

Owner: CEO	<b>Sustainability and Responsibility Policy</b>
Approved by: Nysnø Board	
Approval date: 14.12.2023	

# Sustainability and Responsibility Policy for Nysnø Climate Investments

## 1. Objective and purpose

Nysnø Climate Investments (Nysnø) invests in technologies between technological development and commercial roll-out. The key objective is to achieve the highest possible return on investments aligned with sustainable and responsible business conduct.

The purpose of this policy is to describe how sustainability and responsibility are key components of the investment process, our active ownership, asset management and daily operations (Figure 1). The Policy builds on the requirements and expectations expressed by the Norwegian Ministry of Trade, Industry and Fisheries White emphasizes in the white paper on ownership policy<sup>1</sup>.

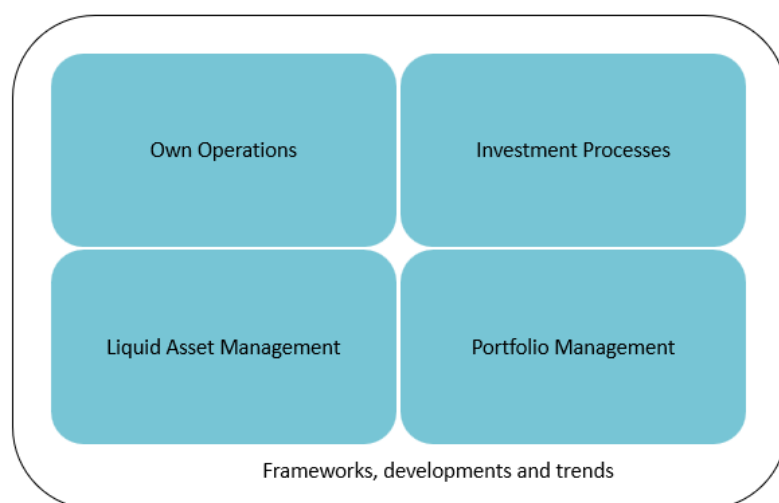


Figure 1: Sustainability and responsibility is an integral part of our operations at Nysnø

Our goal is to identify relevant risks, opportunities, and actions within environmental, social and governance issues through the investment process. The aim is to build a portfolio of companies and funds with the lowest possible risk for harmful impacts on people, planet, and society. To achieve this, we analyse how companies contribute to increased sustainability, conduct responsible business, and mitigates risk. Our approach to integrate sustainability and responsibility in our investment process is described in section 5.

<sup>1</sup> White Paper on Ownership Policy - [Meld. St. 6 \(2022–2023\)](#)

Through active ownership, our goal is to contribute to more sustainable and responsible businesses that create meaningful impact and reduce greenhouse gas emissions. Our approach for active ownership is described in section 5.

Nysnø works closely together with other investors, organisations, and businesses to ensure that our approach is in line with best practice, and ahead of the curve within sustainability, responsibility, and climate issues.

## **2. Ownership and Accountability**

The Nysnø Board of Directors approves the Sustainability and Responsibility Policy, and the Policy is reviewed annually. The Chief Executive Officer is the owner of the Policy and responsible for ensuring that the policy is implemented.

The Chief Investment Officers are responsible for ensuring that the policy is followed in all investment analysis, due diligence, decision gates and through our active ownership. Investment Managers are responsible for analysing climate impact and material risks regarding environmental, social and governance issues and integrating findings in the documentation for decision making to the Investment Committee.

## **3. Key principles for sustainability and responsibility**

This Sustainability and Responsibility Policy follows key international guiding principles and objective, mainly:

- The OECD Guidelines for Multinational Enterprises<sup>2</sup>
- The UN Global Compact (UNGP)<sup>3</sup>
- ILOs Conventions and Recommendations<sup>4</sup>
- UN Sustainable Development Goals (SDG)<sup>5</sup>

Our investments contribute directly and indirectly to reduced greenhouse gas emissions. In addition to mitigating climate change, Nysnø expects that companies and fund managers as a minimum follow the OECD's guidelines for Multinational Enterprises, The Principles of the ILO Convention, and the UN Global Compact of 10 Principles for Business Conduct. Nysnø also expects that companies and funds do not obstruct or prevent achieving the UN Goals for Sustainable Development.

