



# Environmental, Social & Governance Report

2022



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## Letter from Managing Partner

The year of 2022 was full of challenges and evolution. Despite the impact of the pandemic, we continued our efforts to invest in forefront companies in decarbonization and digitalization, while simultaneously creating significant values with our companies for the environment and society.

At NIO Capital, we are committed to promoting sustainable and responsible practices throughout our organization, and aligning our contributions with global common objectives, such as the UN Sustainable Development Goals (UN SDGs) and the Paris Agreement. Since inception, we recognize that integrating environmental, social, and governance (ESG) considerations into our investment decisions is not only the right thing to do, but also makes good business sense. We build our ESG management system in line with high-level global institutional standards and measure our impact with reference to the European Union's Sustainable Finance Disclosure Regulation (SFDR). By benchmarking these global standards, it allows us to achieve remarkable financial performance and make significant contributions to combating climate change.

We have also been working closely with our portfolio companies to support their ESG efforts and drive positive changes in their industries. We believe a respected leader in the industry should stand out not only in technology advancement and business growth, but also in good governance and positive social impact. In 2022, we are thrilled to find our companies collectively saved more than 7.4 million tons of carbon emissions, meanwhile, making strides in promoting diversity and inclusion. We have no doubt that our companies will grow to set industry standards and create sustainable impact throughout the supply chain and ecosystem as a whole.

As we continue to navigate a rapidly changing world, we recognize that there is still much work to be done. At the 27th United Nations Climate Change Conference (COP27) in 2022, we witnessed the demand for clean and innovative technologies to fight against climate change while maintaining economic development. As an investment firm, we feel responsible to mobilize changes, commercialize critical technologies, and generate substantial value for our investors, partners, and the society.



**Ian Zhu**

Managing Partner



# Get to Know NIO Capital





# NIO Capital Leads Sustainable Investment in China

NIO Capital is a Chinese private equity firm established in 2016, investing in themes reshaping the energy and automobile industries. With core strategies focusing on **Digitalization** and **Decarbonization** transformation of scalable industries, NIO Capital leads sustainable investment, ESG management system and climate advocacy in China. As of March 2023, we manage five institutional funds with over 2 billion USD total AUM. Riding the wave of worldwide rapid adoption of electric vehicle and clean energy, NIO Capital dedicates to making our contribution to the Paris Agreement target by supporting disruptive technologies and business model innovations.

In 2020, NIO Capital established and issued our Environmental and Social Management System (ESMS), benchmarking international top-tier requirements. The policy was updated on an annual basis to reflect our upgrade in investment strategy and ecosystem, and identify potential ESG-related risks and impact on portfolio companies. With our persistent efforts in investment, proprietary ecosystem, unparalleled industry networks and deep sector expertise, NIO Capital continues to foster great companies and create long-lasting values for the industry.





# NIO Capital Leads Sustainable Investment in China



1. NIO Capital USD Funds include the "Eve ONE" series and NIO Capital Opportunity Fund (NCOF).





## MISSION & VISION

Invest in Innovations and Sustainability to Advance Humankind.



## VALUES

Pursue Excellence

Think Long Term

Care for Partners

Lead with Integrity

Take Initiative

Succeed as Team

### **Pursue Excellence**

We strive for top performance and relentless improvement. We are always looking at how we can do better and holding each other accountable for excellence.

### **Think Long Term**

We take the long-term view of all decisions that we make. Our choices, whether it's about an investment or a collaboration, reflect a 10-year horizon looking at a sustainable future.

### **Care for Partners**

We carefully chose our colleagues and partners. We give feedback, provide room for people development and take responsibility for our own growth.

### **Lead with Integrity**

We do things the right way, not the easy way. We demand openness and intellectual honesty because this enables us to do the right thing.

### **Take Initiative**

We act, take smart risks to win, and be responsible for our results.

### **Succeed as Team**

We value collective contribution rather than individualism. Company results come before team and individual interests.







