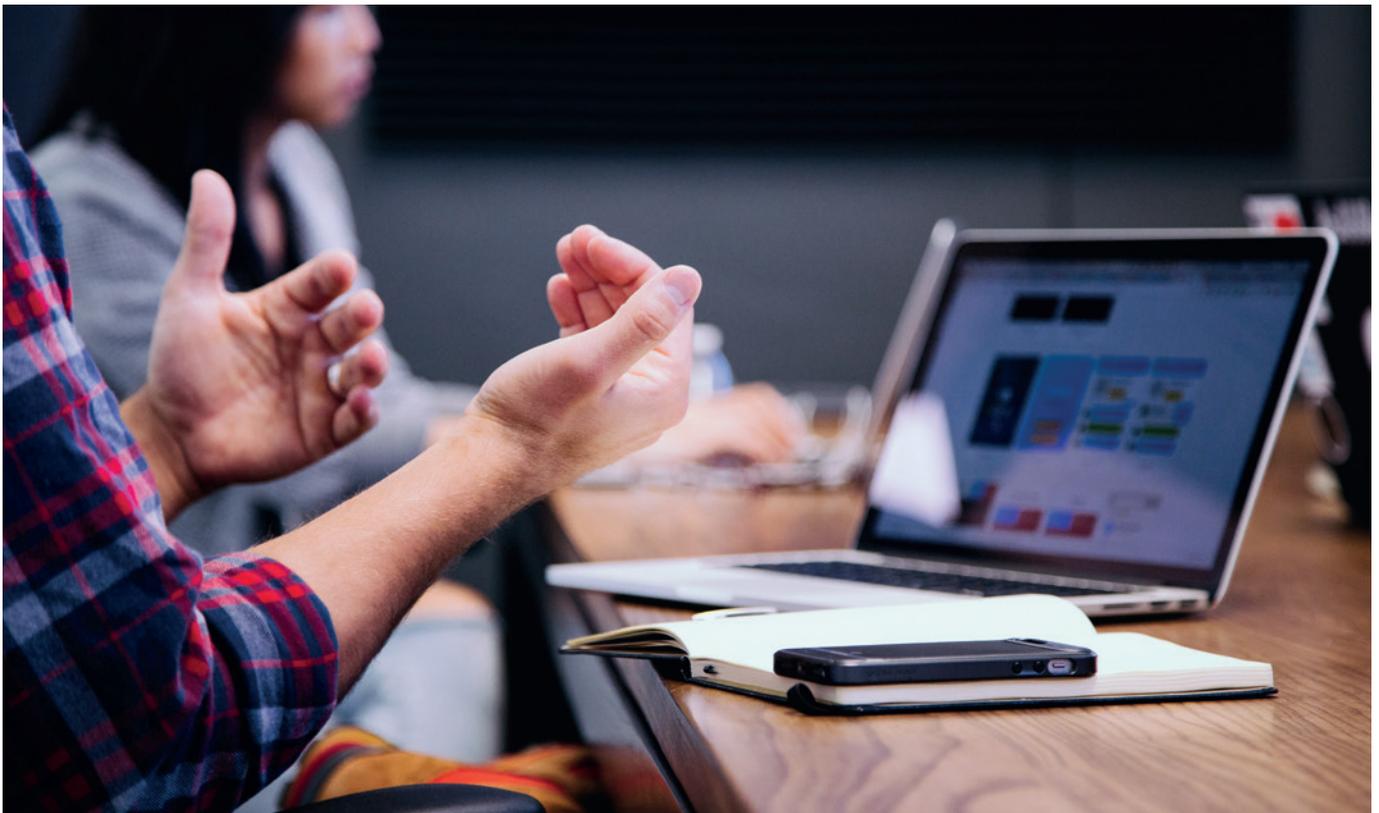
The Investment Manager believes that integrating ESG considerations into investment management processes and ownership practices can help to create more successful and sustainable businesses over the long term and generate enhanced value for clients, and society at large.

The Investment Manager has a dedicated section of its website containing its Responsible Investment Policy, its annual reporting on ESG initiatives and relevant documents for each fund:

www.graviscapital.com/responsible-investment

In addition, the Investment Manager has a dedicated fund representative for the Company on the Investment Manager's Responsible Investment committee. This ensures that the Directors are kept informed on developments at the Investment Manager and that best practice can be shared across the different investment funds managed.

In accordance with this policy, the Investment Manager takes ESG considerations into account in its decision making processes.



2. OWNERSHIP

We will include ESG issues in our policies and procedures

The Company:

The policies that the Directors have developed are derived from the legal, regulatory and governance requirements the Company and its operations are governed, such as the Listing Rules, JFSC regulation and the AIC code in accordance with its AIC membership which cover areas such as:

- i. conflicts of interest;
- ii. board composition, tenure and succession; and
- iii. anti-bribery and tax evasion.

A full review of the Company's key operating manual and policies will be carried out to ensure relevant ESG requirements and considerations are incorporated.

Our investments:

As a debt provider, the Company has the ability to effect and influence change with borrower companies through our involvement in the companies. As such, we are committed to using the methods and controls available to have an impact and promote best practice. The Investment Manager has put in place a number of policies and procedures which are outlined below.