## **4. UN Principles for Responsible Investments**

Nysnø is a signatory of the Principles for Responsible Investments (PRI), which is an international organization that works promote the integration of environmental, social and governance issues into investment decisions, asset management and active ownership. Environmental, social and

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<sup>2</sup> [The OECD Guidelines for Multinational Enterprises](#) (OECD)

<sup>3</sup> [UN Global Compact \(UNGP\)](#)

<sup>4</sup> [Conventions and Recommendations \(ILO\)](#)

<sup>5</sup> [Sustainable Development Goals \(UN\)](#)

governance (ESG) issues covers a range of topics that are also subject to recent developments within business, societal goals, and political objectives. As a signatory, Nysnø will follow the Principles for Responsible Investments that are:

1. Incorporate ESG issues into investment analysis and decision-making processes.
2. Be active owners and incorporate ESG issues into our ownership policies and practices.
3. Seek appropriate disclosure on ESG issues by the entities in which we invest
4. Promote acceptance and implementation of the Principles within the investment industry
5. Work together to enhance our effectiveness in implementing the Principles
6. Report on our activities and progress towards implementing the Principles.

**5. Sustainable, responsibility and climate impact throughout the investment process**

Ahead of any investment decision, Nysnø conducts a thorough analysis of the companies and funds existing and planned efforts to contribute to sustainability, conduct business responsible and mitigate risks. Through the investment process, Nysnø aims to understand how companies and funds can develop their work and will seek to formalise expectations through legal documents. Section 6.1 and 6.2 describes the approach for investments in companies and funds, respectively.

**5.1. Company Investments**



Figure 2: Sustainability, responsibility, and climate impact through the investment process for companies

**Deal flow**

At Nysnø, we continuously assess companies with technology and services that reduce greenhouse gas emissions on a continuous basis. Early on, we assess the climate impact of a successful scaling, based on analysis and statistics that are used to support the climate analysis to the Investment Committee. The guiding principle is that the company is assumed to achieve a leading position in a future low- and zero emissions society through directly or indirectly reducing greenhouse gas emissions.

Nysnø also assesses topics within environmental, social issues and governance, such as diversity and equity in the management team, risk for environmental harm, existing shareholders, owners and board composition.

Nysnø also cross checks the activities and suppliers of a company with our list of prohibited investments to avoid that companies are exposed to excluded activities. The list of prohibited investments is described in section 6.3.

### **Due Diligence**

In line with the principles of double materiality, Nysnø analyses material risk for change and impacts that society means for the company, as well as the risk the company can have on people, the environment and society. To ensure that Nysnø conducts an analysis on available information the company answers a set of questions covering the topics listed below. This analysis also forms the basis for identify areas to improve.

- Company guidelines for sustainability and responsibility, including ownership, routines, and reporting.
- Material risk within environmental, social issues and governance, including climate risk.
- Impact on the environment, including risk for significant harm and company emissions (Scope 1 – 3)
- Diversity, equity and inclusion, such as gender balance in the company and board and gender pay gap
- Risks in the companies supply chain and company routines to assess suppliers
- Routines and procedures for anti-corruption, cybersecurity, and data protection
- Exposure to or any involvement in activities on our list of prohibited activities
- Compliance with existing and future laws that govern environmental and social issues.
- Any other aspects or risks that the investment team deems relevant.

### **Investment Decision**

The Investment Committee decides if the deal team/investment team will continue to work on due diligence and negotiate terms for an investment.

Analysing material risks for the company within environmental, social and governance issues is included in the investment memo that is put forward to the Investment Committee. The analysis will build on assessment, dialogue, and research that the deal team has made, including topics that require further due diligence. The Investment Committee will be presented with information that shows material risk and identified areas of improvement that will be followed up through dialogue with the company and formalised in legal documents.

