

# Sustainability Risk Integration Policy

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Financial Market Participant: NIO Capital

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## 1 Introduction

NIO Capital (the "Firm") is a venture capital firm established in 2016, investing in innovations that reshape the New Mobility and New Energy sectors. The Firm's mission is to "Invest in Innovations and Sustainability to Advance Humankind." NIO Capital believes that the systematic integration of environmental, social, and governance (ESG) considerations is fundamental to sound investment management and long-term value for its investors.

### 1.1 Purpose and Objective

This Sustainability Risk Integration Policy (the "Policy") is established in accordance with Article 3 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the "SFDR"). It sets out how NIO Capital identifies, assesses, and manages Sustainability Risks as part of its investment decision-making process, ensuring that such risks are systematically considered and that investors receive transparent information on the Firm's approach.

### 1.2 Scope

This Policy applies to all investment activities undertaken by NIO Capital. Eve ONE Fund III, managed by NIO Capital, is classified as a financial product promoting environmental or social characteristics pursuant to Article 8 of the SFDR. Other funds managed by the Firm are not subject to Article 8 disclosure requirements.

This Policy should be read in conjunction with the Firm's Principal Adverse Impacts (PAI) Statement (Article 4) and Remuneration Policy disclosure (Article 5), both of which are published on the Firm's website.

## 2 Sustainability Risk Framework and Likely Impacts on Returns

NIO Capital has identified the sustainability risks most material to its investment activities across the New Mobility and New Energy sectors, categorized into environmental, social, and governance dimensions. These risks are monitored through the Firm's Principal Adverse Impact (PAI) indicators and assessed throughout the investment lifecycle as described in Section 4. Where material risks are identified, NIO Capital takes appropriate measures, including targeted due diligence, engagement with portfolio companies, and where necessary the implementation of risk mitigation action plans, to manage their potential impact on investment returns.

## 2.1 Sustainability Risk

Risk Category	Description	Likely Impact on Returns
<b>Environment</b>		
Climate Transition Risk	Risks from shifts in carbon pricing, energy regulation, and climate policy	Higher compliance costs and weakened competitive positioning, adversely affecting valuations and exit prospects
Physical Climate Risk	Risks from extreme weather events and long-term climatic changes	Disruption to portfolio company operations and supply chains, leading to operational and financial losses
Carbon Emissions and Intensity	Risks from elevated GHG emissions, carbon footprint, and high carbon intensity of investee companies, including exposure to fossil fuel activities	Increased regulatory scrutiny and reputational risk, adversely affecting market standing and investor appeal
Resource Use and Environmental Liability	Risks from high energy consumption, activities affecting biodiversity-sensitive areas, emissions to water, and hazardous waste	Regulatory penalties, remediation costs, and operational liabilities
<b>Social</b>		
Labor Standards and Human Rights	Risks from non-compliance with the UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Impaired ability to attract and retain talent, with adverse implications for long-term performance
Diversity and Inclusion	Risks from unadjusted gender pay gaps and lack of board gender diversity, indicating broader organisational weaknesses	Diminished innovation capacity, higher employee turnover costs, and potential litigation expenses, adversely affecting long-term performance
<b>Governance</b>		
Controversial Weapons	Risks from exposure to companies involved in anti-personnel mines, cluster munitions, chemical, or biological weapons	Severe exclusion from institutional mandates and restricted access to capital, resulting in significant valuation discounts
Anti-Corruption and Anti-Bribery	Risks from the absence of anti-corruption and anti-bribery policies consistent with the UN Convention against Corruption	Significant legal and reputational consequences, particularly across multi-jurisdictional operating environments

## 2.2 Industry Risk

The decarbonization and digitalization of the New Mobility and New Energy sectors create both transformative opportunities and distinct sustainability risk exposures. Companies operating across battery manufacturing, electric vehicle ecosystems, renewable energy infrastructure, and smart mobility platforms face risks that extend beyond general ESG frameworks, including upstream supply

chain vulnerabilities and technology driven data and compliance challenges. NIO Capital monitors the following additional risk indicators as particularly material to its investment universe:

Risk Category	Description	Likely Impact on Returns
Non-Renewable Energy Dependency	Risks from high reliance on non-renewable energy sources by investee companies	Exposes portfolio companies to energy transition risks and potential cost increases as the energy mix shifts
Water Management	Risks from the absence of formal water management policies at investee companies	Increased operational and regulatory risk for portfolio companies where water use is material
Supply Chain Conduct	Risks from the absence of a supplier code of conduct addressing unsafe working conditions, child labor, and forced labor	Reputational and operational consequences arising from supply chain misconduct
Child Labour Exposure	Risks from operations or suppliers in geographies associated with critical mineral sourcing and elevated child labor risk	Reputational and regulatory consequences materially affecting investment value

### 3 Governance and Responsibilities

#### 3.1 ESG Oversight Structure

NIO Capital's sustainability governance is led by a dedicated ESG Committee, supported by the Investment Team, Compliance Team, and Operations Team, each of which plays a defined role in ensuring that sustainability risks are effectively managed across the Firm's investment activities.

##### ESG Committee

The ESG Committee holds ultimate oversight responsibility for NIO Capital's sustainability agenda. It is led by the Managing Partner and supported by dedicated ESG officers and specialists. The Committee defines the sustainability risk framework and ensures its integration across investment activities and portfolio management. Its responsibilities include allocating resources for risk management, overseeing the due diligence process, engaging third-party assessments where necessary, and reporting sustainability findings on a periodic basis.

