



# NRP Zero AS

## Responsible Investment Policy for

### NRP Green Transition I AS

#### 1 INTRODUCTION

##### 1.1 Who we are

NRP Zero AS (the "**Manager**") is the manager of the alternative investment fund NRP Green Transition I AS (the "**Fund**"). The Fund has sustainable investments as its objective pursuant to the Sustainable Finance Disclosure Regulation, (EU) 2019/2088 (the "**SFDR**") Article 9. Further detailed information is set out in the Draft Regulatory Technical Standards related to the SFDR (the "**RTS**").

##### 1.2 Purpose

The Manager has adopted this Responsible Investment Policy (the "**Policy**") to establish a proper, sustainable and responsible investment guidance for the Fund (as a whole, including the Fund's assets and portfolio companies), with respect to environmental, social, and corporate governance ("**ESG**").

We believe that integrating ESG factors results in better-informed investment decisions, and we are convinced that companies with sustainable business practices have a competitive advantage and are more successful in the long-term.

The purpose of the Policy is to describe the framework governing the approach of the Fund to sustainable investments and the ESG integration. The Policy is approved by the board of directors of the Manager and the Fund.

##### 1.3 Definitions

For the purpose of this Policy, "material" ESG factors refers to those factors that the Manager in its sole discretion determines to have, or have the potential to have, a direct and substantial impact on an organization's ability to create, preserve or erode economic, environmental and social value for itself and its stakeholders.

For the purpose of this Policy the use of the term "Sustainability risk" shall have the meaning as given in Article 2(22) of the SFDR; "an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment". This Policy focuses on four high-level sustainability risks further defined below. These are only examples of sustainability risk factors and do not solely determine the risk profile of the investment. The relevance, severity, materiality and time horizon of these factors can differ significantly by the underlying asset of the Fund.

- (i) Physical climate risk: The risk associated with the physical impacts due to climate change. Physical risk arises from the physical effects of climate change, acute or chronic. For example, frequent and severe climate-related events can impact products and services, and supply chains.

- (ii) Climate transition risk: Whether policy, technology, market or reputation risk arises from the adjustment to a low-carbon economy in order to mitigate climate change.
- (iii) Stakeholder management risk: A broad range of positive and negative factors, traditionally considered “non-financial” that can impact the Fund, its portfolio companies and the Manager’s operational effectiveness and resilience as well as its public perception, and social license to operate. Examples can include but are not limited to labor rights and community relations.
- (iv) Governance risk: Governance related risks can include but are not limited to risks around board independence, ownership and control, or audit and tax management.

For the purpose of this Policy the use of the term "Sustainable Investment" means that the Fund shall have a sustainable investment objective and make sustainable investments within the meaning of the SFDR Article 2(17). This involves that the Fund will make investments 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, provided that such investments do not significantly harm any of those objectives and that the portfolio companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

The Manager shall assess the Fund portfolio against the principle of “do no significant harm” and incorporate considerations of the minimum social safeguards specified in the Taxonomy Regulation (Regulation (EU) 2020/852 (the "**Taxonomy**")) on the establishment of a framework to facilitate sustainable investment.

#### **1.4 Objective**

The Manager has chosen to classify the Fund as an “article 9 product” in accordance with the SFDR. This involves that the Fund has a sustainable investment objective and shall make sustainable investments within the meaning of SFDR Article 2(17) which means that the investments contribute to an environmental or social objective, or invest in human capital or economically or socially disadvantaged communities, provided that the investment does not significantly harm any environmental or social objective and that the portfolio companies follow good governance practices.

The Manager will provide information to investors on how the sustainable investment intends to be attained as part of pre-investment disclosures to its investors.

Further, at a general level the Manager will seek to increase profitability by establishing a comprehensive approach to ESG integration throughout the holding period of an investment, and through active ownership in the underlying portfolio companies.

#### **1.5 Ownership and accountability**

The Chief Executive Officer ("**CEO**") of the Manager is the owner of the policy and responsible for ensuring that the policy is implemented. The Policy is anchored in the board of directors of the Manager. The responsibility for integration of ESG practices in the investment decisions and in the exercise of ownership rests with the investment team of the Manager. Although the CEO is overall responsible for the daily compliance with, and integration of, the Policy, all of the investment managers and analysts are subject to the Policy and have responsibility to contribute to the Manager’s ESG integration.



The Manager shall ensure internal resources required in order to meet requirements under the SFDR, stay compliant with regulatory requirements and follow internal processes and this Policy.

