

## GCP ASSET BACKED INCOME FUND LTD (the “Company”)

### PRE-CONTRACTUAL DISCLOSURE RELATING TO SUSTAINABILITY RISKS

The Investment Manager (“Gravis Capital Management”) as AIFM has determined that the Company is subject to Article 6 of the EU Sustainable Finance Disclosure Regulation (“SFDR”). In accordance with Article 6, sustainability risk is included in the due diligence undertaken as part of the investment decision process.

#### **No sustainable investment objective**

The Company promotes environmental and social characteristics but does not have sustainable investment as its express objective.

The Company has not designated a benchmark for the purpose of attaining the environmental or social characteristics promoted by the Company.

#### **What environmental and/or social characteristics are promoted by this financial product?**

The Company aims to operate a sustainable business model which does not detrimentally impact the environment and provides benefits to society where possible.

The Company focuses on assets that are integral to society and is currently invested in a diversified portfolio of asset backed loans across the social infrastructure, energy and infrastructure, property and asset finance sectors, located predominantly in the UK.

#### **What investment strategy does this product follow?**

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, or comprise, contracted, predictable medium to long-term cash flows and/or physical assets.

The Company’s investments will predominantly be in the form of medium to long-term fixed or floating rate loans which are secured against cash flows and/or physical assets which are predominantly UK based. They will typically be unquoted and will include, but not be limited to, senior loans, subordinated loans, mezzanine loans, bridge loans and other debt instruments. The Company may also make limited investments in equities, equity-related derivative instruments such as warrants, controlling equity positions (directly or indirectly) and/or directly in physical assets.

The Company believes that a commitment to strong principles of responsible investment should be embedded within and complement all investment decisions and intends to continue supporting borrowers who have a positive impact on society.

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. It has developed a responsible investment process which incorporates the following:

### Positive screening

The Investment Manager has implemented processes to positively screen for investments that promote sustainability or benefit society, including, but not limited to, the areas of climate change mitigation and adaptation, energy transition, critical infrastructure, affordable living, social housing, education and healthcare.

### Negative screening

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

### ESG due diligence processes

The Investment Manager is working with the Company on the implementation of its 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.

### Monitoring and engagement

Following the investment, the Investment Manager monitors the investments in accordance with the relevant covenants and information requirements for the project. The requirements are tailored to manage risks specific to each project and typically include financial, regulatory, operational and construction reporting, where relevant. Through the new responsible investment checklist process, the Investment Manager is seeking to identify ESG indicators to include in reporting and monitoring of borrowers to inform the way in which the investment is managed.

Further details of the Company's investment strategy can be found in its latest Annual Report.

### **What is the asset allocation planned for this financial product?**

At the 2020 year-end, the Company's investments in social infrastructure (including supported living, care homes, student accommodation, nursery facilities and multi-use community facilities) represented 33% of the portfolio by value. Investments in energy and infrastructure (including solar O&M, water infrastructure, battery storage, material recovery facility and CNG fuel stations) represented 8% of the portfolio by value.

### **Does this financial product take into account principal adverse impacts on sustainability factors?**

Notwithstanding that consideration is already given to sustainability criteria by the Investment Adviser during the investment process, the Company appreciates the importance of considering adverse impacts of investment decisions on sustainability factors and is committed to upholding best reporting practices on sustainability and promoting transparency on the Company's sustainability performance. At this time, the Company is mindful that there is currently insufficient detail available regarding sustainability indicators under the Sustainable Finance Disclosure Regime ("SFDR") and that the industry is still settling on its interpretation. As the industry requirements under SFDR become clear, the Investment Adviser and the Company will keep them under review to ensure ongoing compliance regarding transparency of adverse sustainability impacts. This is likely to be from 2022.

### **Can I find more specific product information online?**

More product-specific information can be found on the website: [www.graviscapital.com/funds/gcp-asset-backed/about](http://www.graviscapital.com/funds/gcp-asset-backed/about)