

Statement on principal adverse impacts of investment decisions on sustainability factors

Summary

In accordance with the Sustainable Finance Disclosure Regulation ("SFDR" or "the Regulation"), NRP Zero AS ("NRP Zero" or "the Manager"), (5493000TYXIP8T3EZ159) as an Article 9 fund manager is required to provide information to investors with regard to how it integrates sustainability risks, considers adverse sustainability impacts, and promotes the sustainable investment objective in its investment decisions.

NRP Zero considers the principal adverse impacts of its investment decisions on sustainability factors. The present statement describes how the Manager considers the adverse impact of its investment decisions on sustainability factors in accordance with Article 4 of the SFDR.

This statement covers the reference period from 1 January 2023, the date on which principal adverse impacts were first considered, to 31 December 2023. The Manager will update this statement in accordance with the Regulation and will review the statement annually. The statement is approved by the board of directors of the Manager and the Fund.

Description of PAI of investment decision on sustainability factors

In accordance with the Regulatory Technical Standards ("RTS"), the associated regulation of the SFDR, NRP Zero considers 17 mandatory PAI indicators on top of 3 additional PAI indicators. The list of indicators will be reviewed annually to accommodate for future regulatory developments and implementation changes. The performance of the Manager's portfolio for each indicator is demonstrated below for the reference period.

PAI Indicator	Impact this year	Answers collected
<u>Table 1</u>		
<u>Greenhouse gas ("GHG") emissions</u>		
Scope 1 GHG emissions	5.12 tCO ₂ e	100%
Scope 2 GHG emissions	263.46 tCO ₂ e	100%
Scope 3 GHG emissions	1,280 tCO ₂ e	100%
Total GHG emissions	1,549 tCO ₂ e	100%
Carbon footprint	4.98 tCO ₂ e/NOKM	100%

GHG intensity of investee companies	803.7 tCO ₂ e/€M	100%
Exposure to companies active in the fossil fuel sector	0 %	100%
Share of non-renewable energy production	0 %	100%
Share of non-renewable energy consumption	9.78 %	
Energy consumption intensity per high impact climate sector	0 GWh/€M	100%
Activities negatively affecting biodiversity-sensitive areas	0 %	100%
Emissions to water	0 t/NOKM	100%
Hazardous waste and radioactive waste ratio	0.000141 t/NOKM	100%
Board gender diversity	4.85 %	100%
Unadjusted gender pay gap	6.95 %	100%
Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	0 %	100%
Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	0 %	100%
Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	100 %	100%
Table 2		
Investments in companies without carbon emission reduction initiatives	57.01 %	100%
Non-recycled waste ratio	0.0276 tonnes/NOKM	100%
Table 3		
Investments in companies without workplace accident prevention policies	0 %	100%

Description of policies to identify and prioritise PAI of investment decisions on sustainability factors

NRP Zero published a principal adverse impact statement, originally on 9 June 2022 and revised on 22 March 2023 after the entry of SFDR and the EU Taxonomy (“the Taxonomy”) into Norway with approval from the board.

The statement, in addition to our [Responsible Investment Policy](#) (“RIP”) addresses how NRP Zero considers principal adverse impacts in our investment decision-making, with further information on how we leverage the exclusions policy, sustainable investment assessment, ESG due diligence and engagement with portfolio companies to identify and mitigate sustainability risks. As an active owner, we also work with each portfolio company to improve internal governance practices to ensure sound management and effective oversight.

To ensure ongoing monitoring and policy implementation, NRP Zero has dedicated resources to ensure the continued integration of ESG considerations and alignment of our sustainable investment mandate to our fund portfolio. Separately, NRP Zero’s Compliance Committee reviews relevant ESG material and conducts periodic reviews to ensure the Manager fulfils its obligations to the highest standards.

Regarding methodology, the Manager engaged two external service providers to enable the ESG and PAI data collection process. Celsia, a Norwegian provider, helps NRP Zero collate and streamline the reporting process for our portfolio companies using a software solution. Energi.ai, a Norwegian carbon accounting provider, helps NRP Zero measure the carbon footprint (Scope 1-3 emissions) of its portfolio. In collaboration with the providers, The Manager will continue to collect and monitor the selected PAI indicators, and will aim to do so on a quarterly basis going forward.

Engagement policies

NRP Zero places a strong emphasis on engagement with portfolio companies as part of its active ownership strategy. The Manager believes that improvements in sustainable corporate behavior 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 engages with companies at different levels including at management and Board levels. Our active ownership tools include, among others, representation by the Manager at Board level, attending AGMs, standard-setting, facilitating growth initiatives and identifying portfolio synergies. The toolbox is used either directly through NRP Zero engagement or in collaboration with like-minded investors.

The Manager will monitor the portfolio’s PAI performance to drive milestones as part of its active engagement approach.

References to international standards

The Manager follows the following international standards and builds our application of PAI on the United Nations Sustainable Development Goals (“SDGs”) and relevant international initiatives, including, but not limited to:

- UN Global Compact
- OECD Guidelines on Multinational Enterprises
- United Nations Guiding Principles for Business and Human Rights
- International Labour Organization (“ILO”) Standards

The Manager also follows the Norges Bank Investment Manager (“NBIM”) exclusions list, as outlined in the RIP.

In addition, the NRP Group is a signatory of the UN Principles for Responsible Investment (“PRI”) and Right to Play, a global organization that uses the transformative power of play to educate and empower children and youth.

Historical comparisons

Based on the PAI statement released in June 2023 for FY 2022, the Manager has added two new investments to the fund portfolio in FY 2023, raising the fund portfolio from 2 to 4 investments across the reporting cycles. Hence, the total GHG emissions profile increased, due primarily to an increase in Scope 3 emissions. Total GHG emissions intensity also rose to 803.7 tCO₂e/€M, whereby the Manager believes the increased intensity of CO₂ (tonnes) emitted as weighted to our investment portfolio in FY 2023 as explained in part by the investment in Umoe Advanced Composites, the fund’s largest investment which is engaged in manufacturing/industrial activities.

On the positive developments, the Manager observes improvements in other areas. On the environmental side, the Manager sees a reduction in the non-recycled waste ratio of its investees, contributing positively to the Taxonomy’s circular economy objectives. The fund’s exposure to the fossil fuel sector remains at 0% and does not contribute to activities negatively affecting biodiversity-sensitive areas nor release emissions to the water.

On the social side, Board gender diversity of our investees improved (from 0 to 4.85%) with an overall increase in female FTEs across the fund relative to FY 2022. Finally, the Manager continues to see 0% in exposure to controversial weapons and no violations of UN Global Compact principles and OECD Guidelines.

These are positive developments that the Manager will take forth and continue to work with our investees on to enable further improvements throughout the holding period.