## **2 GUIDING PRINCIPLES**

With sustainability as an integral part of the Manager's core business, economic, social and environmental aspects are taken into account before investment decisions are made. The Manager's sustainability principles, guidelines and reporting systems govern this practice.

The Manager acts in accordance with the United Nations Universal Declaration of Human Rights, International Labor Organization (ILO) standards, United Nations Guiding Principles (UNGPs), United Nations Global Compact (UNGC) Principles and the Organization for Economic Co-operation and Development (OECD), Guidelines for Multinational Enterprises, and is guided by these international treaties to assess the behaviour of companies.

The NRP Group has signed the Principles for Responsible Investment (the "**PRI**") and the NRP Group, including the Manager, will follow these leading standards in the investment sector. Further the NRP Group is a sponsor of Right To Play and other initiatives. The Manager supports the Zero Emission Resource Organization, which is an independent, non-profit NGO dedicated primarily to developing and promoting solutions to global warming.

The Manager's overall principles are:

- (i) The Manager's business activities are based on the UN Sustainable Development Goals ("**SDG**").
- (ii) The Manager's processes and decisions are based on sustainability (in the board and management being ultimately responsible, in addition to each employee promoting sustainability in their own area).
- (iii) The Manager will be transparent about the Manager's work and our sustainability results.
- (iv) The Manager collaborate in order to achieve the SDGs with the investors of the Fund, suppliers, the authorities and partners.

## **3 RESPONSIBLE INVESTMENT STRATEGY**

### **3.1 The approach**

The Manager aims to promote sustainable practices and ethical and appropriate ESG standards in the portfolio companies owned, either wholly or partly, by the Fund. In this respect, the Manager will follow the following goals and principles prior to an investment and during its ownership, and in line with the SFDR:

- (i) reduce the adverse sustainability impact that investments by the Fund may cause by considering principal adverse impacts ("**PAI**") of investment decisions on sustainability factors;
- (ii) mitigate sustainability risks by conducting a pre-investment and ongoing assessment of potential sustainability risk factors (among others, physical climate risk, climate transition risk, stakeholder management risk and governance risk);
- (iii) promote positive sustainability impact by active ownership and engagement in portfolio companies; and
- (iv) exclude investments that has a substantial negative impact on sustainability.

The Manager has developed policies and procedures to ensure that the companies the Fund invests in meet the Manager's expectations of ESG performance and that ESG risk/sustainability risk is managed in all of the Manager's investment processes. The Manager considers principal adverse impacts ("PAI") of investment decisions on sustainability factors within the meaning of Article 4 of the SFDR. The Manager uses the mandatory indicators on greenhouse gas emissions, biodiversity, water, waste, and social indicators applicable to companies, in addition to two indicators of choice. During the ownership period, the Manager will actively engage with portfolio companies to monitor the performance on the standardized key performance indicators that the Manager intends to develop, which will be implemented and tracked during the ownership period (the "KPIs").

The Manager will integrate PAIs of investment decisions on sustainability factors aligned with the data availability and maturity of market practices, which are in its early phase and under development. Consequently, considering current limitations, the Manager is currently collecting PAI related information and data on a best-effort basis (see further information below in clause 3.10). When the SFDR and the RTS are fully implemented the Manager will collect, measure, validate and report correct and precise data on the mandatory sustainability indicators.

The Manager will seek to initiate several measures in order to mitigate those adverse impacts, such as working for the portfolio companies to implement energy savings measures, adopting ethical guidelines in line with industry standards, and working for equal opportunities.<sup>1</sup> Further information can be found in the Principle Adverse Impact Statement, available through the following link; <https://www.nrp.no/ESG/>.

### **3.2 How we integrate sustainability risk in the investment decision process**

We believe that including sustainability risks in the investment decision process can enhance the risk-adjusted returns of the portfolios by:

- Enabling portfolio managers and analysts to obtain relevant ESG information, making it possible to identify sustainability risks and opportunities within the investable universe;
- Including sustainability risks as part of security evaluation across all of its portfolios; and
- Considering sustainability risks in the investment decision process.

To mitigate sustainability risks in the portfolio, the Manager applies risk mitigating measures in all stages of the decision-making process, from sourcing, screening, analysis and due diligence.

For the Manager's actively managed portfolio, taking sustainability risks is part of the investment decision process. How sustainability risks are integrated differs among the Fund's investments, as the materiality of the sustainability risk will vary depending on investment strategy, asset class, client objectives, and market trends. Sustainability risks are included in the investment decision process together with traditional financial factors, such as risk and valuation metrics.

