

NGP Capital ESG Policy

July 2024

Purpose

This ESG policy is designed to articulate the approach that NGP Capital is taking to integrate ESG factors into its operational and investment practices. At NGP Capital, we follow a definition of ESG developed with and by VentureESG which defines ESG across the following areas: Environment, Social, and Governance.

1. **Environment:** considering the environmental impact from Scope 1 (directly caused by the company/VC, e.g. through facilities) and Scope 2 (indirectly caused, e.g. energy, electricity, waste) to Scope 3 (caused by upstream and downstream activities, e.g. business travel, transportation of the product, customers' energy usage); targeting both measuring and reducing the impact across all scopes.
2. **Social:**
 - a. DEI: integrating diverse and inclusive practices across all areas of the business.
 - b. Team and working environment: building a strong culture and being a conscientious employer.
 - c. Responsible product design: designing and building products with consideration of the ethical and human implications on the end-user and society.
 - d. Supply chain: working towards an ethical and environmentally resilient supply chain.
3. **Governance**
 - a. Legal and regulatory: aligned to the latest laws, regulations, and compliance standards.
 - b. Governance: having appropriate governance structures in place, according to the company's stage.

- c. Data privacy and security: instilling a strong culture of trust, responsibility and best practice around data.

As a venture fund, we can influence ESG factors on three levels: 1) within our internal operations at NGP Capital, 2) during due diligence for new portfolio companies, and 3) within our current portfolio companies.

NGP Capital Internal Management

The **first** level of ESG principles is how we manage our own internal operations.

NGP Capital takes the following steps as part of its commitments to ESG integration outlined in this policy:

- NGP Capital signed on as a PRI signatory in 2023 and has completed the initial reporting for 2024. As a PRI signatory, NGP Capital reports annually on factors defined by the organization and is assigned a grade based on the responses. The ratings are one way to assess NGP Capital's progress toward its ESG goals.
- NGP Capital uses an external platform to assess its own alignment to ESG best practices. This is defined by the requirements and recommendations of leading international ESG standards and regulations, including: The EU SFDR, TCFD, SASB, UN SDGs, UN Global Compact, and more.
- NGP Capital will continue to measure and offset its annual CO2 emissions, as it has done since 2020.
- NGP Capital is providing ongoing diversity and inclusion training including Unconscious Bias, Inclusive Hiring, and Allyship. This training is overseen by an internal ESG team together with an external ESG training body.
- NGP Capital tracks and reports on gender diversity both internally and in the portfolio at board and executive levels.

NGP Capital Investment Activities

The **second** application of principles concerns the pre-investment due diligence that NGP Capital undertakes.

The first step of due diligence is to apply the following exclusion criteria at the pre-investment stage:

- NGP Capital does not consider investment in any company that breaches international human rights law or any form of significant social harm, either in its own operations or within its supply chain.
- NGP Capital avoids investing in companies whose direct and/or indirect operations cause significant environmental harm, where there is no opportunity to mitigate these negative impacts and drive the business towards making a positive contribution.

NGP Capital adheres to the full list of exclusionary activities (outlined below) during its pre-investment screening.

- **Environment**
 - Highly carbon-intensive businesses (oil, coal, and gas)
 - Wildlife products
 - Genetic engineering
 - Hazardous waste (if not properly managed)
- **Social**
 - Arms and weapons
 - Pornography
 - Tobacco, alcohol, and drugs
 - Violations of human rights
- **Governance**
 - Signs of corruption and bribery
 - Money laundering
 - Systematic lobbying of public institutions with the aim of lowering sustainability standards

NGP Capital analyzes ESG and sustainability risks as part of the investment process and then incorporates sustainability clauses into term sheets and legal documents as outlined below:

- The due diligence and investments memos include a sustainability assessment and scoring framework. These findings are included in dedicated sections in the investment and pre-closing memos.
- Legal documents now include a sustainability clause in the term sheet. A sustainability paragraph is also added to the shareholder's agreements where appropriate. To carry out this governance, NGP Capital has developed an ESG due diligence questionnaire to assess the material issues of a prospect, including but not limited to those listed above. A summary of this review is included in the due diligence investment documents and used as a criterion for investment.

NGP Capital Portfolio Management

The **third** level of application is how ESG considerations guide our portfolio management with a focus on risk mitigation and value creation. NGP Capital strives to support companies in monitoring and improving their own ESG metrics by providing carbon tracking resources, governance templates, and by sharing data and insights collected from our portfolio companies to increase visibility into ESG standards. Within companies where it holds a board seat or position of significant influence, there is an expectation and commitment that NGP Capital will ensure that the contents of this policy are implemented to the best of its ability.

To measure these efforts, NGP Capital uses a third-party reporting and carbon-capture tool to monitor ESG efforts and CO2 emissions.

Scope

Due to the nature of NGP Capital's investment practices, the scope of this policy may vary depending on the influence that NGP Capital holds in its underlying investments. Whether NGP Capital sits on the board of a portfolio company or is an observer, there is an expectation and commitment that the contents of this policy are implemented to the best of its ability.

This policy comes into effect on the date that it is signed by all relevant personnel and will apply until it is reviewed and signed again.

ESG Team

At the operational level, sustainability is managed by the ESG team within NGP Capital. The team consists of members of the investment, portfolio management, communication, and administration teams. The ESG team is managed by the Operating Partner and meets biweekly throughout the year.

Policy Review

The contents of this policy will be reviewed bi-annually by all designated partners of the firm alongside NGP Capital's ESG taskforce.

If it is decided that the regularity of the review needs to be adapted in response to how NGP Capital's ESG strategy develops, this too will be adjusted.