The deal team shall assess the potential for reduced greenhouse gas emissions as the company scales. The analysis will be made aligned with best practice and included in the investment memo to the investment committee.

## **Shareholders agreements**

Nysnø includes wording in shareholder agreements and other relevant legal documents to formalise requirements and expectations for how the company will work with sustainability and responsibility going forward. The purpose of the wording is to:

- Create a common starting point for the company to establish or strengthen routines to reduce and mitigate risk associated with environmental, social and governance aspects.
- Contribute to strengthening and formalising the companies work in diversity, equity and recruiting.
- Encourage the company to assess actions that can reduce emissions from their operations and estimate their own emissions.

Through the shareholders agreement Nysnø also includes wording on regular reporting and information from the company in sustainability and responsibility. The purpose of reporting is to assess the status of the company's work and facilitate dialog and development through the active ownership.

## **Active ownership**

As an active (and long-term) owner, Nysnø works to create value in the portfolio in a sustainable way. Nysnø follows the Norwegian guidelines of company governance as far as it is suited for unlisted companies.

Nysnø will work together with portfolio companies on how the company can assess and meet material risk and opportunity in environmental, social and governance issues, and where it is appropriate exceed influence on strategy, results, risks, compensation, and company management. Nysnø will also vote at General Meetings to support sustainable and responsible business conduct.

Nysnø assesses the company's work within sustainability and responsibility by assessing the regular reporting from the company. The reporting will as a minimum include status on the company's own guidelines within environmental, social and governance issues, number of employees, salaries, sick leave, and company-wide greenhouse gas emissions.

Nysnø will support and contribute to portfolio companies continuously developing and improving their work on sustainable and responsible and climate impact, and Nysnø will pro-actively ensure that portfolio companies can share experiences as fit.

Nysnø will analyse the potential impact portfolio companies can have on reduced emissions as they scale and work actively together with other investors to develop best practices for forward looking emissions reduction potential.

Nysnø will mainly focus on contribution to sustainable and responsible business through active ownership and will continuously consider any effects this could have on our ownership strategies.

## **Exit**

Nysnø believes that companies who document a systematic and strategic approach to sustainability and responsibility and show a meaningful contribution to reduced greenhouse gas emissions, are attractive investment opportunities for later-stage investors.

Nysnø will aim to support the company needs to document, estimate, and communicate on-going work and achieved results within sustainability responsibility and climate impact in any later capital raise or exit process.

Nysnø will also contribute to the company meeting market expectations within environmental, social and governance issues, including compliance with relevant law.