### **3.3 Normed based screening process and preliminary approvals**

The Manager will conduct an initial ESG screening of potential investments and has implemented an ESG scoring system (that also reflect the initial sustainability risks identified by the Manager). The pre-investment process covers risks related to the environment, climate, working conditions, human rights, labour rights, corruption, money laundering, and more.

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<sup>1</sup> As set out in the NRP Group's annual sustainability report, also the NRP Group has initiated several measures in order to mitigate adverse impacts, such as implementing energy saving measures, reduce water usage and optimize waste management in portfolio companies.



The purpose is to identify companies that are allegedly involved in breaches of international law and norms on environmental protection, human rights, labour standards and anti-corruption. If a company is identified in this screening process, an internal assessment of the company and the incident is initiated. The assessment is conducted by the investment team, which provides a recommendation to the investment committee. Typical actions include engagement, quarantine or exclusion. A quarantine implies that the holdings of NRP portfolios in the company concerned may not be increased and a quarantine will in nearly all cases be accompanied by direct engagement with the company.

Provided that an investment does not violate the exclusion criteria, as further set out in clause 3.7 below and Appendix 1, the Manager performs further due diligence on the potential investment.

The Manager will assess whether the potential investment falls within the ambit of the Fund's investment mandate, including assessing whether the potential acquisition is compatible, taken into consideration that the Manager has sustainable investments as its objective.

For investment opportunities to be progressed further, an investment and risk memo will be developed internally which describes the key features of the contemplated transaction and the business, hereunder size of the investment, the market position of the business and its competitive position, and assessment of the technology, product and/or services and the scalability potential of such, an assessment of TRL, revenue model, managerial and organisational capacity, balance sheet composition, and a high level assessment of the transformational triggers identified (the "**Memo**"). The sustainability risks identified will be included in the Memo, which is to be presented to the investment committee for preliminary views and input.

Following input and positive signals from the investment committee, the Manager will typically prepare a term sheet and negotiate a non-binding offer and a letter of intent with the decision makers of the targeted business, with the objective of setting out an execution and ownership plan, including a thorough due diligence process.

### **3.4 Due diligence process**

One key focus area during the due diligence process is to gather high quality sustainability research related to companies and sectors in order to make well-informed decisions on behalf of the Fund and its investors, as well as to manage the Fund in line with its sustainable investment objective.

The Manager's due diligence process normally consist of (i) a commercial and technical due diligence, either performed prior to signing a term sheet or in the period between signing a term sheet and signing of definitive agreements; and (ii) a confirmatory due diligence (which typically involves the review from an external legal advisor coordinating legal and tax opinions, as well as a financial advisor and a technical advisor) .

The due diligence process and analysis is conducted to identify and mitigate risk factors to reduce risk, increase value, and lower transaction costs. This involves an overall evaluation, as further described in the Manager's Information Memorandum (the "**IM**"), made available to investors, and include review of governance and operating procedures including KPIs, procurement, regulatory permits, emission requirements and other environmental issues.

Sustainability is an important part of the Manager's due diligence process and is integrated into the Memo used to facilitate investment committee discussions. The assessment covers three main parts:

- (i) Opportunities and risk management: The Manager evaluates material opportunities and risks for the business. This is done to understand how it can better leverage sustainability as a competitive advantage and to identify potential risks and mitigating actions to consider prior to investing.
- (ii) Impact assessment: The Manager believes companies operating in line with the SDGs are likely to generate enhanced returns. Therefore, during due diligence, the Manager also looks to understand the degree of alignment of a business to the SDGs in order to meet the Fund's sustainable investment objective.
- (iii) Maturity assessment: The Manager aims to conduct a preliminary evaluation of the company's maturity when it comes to ESG operations, to identify potential improvement areas and strengthen the operations of the business.

The findings in the internal and/or the external due diligence process may result in the Manager declining the investment proposal or initiating measures and actions to align the investment with the ESG objectives as they are defined in this Policy.

If deemed necessary, based on the nature, art and scope of a potential investment, the Manager may consider external ESG due diligence support on a case-by-case basis.