##### Investment Team

The Investment Team plays a central role in the day-to-day integration of sustainability risks. Sustainability considerations are embedded in the investment process from deal sourcing through to exit, and the Investment Committee takes ESG-related factors into account during investment decision-making.

## Compliance Team

The Compliance Team ensures the integrity of sustainability risk assessments throughout the investment process, verifies that transaction documents comply with applicable environmental and social laws and the Fund's ESG requirements, and implements relevant company-level policies including anti-bribery, anti-money laundering, and conflict-of-interest controls.

## Operations Team

The Operations Team supports the promotion of sustainability practices within NIO Capital, including coordinating training and cross-company workshops, and raising sustainability awareness more broadly.

### 3.2 Internal Governance Practices

NIO Capital is committed to embedding sustainability risk awareness across the organization. All members of the investment team receive sustainability risk training to ensure they are equipped to identify and assess sustainability risks as part of their investment responsibilities. Training is provided on a regular basis and supplemented by topic-specific sessions as needed.

With respect to remuneration, NIO Capital's remuneration policies are designed to be consistent with the integration of sustainability risks into investment decision-making, in accordance with Article 5 of the SFDR. Further details are set out in the Firm's Remuneration Policy disclosure, available on the Firm's website.

## 4 Integration of Sustainability Risks in the Investment Process

NIO Capital integrates sustainability risk considerations systematically throughout the full investment lifecycle, from initial screening to exit. Each stage of the process is designed to ensure that sustainability risks are identified, assessed, and managed in a manner that is proportionate to the risk profile of each investment opportunity.

### 4.1 Pre-Investment Stage

#### Exclusions

Sustainability risk assessment begins at the earliest stage of the investment process. All potential investments are subject to an initial negative screening against NIO Capital's Exclusion List, which excludes companies whose principal business activities fall within defined categories incompatible with the Fund's sustainability objectives, including thermal coal mining, tobacco, controversial weapons, and other excluded sectors as specified in the Fund's pre-contractual disclosure.

#### Preliminary Sustainability Risk Assessment

Where a potential investment passes initial screening, a preliminary sustainability risk assessment is conducted. This covers a review of investment restrictions, sector-level contextual risks, and an initial identification of environmental, social, and governance risk factors. The outcome of this assessment results in a preliminary risk categorisation, which determines the scope and depth of further due diligence required. The preliminary assessment is informed by the PAI indicators set out in the Firm's Principal Adverse Impacts Statement, which provides the framework for identifying material sustainability risk factors at the sector and company level.

### **Comprehensive Due Diligence**

For investments proceeding to the next stage, a more detailed sustainability risk review is undertaken, covering areas including sustainable commitment and capacity, labour and working conditions, environmental protection and biodiversity, community responsibilities, and business ethics. Each investment is then assigned a final sustainability risk category (high, medium, or low), which informs the level of ongoing monitoring and required mitigation measures.

## **4.2 Investment Decision-Making Stage**

### **Investment Committee Review**

Sustainability risk findings are presented to the Investment Committee at each decision-making stage. The Investment Committee takes sustainability risk factors into account alongside financial and commercial considerations when making investment decisions. Where material sustainability risks are identified, an action plan is agreed with the prospective portfolio company prior to investment. For investments assessed as carrying high sustainability risk, an independent third-party sustainability risk assessment may be commissioned.

### **Closing Requirements**

At closing, portfolio companies are required to sign an ESG Letter of Undertaking, formalizing their commitment to addressing identified sustainability risks and complying with the Fund's sustainability requirements.

## **4.3 Post-Investment Stage**

### **Ongoing Monitoring**

Following investment, NIO Capital monitors sustainability risk on an ongoing basis through periodic engagement with portfolio companies. Portfolio companies are required to submit sustainability risk data and supporting documentation on a regular basis, with biannual submissions for higher risk investments and annual submissions for lower risk investments. This allows the Firm to track progress

against agreed action plans and identify emerging risks.

### Active Engagement

Where NIO Capital holds board representation at a portfolio company, this provides an additional channel through which sustainability risk matters can be observed, raised, and addressed. The Firm engages with portfolio companies to support the improvement of their sustainability risk management practices over time.

#### 4.4 Exit Stage

Sustainability risks are considered in the exit planning process. NIO Capital assesses the sustainability risk profile of portfolio companies prior to exit, including the status of any outstanding action plans and the overall trajectory of the company's sustainability risk management. This assessment forms part of the broader exit readiness evaluation.

## 5 Policy Review and Update

This Policy is reviewed at least annually by the ESG Committee to ensure it remains accurate, up to date, and consistent with applicable regulatory requirements. Reviews may be conducted more frequently in response to material changes in regulation, investor requirements, or the Firm's investment activities. Any amendments to this Policy are subject to approval by the ESG Committee.

In accordance with Article 12 of the SFDR, where this Policy is amended, a clear explanation of the changes made will be included on the Firm's website alongside the updated version of the Policy.

## 6 Cross-References to Related Disclosures

This Policy forms part of NIO Capital's broader suite of SFDR entity-level disclosures. The following related documents are published on the Firm's website and should be read in conjunction with this Policy:

- **Statement on Principal Adverse Impacts of Investment Decisions on Sustainability Factors** — published in accordance with Article 4 of the SFDR, setting out the Firm's approach to identifying and managing the principal adverse impacts of its investment decisions on sustainability factors.
- **Remuneration Policy**— published in accordance with Article 5 of the SFDR, describing how the Firm's remuneration policies are consistent with the integration of sustainability risk.