



NRP Zero AS

Principle Adverse Impact Statement

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 on the requirements for an SFDR Article 9 fund is set out in the draft Regulatory Technical Standards related to the SFDR (the "**RTS**")¹.

1.2 The purposes of this statement

The Manager has adopted this Principle Adverse Impact Statement (the "**PAI Statement**") in accordance with Article 4 of the SFDR, to give a description of (i) how and when the Manager assesses the principal adverse impacts on sustainability factors ("**PAI**"), and (ii) how the Manager evaluates the assets managed on an entity level (the Fund as a whole), with the exception of assets where data on PAIs are not available.

The Manager continuously assesses any potential adverse environmental, social or governance impact from activities in portfolio companies. For companies with heightened risk of potential adverse impact, the Manager's investment team will make an in-depth analysis of the issue and decide on any further action, such as engagement or recommendation for exclusion. More information on the Manager's engagement process is found in the responsible investments policy prepared by the Manager for the Fund (the "**Responsible Investments Policy**").

1.3 What is principle adverse impact

The Manager has adopted this PAI Statement to explain how the Manager integrate diligence policies concerning PAI. The Manager considers PAI within the meaning of Article 4 of the SFDR.

The concept of PAI in SFDR is defined as follows:

"Negative, material or likely to be material effects on sustainability factors that are caused, compounded by or directly linked to investment decisions and advice performed by the legal entity."

¹ The effective date of the draft RTS in the EU is postponed to 1 January 2023.

1.4 Mandatory indicators and ESG data

In accordance with the SFDR, the Manager considers 14 mandatory indicators on greenhouse gas emissions, biodiversity, water, waste, and social indicators applicable to companies. In addition, the Manager considers two additional indicators of choice, as set out in the below table.

The requirements under the SFDR and the RTS are detailed and it is required to obtain environmental, social and governance ("**ESG**") data, mainly on asset/portfolio-level, that are currently not fully available. Once the relevant data are available, and reporting obligations are implemented into Norwegian law, the methodologies to measure PAI can be finalized and will be added to this statement. However, considering present limitations, the Manager is currently collecting PAI related information and data on a best-effort basis. 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 uses ESG data in its investment processes and has due diligence policies in place to identify and prioritize relevant adverse impacts and indicators on sustainability factors. 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**").

As set out in the NRP Group's annual sustainability report, 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. Further information on such Group level initiatives can be found through the following link <https://www.nrp.no/ESG/>.

One of the Manager's overall goals is to enhance ESG performance in the Fund's portfolio by using the Fund's ownership interest to influence portfolio companies in the right direction, and as further set out in clause 2 below.

This PAI Statement shall be reviewed and updated on an ongoing basis, and at least annually. This statement is approved by the board of directors of the Manager and the Fund.

2 ACTIONS TO MITIGATE PAI

2.1 Categories

Actions by the Manager to mitigate PAI can be summarised in the following main categories:

- (i) Engagement: Involvement and actions taken to improve sustainability at portfolio companies (e.g., by having constructive dialogue on how to reduce greenhouse gas ("**GHG**") emissions);
- (ii) Proxy voting: Encourage good governance principles among portfolio companies (e.g., using voting rights to improve board gender diversity);
- (iii) Exclusions: Excluding certain companies or sectors from the investment universe of the Fund (e.g., to exposure to controversial weapons); and
- (iv) Benchmarks, targets: Set certain thresholds for investments (e.g., for carbon footprint).

The Manager consider both mandatory and non-mandatory PAIs in its due diligence procedures, both in the selection and ongoing monitoring of investments. The Manager use various methods to achieve the Fund's goals and objectives, including exclusions, reduction of emissions thresholds, engagement and voting, in addition to other planned actions. As an Article 9 product, the Fund has sustainable investments as a part of its objective and the Manager actively uses the PAI indicators to measure and



identify whether an investment is considered sustainable within the meaning of the SFDR and the Taxonomy Regulation (Regulation (EU) 2020/852 (the "**Taxonomy**"). Further, the PAI indicators are used to evaluate the Fund portfolio against the principle of "do no significant harm" and incorporate considerations of the minimum social safeguards specified in the Taxonomy.

In addition to the abovementioned, 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 NRP Group has signed the Principles for Responsible Investment (the "**PRI**") and the NRP Group, including the Manager, will follow these leading standards as part of its investment process and when considering PAI indicators. Further, the NRP Group is a sponsor of Right To Play and other social initiatives.

2.2 Due diligence policies concerning PAI

The Manager is following a structured due diligence process related to the PAIs, including;

- (i) PAI is an input into the Manager's internal ESG scoring methodology, which is applied to a selection of the Fund's investments (considering PAIs being considered relevant for the prospective investment);
- (ii) Ongoing monitoring of relevant PAI indicators by the Manager's investment team and for all managed assets by using an internally developed monitoring system;
- (iii) Review of any identified breaches related to the considered PAIs²;
- (iv) Post transaction monitoring of an investment, taken into account the standards defined for the consideration of PAIs; and
- (v) Periodic compliance reviews.

The Manager's PAI monitoring process is a risk-based approach. The portfolio companies' PAI indicator performance is assessed and their PAI indicator performance are ranked, both for individual indicators and overall.

Any portfolio companies flagged for poor performance, either overall or on individual indicators, are analysed more thoroughly. The assessment and performance ranking is performed by using a combination of datapoints, scores and weights sourced from several data sources and/or data providers. For a given indicator, multiple data sources may be used and the source considered to be most appropriate (based on data quality, history, methodology, etc.) shall be selected.

Taking into account the available sustainability data, the Manager has identified and prioritized the PAIs and indicators deemed relevant for its investment strategy at entity level (further details are set out in the below table).