### **3.5 Mandate and Compliance checklist and value creation plan**

The Manager has prepared a Mandate and Compliance checklist (the "**Checklist**") to safeguard that (inter alia) all of the Fund's investments are within the bounds of the Fund's investment mandate (including investments objectives, strategies and limitations), in compliance with this Policy, any specific Investor requirements, mandatory laws and regulations and that the investment process established to ensure such compliance is satisfactorily adhered to. The Checklist has several mandatory ESG check points (e.g. that the investment is a sustainable investment within the meaning of SFDR), in order to safeguard and document that the assessment of sustainability is an integral part of the investment decision process.

Prior to making an investment, the Manager includes suggested actions to address material opportunities and risks in order to seek improvements for ESG and SDG impact in the value creation planning for the business, as further described in the IM.

### **3.6 PAI integration**

The environmental and social impact of the activities of all NRP portfolio companies shall be assessed on an ongoing basis, when considered necessary, through the Manager's firm-level PAI integration and use of standardized PAI indicators. PAI indicators are analysed further by the investment team and a recommendation for action is made to the investment committee. The Manager's disclosure statement on the integration of principal adverse impact indicators can be found here: <https://www.nrp.no/ESG/> .

### **3.7 Exclusions**

For the purpose of mitigating and preventing adverse impacts, the Manager will seek to exclude companies or investments misaligned with the internal sustainability principles defined by the Manager,

both by governing terms and in practice. The exclusion principles are set out in Appendix 1, and is overseen by the Manager's board of directors.

Specifically, the Fund will not invest in companies whose business activity consists of an illegal economic activity and immoral businesses. Further, the Manager has established some minimum standards to consider whether companies and/or projects should be excluded if they significantly harm environmental and/or social objectives and/or do not follow good governance practices. Beyond minimising principal adverse (negative) sustainability impacts, the Manager also applies the sustainability indicators as positive screening criteria to catalyse positive impact.

In general, exclusions normally include investments in companies that are involved in serious and/or systematic violations of widely accepted international norms of responsible corporate behaviour as regards human rights, working conditions, the environment, corruption, and financial crime. In addition, NRP will not invest in companies that are directly related to the following industries: gambling, illegal and nuclear weapons, and adult entertainment. The Manager can in its sole discretion make changes to the exclusion list.

### **3.8 Investment approval process**

If the negotiations and due diligence progress are satisfactory, an investment proposal is provided to the investment committee by the investment team. The proposal will contain a detailed information about the targeted business and information of sustainability, an execution plan and business ownership plan with an analysis of fit with the Managers' portfolio ESG strategy and the final terms and conditions of the contemplated transaction.

Separately, the Manager's compliance committee will review relevant investment material (including due diligence reports) and the completed Checklist to consider whether the investment proposal is within the Fund's Investment Mandate, this Policy and statutory law (with respect to inter alia applicable sanctions lists).

Upon receipt of input and advice from both the investment committee and the compliance committee, the Manager may, in its sole discretion, make its final decision with respect to the proposed investment.

### **3.9 Monitoring, reporting and communication**

The Manager will document and keep record of ESG assessments, including any memos, checklists and decisions made by the Manager, both during the initial screening process, due diligence process, and during the holding period of an investment. The Manager will also keep record of investment exclusions or investment decisions, including information on how sustainability factors were considered in each individual case and the sustainability risk assessment conducted.

Further the assessment of sustainable investment should be documented, including how the Manager came to the conclusion that the investment is sustainable within the meaning of the SFDR and the Taxonomy. If required, the Manager will consider to implement measures in order for the Manager or the Fund to be compliant with regulatory requirements under the SFDR, other relevant regulation and/or this Policy.

The Manager will report on ESG related matters to the board of directors of the Manager and the Fund on an ongoing basis, and when deemed necessary. Any breaches to the Policy will be handled by the board of directors of the Manager.

The Manager intends to comply with all applicable disclosure and reporting obligations under the SFDR, both on entity level and on product level by way of pre-contractual website disclosures. <https://www.nrp.no/ESG/>.

This Policy shall be made available on the Manager's website, and shall be reviewed and updated annually.

### **3.10 ESG data**

It is essential that the Manager has sufficiently routines in place for gathering and storage of data, in order to (i) assess whether it is a sustainable investment; (ii) disclose relevant information to the authorities, the public and investors, and (iii) ensure data quality for reporting purposes required at all times.

As a result of the lack of mandatory reporting (on environmental impact of activities in a measurable, comparable and verifiable manner), standardized sustainability metrics and several voluntary disclosure standards, corporate disclosure levels remain inadequate on portfolio level. It requires substantial expertise today to combine data from multiple sources to create a fair and true sustainability profile of companies and investment portfolios.