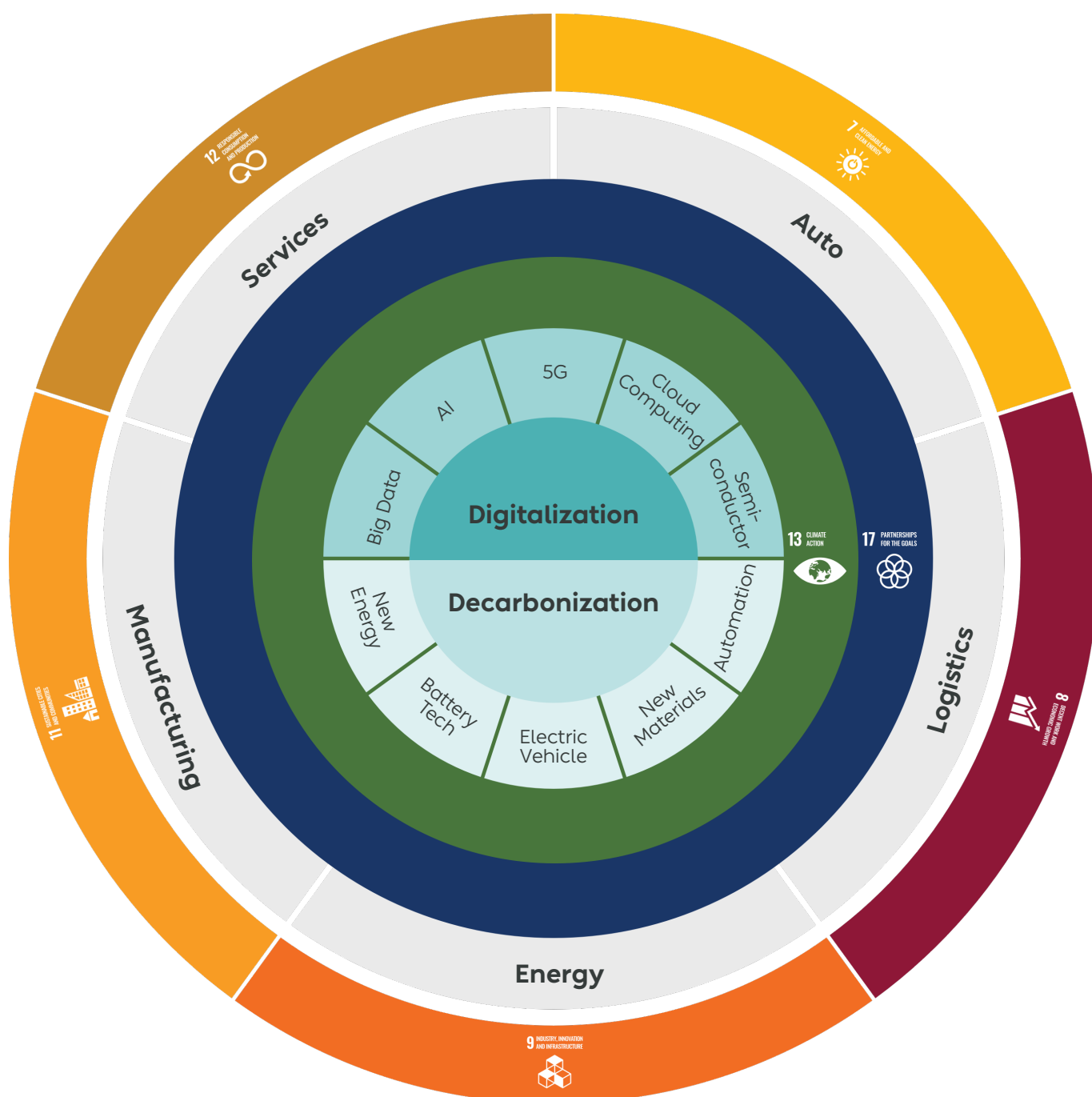
# Sustainable Strategy & Management System





# Align with UN Sustainable Development Goals

NIO Capital focuses on Automobile and Energy, the foundations of the industry and economy, and shifts both to climate-friendly regarding production, distribution and consumption. We create economic values to our investors, as well as social values to our community.



13 CLIMATE ACTION



17 PARTNERSHIPS FOR THE GOALS



## Industry Awards & Recognition in 2022

- 🏆 Special Contribution in ESG – By 21st Century Private Equity & Venture Capital Competitiveness Study & Ranking
- 🏆 ESG Best Practice Award for China's VC Firms – By CYZONE

7 AFFORDABLE AND CLEAN ENERGY



Ensure access to affordable, reliable, sustainable and modern energy for all.



8 DECENT WORK AND ECONOMIC GROWTH



Promote sustained, inclusive & sustainable economic growth, full & productive employment and decent work for all.