2.3 Reporting

When implemented, the reporting will be presented via the template related to PAI reporting as referred to in the RTS. The actions taken by the Manager to avoid and reduce PAI are reported on the Manager's annual Sustainability Report which can be found on the Manager's website.

² If a breach has been identified, there is an existing process to report this information to the board of directors. Actions will be taken to mitigate the potential risk by engaging with portfolio companies and advising them of the measures they could put in place and providing recommendations.

3 OVERVIEW OF PAI INDICATORS IDENTIFIED

Scope	PAI indicator	Metric
Greenhouse gas emissions/ climate	GHG ³ emissions	Scope 1 GHG emissions Scope 2 GHG emissions Scope 3 GHG emissions Total GHG emissions
	Carbon footprint	Carbon footprint
	GHG intensity of investee companies	GHG intensity of investee companies
	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
	Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage
	Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector
Biodiversity	Activities negatively affecting biodiversity sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas
Water	Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR

³ The greenhouse gas (GHG) emissions means greenhouse gas emissions as defined in point (1) of Article 3 of Regulation (EU) 2018/842 of the European Parliament and of the Council. GHG emission shall be calculated in accordance with Annex 1 of the RTS.

		invested, expressed as a weighted average
Waste	Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average
Respect for Human Rights, social and employee, anti-corruption and anti-bribery matters	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies
	Board gender diversity	Average ratio of female to male board members in investee companies
	Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons
Additional climate and other environment-related indicator	Non-recycled waste ratio	Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average

Additional climate and other environment-related indicator	Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement
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4 DESCRIPTION OF PAI

4.1 General

When the RTS is fully implemented in European Union (EU) / European Economic Area (EEA) and Norway, the Manager will describe in more detail the actions planned or targets set for the first period of reporting in accordance with the SFDR. At this stage, and as sustainability is an essential component in the Manager's investment strategy, this section will describe the plan on how the Manager will integrate PAI into its investment process and decisions.

4.2 Engagement

The Manager's engagement and a description of the process of active ownership is made available in the Responsible Investment Policy, see the following link: <https://www.nrp.no/ESG/>.

One of the Manager's primary objectives is to create value for investors by improving sustainability conduct and corporate governance in its portfolio companies. By implementing a pro-active approach the Manager will focus on sustainability risks that can affect portfolio companies' valuation and ability to create value and seek to mitigate such risks.

Further, it is key that the portfolio companies do not severely and structurally breach minimum behavioural norms in areas such as human rights, labour, environment and anti-corruption, and the aim is to monitor portfolio companies on several PAI indicators in this regard. The Manager has established a separate Good Governance Policy (Appendix 2 to the Responsible Investment Policy) in order to stipulate main principles for good governance requirements in its portfolio companies. Further, the Manager actively uses internationally accepted codes of conduct for corporate governance, social and environmental responsibility, and transparency such as the UN Global Compact and OECD Guidelines for Multinational Enterprises.

PAI Indicators such as *Exposure to companies active in the fossil fuel sector* and *Share of non-renewable energy consumption and production* are among the themes for the Manager's engagement strategy.

4.3 Proxy voting

The Manager intend to use its voting rights with the aim to influence its portfolio companies' corporate governance and other relevant business related decisions in the best interest of the Fund, and reflecting ESG risks considered relevant by the Manager.

The Manager intends to vote against management recommendations when proposals are not in the best interest of long-term shareholders and on any other proposal that the Manager deem to be out of line with the Fund's policy principles (e.g., in case of poor corporate governance practices). When voting, the Manager will seek to take into account PAI indicators, such as board diversity separation of the chairman/CEO roles and issues in relation to remuneration and gender pay gap.

In general, the Manager will encourage shareholder proposals which aim to address material ESG risks and increase transparency on material ESG issues.

4.4 Focus on human rights

The Manager integrate human rights considerations into its management operations. Further, the Manager expect that all of the Fund's suppliers, portfolio companies and other business partners respect Human Rights in their business activities.

The Manager's human rights approach is intended to be aligned with the United Nations Global Compact (UNGC) and OECD Guidelines for Multinational Enterprises, as well as the United Nations Universal Declaration of Human Rights, the International Labor Organization's (ILO) labor standards and the United Nations Guiding Principles for Business and Human Rights (UNGPs).

Any identified breaches will be monitored and assessed by the Manager, and may lead to enhanced engagement or in worst case exclusions.

4.5 Biodiversity approach

The Manager will, within its efforts, seek to prevent biodiversity loss, and aim to mitigate PAI in relation to the biodiversity metrics.

The Manager will consider sustainability risks, and whether to engage or exclude investments that might have a negative biodiversity impact. One of the key drivers of biodiversity loss is deforestation due to expansion of, among other things, palm oil production and destruction of tropical forest habitat. The Manager has an exclusion policy with regards to unsustainable production of palm oil.

No qualified targets/benchmarks have been prepared specifically for the Fund at this stage. However, the Manager will set targets in order to combat biodiversity loss going forward, and consider relevant benchmarks in the future.

4.6 Climate change approach

The Manager's efforts in relation to climate change relate directly to PAIs in relation to GHG emissions. The Manager is committed to contribute to the global goals of the Paris Agreement and achieving net zero carbon emissions globally by 2050.

Currently, no index has been designated as a reference benchmark. Based on the current framework, relevant guidance and practice, it is the Manager's view that the Fund does not have a reduction in carbon emissions as its objective as described in the SFDR Article 9(3), and therefore no benchmark is currently required to meet the sustainable investment objective of the Fund. However, pending on the final implementation of the RTS in EU and Norway, future changes might occur during the lifetime of the Fund.