The type of data used for the ESG analyse may differ per investment process. The Manager will currently use estimates where the Manager may rely on equivalent information on (i) Taxonomy alignment, or (ii) whether the investment is sustainable (in the more broad meaning of sustainable investments as defined above) obtained directly from portfolio companies or from third party providers (if applicable).

Going forward the Manager may appoint external providers of ESG data in a combination of internal research. If any such third party data providers are appointed the Manager will carry out an ongoing assessment of the data quality.

## **4 ACTIVE OWNERSHIP AND ENGAGEMENT**

### **4.1 Introduction**

The Manager believes that improvements in sustainable corporate behaviour can result in an improved risk return profile of the Fund's investments and active monitoring of portfolio companies is an integral part of the sustainable investing approach and strategy.

The Manager will, from time to time, be a substantial owner in several companies. The Manager undertakes a range of engagement activities with portfolio companies in order to affect and influence such companies to improve their environmental, social and governance practices including promoting a long-term approach to decision-making. The Manager's active ownership tools include representation by the Manager at board level, attending AGMs, voting, standard setting, engagement with companies, and filing resolutions.

The Manager will during the screening process, the due diligence process and following an investment decision seek to identify areas where the Manager can influence internal ESG processes of the portfolio companies.



## 4.2 Engagement

The Manager conduct engagement based on opportunities believed to have the most significant impact unique to each investment. This can, among other things, consist of initiating a constructive dialogue with management of the portfolio companies to discuss how they manage ESG risks, and seize business opportunities associated with sustainability challenges. The Manager also intends to promote sound ESG processes at all the companies that the Fund has invested in by either ensuring that relevant topics are discussed at least once a year in the portfolio companies' board meetings, or in direct discussion with management. As a long-term active owner, the Manager will seek to exercise its influence by voting for changes with positive ESG impact at annual and shareholders' meetings. The Manager may employ ISS Proxy Voting Services, or a similar service provider, to assist in this respect.

The investment team identify potential areas for engagement using its knowledge of trends in the sustainability and corporate governance arenas and the market. The SDGs form a useful input to define focus areas and monitor companies and the Manager will track progress over time.

The Manager's work with active ownership can be summarised in the following main categories:

- (i) **Board of directors' work:** The Managers expects the board of directors to consider sustainability aspects when setting company strategy and requires sustainability and ESG to be a standard item on the board agenda for each company investment.
- (ii) **Appointing diverse boards:** Where the Manager has the mandate to appoint board members it will always strive to ensure the makeup is diverse when it comes to gender, professional background, nationality and other relevant characteristics.
- (iii) **Strategy workshops:** The Manager aims to hold a workshop during the first 100 days of a new business being acquired. In this workshop, the Manager will align economic enhancement, sustainability action items and preliminary targets identified during due diligence with management, setting a plan with both prioritised quick wins, and longer-term bold moves.
- (iv) **Ongoing support:** Where needed, the Manager will provide other expert resources on specific strategic and operational projects, depending on portfolio company needs.
- (v) **Reporting:** Implementation of a reporting dashboard, providing relevant stakeholders with frequent reporting on key aspects of the business.

The investment team's handling of the Manager's active ownership is controlled by the risk management function annually. During this control, it is assessed whether these processes are robust enough to mitigate potential risks and the effectiveness of the Manager's engagement in portfolio companies.

The Manager's Good Governance Policy is included as Appendix 2.

## 5 REMUNERATION POLICY

The Manager has adopted a remuneration policy in accordance with the AIFMD. Certain employees may be entitled to variable remuneration based on a discretionary assessment. Performance of the employee under this Policy is an assessment criterion both under award of variable remuneration, and ex-post risk adjustment. Under the award process, the assessment is discretionary and among other factors based on how the employee integrates sustainability risks into relevant business decisions and the extent to which the employee promotes the firm's objectives and principles relating to ESG and sustainability as set out in this Policy and other strategy documents.

## **EXCLUSION LIST**

### **1 OVERVIEW**

The Manager will follow the exclusion list of Norges Bank Investment Management, involving both product and conduct-based exclusions.

In addition, the Manager will establish an internal exclusion list, where it may, in its sole discretion, exclude companies based on the following criteria:

- (i) Ethical exclusions for sub-sectors or a group of companies based on unethical or illegal activities;
- (ii) Companies involved in environmental degradation;
- (iii) Companies that contribute to serious and systematic breaches of international law and human rights;
- (iv) Companies involved in financial crime and/or systematic corruption; and
- (v) Risk based exclusions of individual companies on the basis of their operations.