5.2. Fund Investments

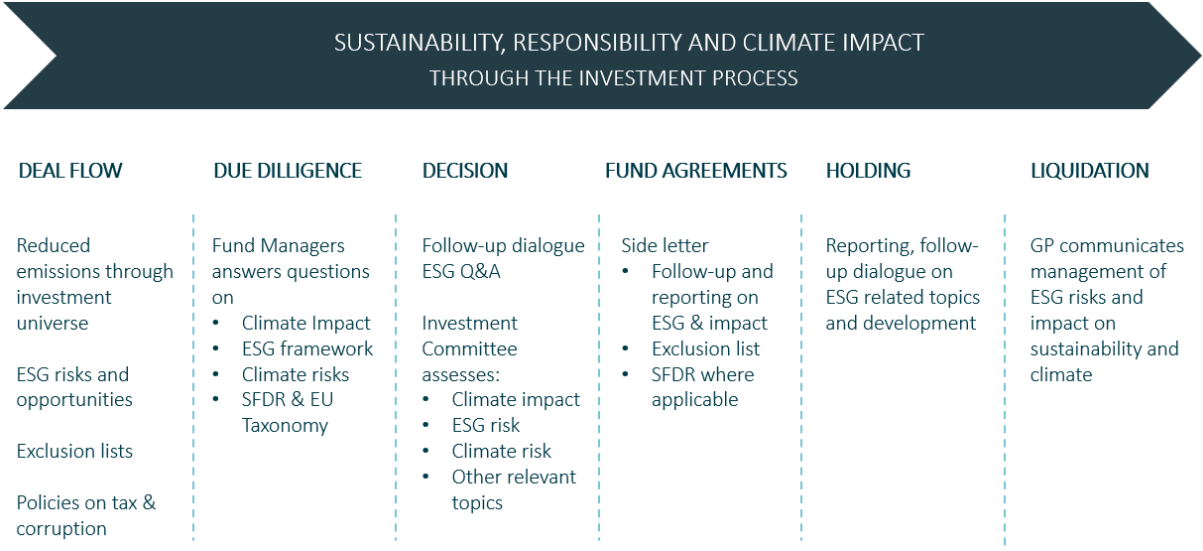


Figure 3: Sustainability, responsibility, and climate impact through the fund investment process

**Deal flow**

Nysnø works to continuously identify fund opportunities that contribute to reduced greenhouse gas emissions through their investment mandate. Funds that have an investment strategy targeting companies with technology and solutions that are key to a future low- and zero emissions society are priorities. Nysnø assesses the climate impact based on the fund successfully investing in line with their defined investment strategy, and how the fund portfolio can contribute to reduced greenhouse gas emissions directly and indirectly.

Nysnø also assesses risk within environmental, social and governance issues for both the Fund Manager and defines investment universe. For Nysnø, it is a requirement that the funds do not plan on investing int activities as defined in the list of prohibited investment activities. Nysnø will also early in the process assess whether the fund has or will have activities or exposure to countries that do not follow international guidelines on taxes, countries that have sanctions placed on them or will be active in countries with a high risk of corruption.

**Due Dilligence**

Nysnø will conduct an analysis of the Fund managers actual and planned approach to environmental, social and governance issues. To ensure that Nysnø can conduct a thorough analysis of the Fund Managers framework for ESG, sustainability and responsibility the Fund Manager answers questions related to:

- Framework for sustainable and responsible investments, including responsibility, routines and reporting.
- Formal requirements that the Fund Manager is planning to include in an Investment Agreement and Side Letters
- The fund managers approach to assess environmental, social and governance issues and risks when making an investment decision.
- Ownership strategy to contribute to portfolio company successfully mitigating risks within environmental, social and governance issues.
- Estimating, reporting and use of indicators in the portfolio within environmental, social and governance issues
- Approach to assessing and informing negative incidents within environment, social issues, and governance issues in portfolio companies of the fund manager.
- How the Fund Manager estimates and reports on greenhouse gas emissions and climate risk in the portfolio
- How the Fund Manager works for diversity, equity and inclusion in their own operation and portfolio companies
- Any other issues that the deal team/investment team deems as relevant.

The questions used to assess the Fund Managers approach is based on topics that the UN PRI recommends LPs to ask GPs. Nysnø has and continues to develop topics for discussion and questions within sustainability and responsibility as needed.

### **Investment Decision**

The Investment team includes analysis of the material risk within environmental, social and governance issues as an integrated part of the investment memo that is presented to the Invest Committee. The investment team shall assess how the Fund Manager is planning to mitigate and report on material climate risk for the investment universe. Climate risk includes both physical changes that arise from climate change, as well as transition risk that arises from the transition to the low and zero emissions society.

The Investment Team will also include to the Investment Committee any identified areas of improvement that are due to be followed up in further dialog and formalised in final agreements given a positive investment decision.

Nysnø only invests in funds where the Fund Manager is a signatory of the PRI or other internationally recognized ESG standards or has put in place a satisfactory internal framework that is aligned with best practice.

### **Fund Agreements**

Nysnø formalises the investment in an Investment Agreement that regulated the investment activities of the fund, and Nysnø will include wording to ensure sustainability and responsibility where relevant. The Side Letters include wording to ensure that the fund operates within the expectations Nysnø has to the Fund Manager to mitigate risk, conduct responsible business, share information and report on incidents. Nysnø also includes a list of economic activities that the Fund

Manager is prohibited from investing in, described in section 6.3.