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Build resilient infrastructure, promote inclusive & sustainable industrialization & foster innovation.



11 SUSTAINABLE CITIES AND COMMUNITIES



Make cities and human settlements inclusive, safe, resilient and sustainable.



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Ensure sustainable consumption and production patterns.



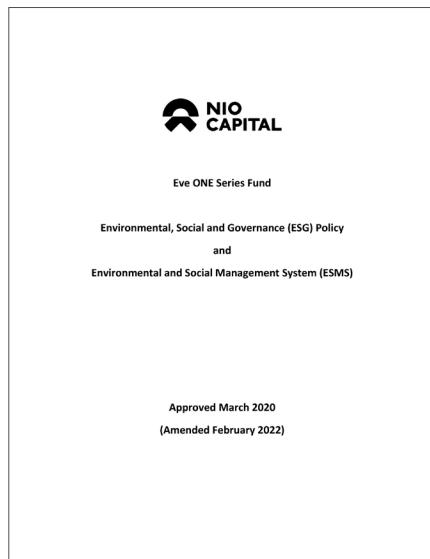


# ESG Management System



# ESG Key Indicators in Investment Procedures

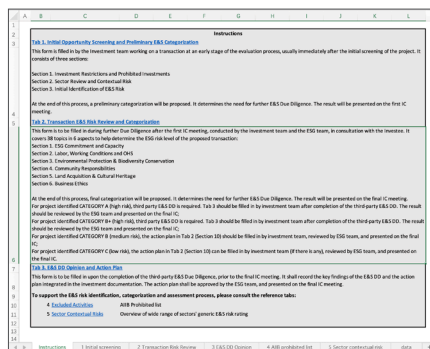
Guided by our ESG Policy, we created the ESG Assessment to preview and track ESG performances of each investment.



# 6

## Sections Covered

- ESG Commitment & GRM
- Labor, Working Conditions and OHS
- Environmental Protection & Biodiversity Conservation
- Community Responsibilities
- Land Acquisition & Cultural Heritage
- Business Ethics & Reporting



# 14

## Negative-Screening Industries

# 60+

## Items in Pre-Investment Screening

# 100+

## Industries Included in Categorization



# Portfolio-Level Reporting & Database





## Drive for Carbon Neutrality

Global warming is already impacting our lives and economic activities. We have seen international collaborations to tackle it. Domestically, Chinese top leader has announced the country's pledge to be carbon neutral by 2060. This long-term ambitious nation-level goal is to support the international common target towards fighting against climate change. And globally, the Paris Agreement, also known as the Paris Climate Accord, was adopted by 196 countries at the 21st United Nations Climate Change Conference (COP21) in 2015. The parties agreed to limit global warming to well below 2 °C, preferably to 1.5 °C, compared to pre-industrial levels. These goals require technological innovations and vast investments in all economic sectors globally.

NIO Capital dedicates to making our contributions in mitigating climate change and helping vulnerable groups in adaptation. From day one, we invest in companies that have great potential to make our energy systems, transportation, and daily lifestyles clean and resilient. Now, we are leading the sustainable investment in China and are delighted to generate positive impact together with our portfolio companies.





## Carbon Emissions Reduction Profile

Carbon saved by adopting our portfolio companies' products or services (tCO<sub>2</sub>e)



Portfolio Carbon Emission Database<sup>1</sup>

Total Emissions: 59,841 tCO<sub>2</sub>e

Carbon Intensity: < 1 gCO<sub>2</sub>e/RMB

73%

Companies

NIO Capital believes that a good ESG management system helps our portfolio companies to grow. 73% of companies review their supply chain annually in production qualification, safety, and compliance, etc.

47%

Companies

NIO Capital encourages portfolio companies in environmentally friendly activities. In 2022, 47% of companies adopted various energy and water saving, production efficiency improvement, renewable energy replacement methodologies.

41%

Companies

Though many of our portfolio companies are at early stage, we encourage them to train the management team regarding climate, responsible production, etc. 41% of the companies provide ESG training to the management team in 2022.

908

Hours

In 2022, our portfolio companies collectively spent 908 hours in training management teams and employees on ESG knowledge sharing and risks identification.