The Investment Manager is continually looking at new mechanisms by which the Company can improve the way in which it engages with borrowers and will use this framework to develop this area further.

DEAL SCREENING

The Investment Manager has implemented processes to identify investments that promote sustainability or benefit society, including, but not limited to:

- climate change mitigation and adaptation;
- energy transition;
- critical infrastructure;
- affordable living;
- social Housing;
- education; and
- healthcare.

It excludes investments which focus on animal testing, armaments, alcohol production, pornography, tobacco, coal production and power and nuclear fuel production.

The diversification of investments in the portfolio presents a challenge in allocating any form of quantitative grading against ESG criteria. As such, the Investment Manager will not seek to grade investments but will consider each on a case-by-case basis in regard to ESG matters.

ESG DUE DILIGENCE PROCESSING

The Investment Manager has implemented a Responsible Investment checklist for new investments which assesses how the investment fares against key relevant ESG criteria.

The checklist covers the counterparty's commitment and capability to effectively identify, monitor and manage potential ESG related risks and opportunities, and, to the extent applicable, the availability of relevant policies and procedures, alignment with industry or investment specific standards and ratings; and compliance to relevant ESG-related regulation and legislation.

CONFLICT MANAGEMENT

The Company has always actively managed any direct or indirect conflicts of interest in accordance with best practice.

Where the directors and/or shareholders of the Investment Manager directly or indirectly own an equity or other interest in a project, a conflict management process is followed. In accordance with the Company's investment approval process, these investments are reviewed and approved by the Board.

Where there is any overlap for a potential investment with GCP Infrastructure Investments Ltd, ("GCP Infra", a third party company advised by the Investment Manager), GCP Infra has a right of first refusal over such investment. GCP Infra has not exercised this right of first refusal since the Company's IPO.

3. PARTNERSHIP

We will consider the ESG approach of those we chose to engage with and invest in

The Company:

The Directors, in recognising the importance of a strong corporate governance culture, value the importance of working with companies with a high standard of business conduct.

Prior to the appointment of a service provider full due diligence is carried out which includes a summary of their approach to environmental and social and governance issues including:

- relevant climate risks to the company and appropriate mitigants; and

- compliance with key reporting requirements, such as Modern Slavery statements under the Modern Slavery Act 2015 and reporting of Gender Pay Gap statistics under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

Through the Management Engagement committee, an annual review of all service providers is carried out where it is intended that environmental and social issues will be incorporated into the process.

Our investments:

The Investment Manager has demonstrated that building and maintaining strong relationships with investors and borrowers is vital to ensure the long-term success of the Company.

Through these relationships and appropriate provisions in key agreements (e.g. service provision agreements and loan agreements) the Investment Manager will seek access to appropriate disclosure on ESG issues, recognising that this approach may not be relevant for all sectors in which the Company invests. We will use this information to inform how ESG risks in the portfolio can be managed and monitor investments accordingly.

Where the Company engages with third party providers, we will take steps to ensure that identified risks are appropriately managed.

4. ACCEPTANCE

We will promote acceptance and implementation of ESG considerations

The Company:

Through engagement with the Company's stakeholders and regular interaction and review of its service providers, the Directors will endeavour to promote acceptance and implementation of ESG considerations.

Our investments:

As part of the wider investment community, we recognise the value of sharing ideas and continuing to develop best practice. Through our reporting and investor engagement, we will share our ideas on the implementation of the PRI Principles and look to utilise examples of best practice in the market. This may include participating in discussions with other market participants and sharing case studies through our annual reporting.

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5. ENHANCEMENT

We will ensure our ESG framework is maintained

The Company:

The Directors recognise the need to continually develop and improve the Company's best practice against the ESG framework set out in this policy and will do so by engaging with stakeholders and advisers and through their annual professional development obligations.

Our investments:

Given the diversity of sectors which the Company invests in, the approach to assessing and measuring ESG risks will naturally need to reflect the unique characteristics of each investment. We will continue to engage with stakeholders, including borrowers, to seek feedback on ways in which we can support them to meet their ESG goals.

It is our aim that this policy will provide a framework against which the Company can improve on implementing ESG targets and provide greater transparency for investors on progress in this area.

6. REPORTING

We will report on our progress against our ESG framework

The Company:

To provide confidence on the Company's approach and progress made on ESG considerations, the Directors will provide regular and transparent reporting to investors on specific ESG considerations.

The Directors intend to adopt the recommendations of the TCFD where appropriate and will make additional disclosures in the Company's annual reports on governance, strategy, risk management and metrics and targets.

Our investments:

The Investment Manager will report to the Directors on a regular basis on how investment activities have incorporated ESG, including where incentive mechanisms are used to encourage ESG activities and any new transactions in social or energy infrastructure.

Through quarterly reporting, the Investment Manager will also address any due diligence issues raised on new transactions through the Responsible Investment checklist and ongoing monitoring.

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GLOSSARY

PRI: Principles for Responsible Investment

Listing Rules: FCA Listing Rules

JFSC: Jersey Financial Services Commission

AIC code: Association of Investment Companies Code of Corporate Governance

GCP Infra: GCP Infrastructure Investments Limited, a third party company managed by the Investment Manager

TCFD: Task Force on Climate-related Financial Disclosures



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