Norvestor

Principal Adverse Impact Statement

EU Sustainable Finance Disclosure Regulation

The Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (”SFDR” or “the Regulation”) entered into force on 10 March 2021. The Regulation requires alternative investment fund managers (“AIFM”) like Norvestor Investment Management S.à r.l. (“NIM”) as an authorised AIFM to provide information to investors with regards to the integration of sustainability risks, the consideration of adverse sustainability impacts, the promotion of environmental or social characteristics, and sustainable investment.

This document specially addresses Article 4 (1) (a) of the Regulation:

“*Financial market participants shall publish and maintain on their websites where they consider principal adverse impacts of investment decisions on sustainability factors, a statement on due diligence policies with respect to those impacts, taking due account of their size, the nature and scale of their activities and the types of financial products they make available*”.

More information related to the SFDR, and NIM’s approach to ESG (Environmental, Social, Governance factors) and Responsible Investment in general, can be found on NIM’s website (click here or copy the following hyperlink in your browser: https://www.norvestor.com/sustainable-equity), including:

- Sustainability Risk Policy
- Remuneration Policy in relation to the integration of sustainability risks
- Responsible Investment Policy

Summary

NIM considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated principal adverse impacts statement of NIM. This principal adverse impacts statement covers the reference period from 10 March 2021 to 31 December 2021.

NIM uses the definition of principal adverse sustainability impacts as described in Recital 20 of the Regulation being “*those impacts of investment decisions and advice that result in negative effects on sustainability factors”*, with sustainability factors referring to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters as defined in article 2 (24) of the Regulation.

NIM believes that investment decisions that negatively affect climate or other environment-related resources, or have negative implications for society, can have a significant impact to risk and value creation. To this end, NIM, considers the principal adverse impacts of its investment decisions on sustainability factors throughout all major steps of the investment and portfolio management process.

Description of principal adverse impacts

NIM will take the necessary preparations to gather, monitor and report the principal adverse sustainability impact indicators listed below. Some of these principal adverse impact indicators are currently already being monitored and reported, others still have to be integrated in the data gathering cycle.

NIM will provide an updated version of this statement by no later than 30 June 2023, with the indicators covering the reference period from 1 January 2022 to 31 December 2022. From 30 June 2024 onwards, NIM will provide historical comparisons with previous reference periods. NIM will also seek to detail actions taken and actions planned for the future, as well as targets set for each principal adverse impact indicator to avoid or reduce the principal adverse impacts identified where possible.

1. GHG emissions
2. Carbon footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil fuel sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity-sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

Description of policies to identify and prioritise principal adverse impacts

NIM will report on all indicators related to principal adverse impacts on sustainability factors as set out in Table 1 of Annex I of the Regulatory Technical Standards of the Regulation as described above.

Furthermore, NIM will select at least one additional indicator related to principal adverse impacts on a climate or other environment related sustainability factor that qualifies as principal as set out in Table 2 of Annex I, as well as at least one additional indicator related to principal adverse impacts on a social, employee, human rights, anti-corruption or anti-bribery sustainability factor that qualifies as principal as set out in Table 3 of Annex I. NIM will select these additional indicators based on the probability of occurrence and severity of adverse impacts (including their potentially irremediable character).

Measurement of principal adverse impacts will, to some extent, be subjective and based on judgement. NIM will seek to ensure accuracy by implementing internal and/or external reviews where appropriate to reduce the margin of errors and/or increase the confidence in the indicators.

NIM has formally approved these policies by 10 March 2021. NIM's advisor's team will be primarily responsible for the implementation of these policies. However, all investment team members will be educated with regards to principal adverse impacts on sustainability factors in order to integrate these considerations in the investment process, as detailed below.

Engagement policies

NIM proactively engages with its portfolio companies regarding principal adverse impacts on sustainability factors. Through these engagements, portfolio companies measure and report relevant information in respect to principal adverse impacts affecting their businesses.

NIM will exercise its fiduciary duty as responsible stewards and will aim to improve upon the identified principal adverse impacts for each portfolio company. As funds managed by NIM are majority owners in portfolio companies, NIM has access to senior management and has the potential to wield significant influence with regards to the management of principal adverse impacts.

Engagements will be carried out over time in a structured format. Where applicable, NIM will, in cooperation with portfolio companies, set targets and milestones to measure the success of the engagement as it relates to the measurable improvement in one or several of the identified principal adverse impacts on sustainability factors.

References to international standards

The Norvestor Responsible Investment Policy is compliant with internationally recognized standards for responsible business operations and investment practices. More specifically, Norvestor has implemented the United Nations Principles for Responsible Investment (UN PRI) in its business practices and ensures that portfolio companies adhere to and comply with the principles in UN Global Compact, UN's Universal Declaration of Human Rights and guidelines outlined in the Organization for Economic Co-Operation and Development (OECD) for Multinational Enterprises. Furthermore, Norvestor is a signatory of the United Nations Principles for Responsible Investment (UN PRI), Sustainable Ocean Principles and the Task Force on Climate-related Financial Disclosure (TCFD).

Finally, Norvestor supports the goals set out by the 2015 Paris Agreement. Norvestor measures and monitors the carbon emissions of the portfolio companies as defined by the Greenhouse Gas Protocol. Norvestor encourages its portfolio companies to act as role models and leaders with respect to reduction of greenhouse gas and to actively seek business opportunities arising from, and contributing to, the sustainability transition.