1. This database covers scope 1 and scope 2 emissions of Eve ONE Fund I, Eve ONE Fund II and NCOF portfolio companies.



## Labor, Equity & Social Care

# 12,781

### Full-time Employees (FTE)

Portfolio companies have 12,781 employees in total from a global talent pool. Among them, 8,874 people are from Eve ONE Fund I and 3,970 people are from Eve ONE Fund II.

# 30%

### Female-FTE

NIO Capital advocates for gender equity for our investment ecosystem. In 2022, 30% of full-time employees are women. In addition, we have 24% of female representatives in the management team, 22% of female representatives in the C-level senior positions, and 14% of female representatives seating on boards of portfolio companies.

# 5,632

### New Jobs Created

Despite the challenging environment, our portfolio companies strived to achieve solid business milestones and created high-quality job opportunities for society.

# 100%

### Employee Training

Smart companies grow with the employees together. In 2022, 100% of our portfolio companies provide working skill, health, and cultural training for employees, aiming at shaping a competitive team equipped with humanistic care.

# 1,463,521

### RMB

In 2022, our portfolio companies donated 1,463,521 RMB to support poverty alleviation, children education, and care for disabled people.

# Firm-Level Reporting & Database





## NIO Capital Managing Partner Participated in COP27



In November 20, over 100 heads of state and more than 35,000 delegates from NGOs, research institutions, and financial sectors gathered in Egypt for the **27<sup>th</sup> United Nations Summit on Climate Change, also known as COP27**. This annual conference is the largest gala on earth for countries to discuss climate change mitigation. Kyoto Protocol was adopted in 1997 at COP3 and, subsequently, Paris Agreement was signed by 196 countries in 2015 at COP21.

The Paris Agreement set a goal to limit global temperature rises to well below 2°C above pre-industrial levels and pursue efforts to limit the increase to 1.5°C. The world is getting to realize that this goal could not be achieved without technological revolutions. On the Multilateral Development Banks (MDB) Pavilion, our Managing Partner Ian Zhu joined the panel hosted by the Asian Infrastructure Investment Bank (AIIB). The panel themed “**Unleashing the Power of Climate Tech**” gathered a few experienced and impactful investors globally to discuss the role of technology innovations in energy transition and carbon emission reduction.



**Energy and transportation sectors are some of the biggest contributors to the carbon emissions of China. NIO Capital is devoted to investing in disruptive technologies that will solve some parts of the problem.**

**Ian Zhu**



Zhu said, that Digitalization and Decarbonization are two crucial ways of climate tech. In Digitalization, NIO Capital invested in the electrification of the drivetrain. With the rapid increase of New Energy Vehicle (NEV) penetration rate, we foresee a major trend of digital transition in every aspect of transportation industry. Meanwhile, the growing number of electric vehicle mutually promotes the development of renewable energy. Zhu believes that discovering new technologies and supporting their commercialization has become the core capability and contribution of an investor.

AIIB  
AT 27

**Nov. 11, 2022 · 9-10:30 a.m. (Cairo Time)**  
Blue Zone, Multilateral Development Bank (MDB) Pavillion

SESSION

# Unleashing the Power of Climate Tech

**MODERATOR**

**CHARMIAN CAINES**  
Managing Director & Senior Partner  
of Boston Consulting Group

**PANELISTS**

**SIR DANNY ALEXANDER**  
Vice President of Policy and Strategy of AIIB

**MASSAMBA THIOYE**  
Head of UN Climate Change Global Innovation Hub

**JAY KOH**  
Managing Director of Lightsum Group

**JACKY ABITBOL**  
Managing Partner of Cathay Capital

**IAN ZHU**  
Managing Partner of NIO Capital



## Our Carbon Profile

### Initiative Climat International Signatory

ESG investment has been in NIO Capital's genes since our inception. We are keen to talk to partners and align with international standards in the sustainability arena. In October 2022, NIO Capital is delighted to become a signatory of Initiative Climat International (iCI), a global community of private market investors who seek to display leadership in improving the industry's understanding and management of the risks and opportunities associated with climate change. iCI is a supporting partner of The Investor Agenda and, is a UN PRI-supported initiative. Since its inception after the launch of the Paris Agreement, iCI has gathered 206 members globally with over 3 trillion USD under management.



## Our Carbon Footprint

In May 2022, iCI and ERM launched a new standard for the private equity sector to consistently track, audit, and report greenhouse gas (GHG) emissions. Following the guidance, NIO Capital initiated the new carbon tracking program internally to calculate and report our carbon footprint.