The Manager further exclude investments in companies within certain single product categories or industries that are unsustainable. These products or industries are associated with significant risks, and liabilities from an ESG perspective and may cause societal, environmental or health related harm.

### **2 INVESTMENTS IN THE FOLLOWING COMPANIES ARE EXCLUDED:**

- (i) Companies involved in anti-personnel mines;
- (ii) Companies involved in production of controversial weapons;
- (iii) Companies involved in production of key components to weapons of mass destruction;
- (iv) Companies involved in production of palm oil;
- (v) Companies involved in direct operation of nuclear power plants;
- (vi) Companies main activity involves pornography; and
- (vii) Companies main activity involves manufacturing of tobacco.

## GOOD GOVERNANCE POLICY

### 1 INTRODUCTION

The EU Sustainable Finance Disclosure Regulation (the “**SFDR**”) requires that products classified as an Article 9 product do not invest in (securities issued by) companies who do not follow good governance practices and the good governance requirement forms part of the definition of sustainable investment in Article 2(17) of the SFDR.

Governance criteria are used by the investment team to determine the attractiveness of an investment as part of the investment analysis and ESG integration. On a general level, good governance involves various SFDR topics such as, employee relations, management structure, remuneration and tax compliance.

The below principles describes how the Manager determines if and when a portfolio company does not follow good governance practises and guidelines on whether or not such investment should be excluded. In order to ensure that portfolio companies meet the internal requirements as to good governance, the Manager has prepared some guiding principles that shall be used in the good governance assessment, and as described in further detail below (the “**Assessment**”). The principles below also reflect widely recognized industry-established norms.

### 2 MANAGEMENT STRUCTURE

#### 2.1 Overall criteria

- a) **Corruption, bribery and business ethics:** It is a requirement that a potential portfolio company is compliant with the UN Global Compact and the 10th principle on antibribery and corruption, and is not on the noncompliance list. The Manager will assess whether the portfolio company has good governance practices in place to ensure that such company has procedures in place to handle ethical dilemmas and avoid controversial situations.
- b) **Accurate reporting to the public and the market:** Where applicable, it is a requirement that the potential portfolio company has published qualified and audited financial statements and report (when applicable). Further, that the portfolio company is compliant with own reporting obligations and regulatory requirements in this regard.
- c) **Breaches of shareholder rights and governance incidents:** As a minimum, potential portfolio companies should respect shareholder rights, basic rules of the shareholder meeting and applicable company law.

#### 2.2 Employee relations

It is a requirement that a potential portfolio company is compliant with the 3rd principle on labour relations on the UN Global Compact, and is not on the noncompliance list.

#### 2.3 Tax compliance

The overall rule should be that a potential portfolio company has no significant controversies on accounting and/or taxation. As a minimum, potential portfolio companies must adhere to local tax laws and be aware of and observe the state and international tax laws and requirements set forth by local government officials and other taxing authorities.

#### 2.4 Remuneration

Companies that receive a significant ‘against’-vote from shareholders on their executive remuneration, are assessed if basic remuneration safeguards are in place. This includes having adequate claw back

provisions in place and prohibiting excessive change of control provisions. If a company does not comply with any of these requirements, the Manager shall consider whether or not such company meet the basic expectations of good governance.

### **3 THE PROCESS**

#### **3.1 Internal process**

In order to gather required data for the Assessment, the Manager mainly rely on information provided by the portfolio company as part of the due diligence process. In order to simplify the process the Manager has prepared a predefined questionnaire (based on the principles above) with some basic questions. The Manager will seek to gather any missing information from other available sources and publicly available information.

The outcome of the Assessment shall be reviewed by the investment committee as part of their assessment of whether to carry out the investment. As a general rule, if the portfolio company does not meet the requirements and the Assessment show that such portfolio company is not compliant with the good governance principles as set out above in a) to c), the Manager should consider not to carry out such investment on behalf on the Fund.

The Manager shall as part of its active ownership strategy, review whether portfolio companies comply with the principles as set out above on an ongoing basis and at least annually. If a portfolio company does not longer meet the requirements, this shall be reported to the risk management function, the compliance function and the board. The risk management function is responsible for ensuring the proper risk controls, also in relation to this policy. Sufficient controls are in place to make sure that an event or changed circumstance is flagged when it affects the Assessment.

The board of directors of the Manager shall review and make necessary amendments to this good governance policy annually, when reviewing the Manager's Responsible Investment Policy.