### **Holding**

Nysnø will stay updated on the Fund Manager's work with sustainability, responsibility, and climate impact through regular reporting, annual reports, and any sustainability reports prepared by the Fund Manager. When making fund investments, Nysnø expects the manager to vote for the fund's shares.

Nysnø will also establish regular dialogue with the fund managers to share experiences and further develop the work of managing risks within environmental, social, and corporate governance, including measuring the portfolio's contribution to sustainability, reducing greenhouse gas emissions, and working towards promoting diversity, equality, and inclusion within financial and startup environments.

Nysnø may also proactively facilitate experience sharing between fund managers in the portfolio where relevant to contribute to the ongoing development and improvement of their work in sustainability, responsibility, climate impact, and more.

### **Realization**

Fund investments usually have a pre-defined horizon with the possibility of extension. The management and realizations of underlying portfolio companies are regulated in agreements between the fund manager and the fund investors. As a fund investor, Nysnø seeks that the fund, upon realization, documents and reports achieved results within environmental, social, and corporate governance for each individual portfolio company and the fund.

### **5.3. Investment Restrictions**

Nysnø includes a list of investment restrictions to define which activities are excluded from the fund's investments, which covers:

- Activities in a low tax jurisdiction or territories who do not meet the OECD's current minimum criteria for transparency and information exchange for tax purposes
- Companies that are directly or indirectly located in or have substantial part of revenue in a jurisdiction subject to comprehensive sanctions by the EU, UN, or the United States. This also applies to any of its directors, shareholders or key management.
- Companies that are active in:
  - fossil fuels without carbon capture and use or storage
  - weapons, artillery, ammunition
  - breaches of basic human rights and illegal child labour
  - pornographic products
  - tobacco and hard spirits
  - casinos and gambling
  - recreational cannabis
  - software that enables previous activities or enables illegal access to data networks.



#### **5.4. Co-investors**

Nysnø expects responsible and sustainable investment practices from co-investors in both companies and funds. Co-investors are expected to have own frameworks in place that enable them to assess environmental, social and governance issues in their investment activities. Nysnø actively encourages co-investors to become signatories of the UN Principles for Responsible Investments (PRI).

#### **6. Managing liquid assets**

Nysnø considers sustainability and responsibility in all capital managed, including liquid capital that is not currently invested in companies or drawn from funds in the portfolio. Liquid capital is managed as bank deposits or invested into money market funds, and its operationalization is anchored in a separate routine for surplus liquidity. Nysnø aims to place its capital in banks and choose managers of money market funds that provide the highest possible return within sustainable frameworks and in accordance with guidelines for liquidity management.

The work on and regulations for sustainability and responsibility in banks and money market funds is currently in development, and Nysnø collaborates with relevant actors to understand and implement new opportunities that arise.

#### **7. Own operations**

Our own operations at Nysnø affects the environment mainly through our travel activity, use of office supplies and operation the office building. Nysnø works to reduce harm to the environment by working together with the owner of the building on environmental, offer employees public transport, ask for alternatives to meet in our own canteen and at own events, and encourage employees to choose rail transport and prioritise local suppliers when we buy. Nysnø estimates and publishes our annual climate gas emissions (Scope 1 – 3). Nysnø also considers the different climate risks as an integrated part of the annual internal audit.

Nysnø does not accept discrimination based on gender, skin colour, religion, nationality, age, or physical and mental health. Nysnø focuses on diversity, equity, and inclusion in organizational development. Nysnø strives for equal representation between genders in the organization and investment team and aims to communicate broadly and inclusive when recruiting new employees.

#### **8. Transparency and reporting**

Nysnø promotes transparency about our business and our guidelines are available online from our webpages and publish quarterly reporting. Nysnø will describe our work to follow the Policy for Responsible and Sustainable Investment in annual reports, including the results achieved through reporting to the PRI. We will strive to make our approach to sustainability and responsibility easy to understand for employees, owners, portfolio company and society.