### On GP-Level

**Scope I:** Emissions from combustion in owned or controlled boilers, generators, vehicles, as well as process and fugitive emissions.

**Scope II:** Emissions from purchased electricity, heating, cooling and steam.

**Scope III:** Financed emissions - The total scope 1 and 2 ( and scope 3 optional) emissions of portfolio companies attributed to the GP's share of value and debt; Operational emissions - GP's business travel

GP Level Carbon Emissions (tCO <sub>2</sub> e)					
Scope I		Scope II (Location Based)		Scope III	
<1		7		3,598	
Owned/leased Vehicles <sup>1</sup>		Electricity Consumption		Operational Emissions	19
<1		7		Financed Emissions <sup>2</sup>	3,579

1. We use Electric Vehicle so that the carbon emission is minimum

2. Share of portfolio companies scope I and II tCO<sub>2</sub>e

In 2022, NIO Capital as the firm generated 3,605 tons of carbon emission, of which 99% was financed emissions from portfolio companies. For Scope I, we adopted electric vehicle which saved around 7 tons of carbon emissions as compared with fuel vehicle.



# The Path to Great —NIO Capital CEO Club



NIO Capital CEO Club as launched in 2021 aiming to provide organizational empowerment and link industry resources to help companies achieve innovative businesses and breakthrough growth. The vision, ambitions and execution capability of the CEO are key to the success of startups. Striving to become the most trusted partner for our portfolio companies in value chain, NIO Capital facilitates inspiring interactions among the ecosystem and provides various resources along the entrepreneurial journey. Together we build the blue earth and enlighten the future of the community.

## CEO Thematic Salon

William shared his heartfelt journey during the past 7 years as the founder and CEO of NIO Inc. 92 senior executives from 43 portfolio companies participated.



## Engage in Enlightenment

A series of events held monthly to share precious knowledge and experiences. 100+ senior executives from 60+ portfolio companies participated. Key topics include:

- ESG Investing & Sustainability
- IPO & ESG Communications
- Macroeconomy Trend
- European Energy Industry



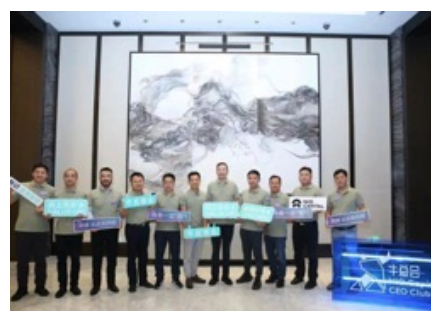
## Belief in Sustainable Future—Investment Outlook Whitepaper

NIO Capital celebrated our “Five and Beyond” 5-Year Anniversary in August 2022. We released an Investment Outlook Whitepaper to share our vision and views of digitalization and decarbonization.



## Entrepreneur Leadership Camp

NIO Capital launched "From Tech Geek to Great Leader" training programs in 2022. We accompany entrepreneurs to become more outstanding leaders and organizations to grow and develop in a healthy way. Our camp includes "Becoming an Outstanding Leader" and "Building Sustainable Organization".



## Resilient Team & Sustainable Family



55%  
Female-FTE

NIO Capital has 55% female full-time employees by the end of 2022



222  
kg CO<sub>2</sub>e

Advocating for no plastic pollution, we abandoned all plastic bottle water in office. In total, we have potential to save 222kg CO<sub>2</sub> in one year.



LEED  
Certified

NIO Capital's offices in Shanghai and Beijing acquired Leadership in Energy and Environmental Design (LEED)



313,950  
Points

We care for employee health and proactively encourage fitness activities. In 2022, we awarded 313,950 points to employees with good fitness record.



## Reporting Scope

This report covers portfolio companies in Eve ONE Fund I, Eve ONE Fund II and NCOF. If not stated otherwise, our carbon emission data covers scope I and scope II. For public-listed companies, we provide public information extracted from filings, news, and other media.

## Disclaimer

Data in this report is generated from portfolio companies' reporting or public information, with reasonable calculations or best estimations based on industry common practice or scientific research. NIO Capital does not guarantee on the accuracy or completeness of the data presented.

The information and opinions in this report do not constitute any recommendation, purchase or sale of any fund, equity product or other investable underlying assets. Historical data of the portfolio companies mentioned in this report is for illustrative purpose only and should not be considered as indicators of current or future performances.

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