

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant: HitecVision Advisory AS

Legal entity identifier: N/A

Summary

HitecVision Advisory AS (HitecVision) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement of principal adverse impacts on sustainability factors of HitecVision.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2022 to 31 December 2022.

This statement provides an overview of the policies on the identification and prioritisation of principal adverse sustainability impacts and a description of the principal adverse impacts and actions taken to reduce such impacts. Among the most important principal adverse impacts of our investment decisions are environmental impacts, including greenhouse gas emissions and other emissions to the air and the sea; workplace health and safety; and diversity and inclusion. HitecVision has continuous focus on these and other sustainability factors, monitoring for adverse impacts, and identifying potential for contributing to reducing negative impacts through our investments.

Translations of this summary are included in Appendix 1.

Description of the principal adverse impacts on sustainability factors

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES					
MANDATORY INDICATORS					
Adverse sustainability indicator	Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS					
GREENHOUSE GAS EMISSIONS					
1. GHG Emissions	Scope 1 GHG emissions	305 366	n/a	n/a – first reporting year	HitecVision works closely with its portfolio companies on an ongoing basis to reduce their Scope 1 emissions, including creating emission reduction plans. As energy use and thus emissions are in many cases closely correlated with the activity level of a business, and we generally expect our companies to grow, we focus on relative emissions rather than absolute emissions for most of the companies with high emissions. This entails identifying and implementing suitable carbon intensity KPIs.
	Scope 2 GHG emissions	2 025	n/a	n/a – first reporting year	HitecVision works closely with its portfolio companies on an ongoing basis to reduce their Scope 2 emissions, including creating emission reduction plans. As energy use and thus emissions are in many cases closely correlated with the activity level of a business, and we generally expect our companies to grow, we focus on relative emissions rather than absolute emissions for most of the companies with high emissions. This entails identifying and implementing suitable carbon intensity KPIs.
	Scope 3 GHG emissions	177 623	n/a	n/a – first reporting year	HitecVision is encouraging its portfolio companies on an ongoing basis to analyse and report their Scope 3 emissions, as a basis for creating emission reduction plans. As part of this effort, HitecVision arranged a Scope 3 seminar for staff and portfolio companies in 2022.
	Total GHG emissions	485 014	n/a	n/a – first reporting year	
2. Carbon Footprint	Carbon footprint	15.9	n/a	n/a – first reporting year	In addition to working with each portfolio company to reduce their emissions as described above, HitecVision's strategy is that all new investments shall be in companies that contribute to the energy transition. In general, these companies have lower carbon footprints than other parts of the energy industry. This strategy will thus contribute to reducing the carbon footprint of our portfolio over time.
3. GHG intensity of investee companies	GHG intensity of investee companies.	144.7	n/a	n/a – first reporting year	In addition to working with each portfolio company to reduce their emissions as described above, HitecVision's strategy is that all new investments shall be in companies that contribute to the energy transition. In general, these companies have lower carbon footprints than other parts of the energy industry. This strategy will thus contribute to reducing the GHG intensity of our portfolio over time.
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector.	80 %	n/a	n/a – first reporting year	In the past, investments in the fossil fuel sector was HitecVision's speciality. Our new strategy since 2021 is that all new investments shall be in companies that contribute to the energy transition. Over time this will reduce the exposure to companies active in the fossil fuel sector.
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources.	29 %	n/a	n/a – first reporting year	We encourage our portfolio companies to use certified renewable energy as far as possible. As most of our portfolio companies have their main activities in Norway, the share of non-renewable energy is low. Those of our portfolio companies that produce energy, only produce renewable energy.

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES
MANDATORY INDICATORS

Adverse sustainability indicator	Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector.	Electricity: 4.1 Mining and Quarrying: 0.1	n/a	n/a – first reporting year	HitecVision encourages all portfolio companies to find ways to reduce their energy consumption, and regularly discuss this issue with the companies. An increasing proportion of companies have introduced energy management systems in accordance with the ISO 50001 standard.

BIODIVERSITY

7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas.	3 %	n/a	n/a – first reporting year	Only one of our portfolio companies has operations in biodiversity-sensitive areas, while other companies have operations near such areas. In all cases we aim to ensure that the activities do not have negative effects of any significance in those areas. This is done through a focus on Environmental Impact Assessments before activities are commenced, and monitoring of activities thereafter.
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WATER

8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average.	1.6	n/a	n/a – first reporting year	The bulk of emissions to water generated by our portfolio companies is generated as a result of offshore oil and gas production activities, where certain emissions to the sea are allowed by regulators. We expect all portfolio companies to keep their emissions to water in line with or better than applicable regulations and, where relevant, their licenses from relevant regulatory authorities.
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WASTE

9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average.	25.1	n/a	n/a – first reporting year	<p>The bulk of hazardous waste generated by our portfolio companies is generated as a result of oil and gas drilling activities, where certain types of drilling waste are classified as hazardous. Other companies produce small amounts of hazardous waste as part of their operations.</p> <p>We expect all portfolio companies to reduce their generation of hazardous waste as far as possible and dispose of hazardous waste in line with applicable regulations and, where relevant, their licenses from relevant regulatory authorities.</p>
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INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

SOCIAL AND EMPLOYEE MATTERS

10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.	0 %	n/a	n/a – first reporting year	HitecVision focuses on strong corporate governance at its portfolio companies, and these issues are among the ESG issues we regularly follow up with each company.
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.	40 %	n/a	n/a – first reporting year	We believe that all portfolio companies have good compliance mechanisms in place, however some companies have not formalised these. We intend to continue working with the companies to ensure that all companies for which this is relevant have formalised processes and compliance mechanisms in place.

**INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES
MANDATORY INDICATORS**

Adverse sustainability indicator	Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies.	31 %	n/a	n/a – first reporting year	HitecVision's Diversity, Equity and Inclusion Policy states that: "Our employees shall receive equal pay for work of equal value, regardless of gender, race, religion or belief, age, marital or civil status, pregnancy, sexual orientation or disability." We require all portfolio companies to establish similar policies, and work with them to ensure that these are implemented.
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members.	31 %	n/a	n/a – first reporting year	HitecVision usually has the right to appoint a certain number of directors at its portfolio companies, and we have a target that at least 40% of these shall be female. At the end of 2022 this target was exceeded. While we do not control who is appointed by other shareholders in the investee companies, we will try to influence those shareholders in order to gain a balanced board in each portfolio company.
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons.	0 %	n/a	n/a – first reporting year	HitecVision has no exposure to weapons manufacturers of any kind, and does not intend to invest in such companies.

**INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES
VOLUNTARY INDICATORS**

Adverse sustainability indicator	Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
GREENHOUSE GAS EMISSIONS					
15. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement.	38 %	n/a	n/a – first reporting year	We ask all of our portfolio companies to develop plans for reducing their carbon emissions, in absolute terms or, where the companies are in a strong growth phase, in intensity terms. These plans should be aligned with the Paris agreement. In order to help drive this work, HitecVision has joined the Net Zero Asset Managers Initiative. Most companies have developed and are implementing comprehensive emission reduction plans or free-standing initiatives. We will encourage the companies to ensure that their plans and initiatives are aligned with the Paris Agreement, for example by joining the Science Based Targets initiative.
SOCIAL AND EMPLOYEE MATTERS					
16. Rate of accidents	Rate of accidents in investee companies expressed as a weighted average	3.3	n/a	n/a – first reporting year	As an investor primarily in industrial companies for several decades, HitecVision has long had a strong focus on health & safety matters in its portfolio companies, and this is one of the issues we regularly discuss with each company. We expect each company to monitor its performance, and to have programs to reduce accident risk and the level of accidents.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

HitecVision has formalised several ESG policy instruments and procedures to support our ESG management and impact approach, including with respect to principal adverse impacts on sustainability factors. These include:

- Ethical Guidelines
- Responsible Investment Policy
- ESG Integration Procedure
- Diversity, Equity and Inclusion Policy
- Energy Transition Strategy
- Supplier Expectations Statement

The Ethical Guidelines and the Responsible Investment Policy are reviewed annually by the Board of Directors of HitecVision, while the other policy documents are adopted by management.

The responsibility for the implementation of HitecVision's policies on principal adverse impacts primarily lies with the investment professionals, overseen and aided by the Head of Sustainability.

HitecVision has selected the following additional indicators:

- *Investments in companies without carbon emission reduction initiatives*

We ask all of our portfolio companies to develop plans for reducing their carbon emissions, in absolute terms or, where the companies are in a strong growth phase, in intensity terms. These plans should be aligned with the Paris agreement. In order to help drive this work, HitecVision has joined the Net Zero Asset Managers Initiative. Most companies have developed and are implementing comprehensive emission reduction plans or free-standing initiatives. We will encourage the companies to ensure that their plans and initiatives are aligned with the Paris Agreement, for example by joining the Science Based Targets initiative.

- *Rate of accidents*

As an investor primarily in industrial companies for several decades, HitecVision has long had a strong focus on health & safety matters in its portfolio companies, and this is one of the issues we regularly discuss with each company. We expect each company to monitor its performance, and to have programs to reduce accident risk and the level of accidents.

Data on the principal adverse impacts is generally obtained directly from the portfolio companies.

HitecVision's ESG approach is described in detail in HitecVision's annual public ESG report, available at HitecVision's website.

Engagement policies

As investments by HitecVision funds generally target controlling stakes, HitecVision has not adopted any specific shareholder engagement policy applicable to investments in securities traded on regulated markets.

Engagement with portfolio companies is an integral part of HitecVision's objective of ensuring that its portfolio companies operate in an environmentally sound manner, as well as ethically, responsibly and profitably in everything they do. Through its regular engagement with portfolio companies, HitecVision will seek to work with the portfolio companies in addressing and reducing principal adverse impacts as further described above.

References to international standards

HitecVision is a signatory to the UN Principles for Responsible Investment, the Net Zero Asset Managers Initiative and Norsif, the Norwegian forum for sustainable investment. In its reporting, HitecVision applies internationally recognised reporting frameworks including the Global Reporting Initiative (GRI) Standards and the Sustainability Accounting Standards Board (SASB) disclosures. Greenhouse gas emissions are calculated using the GHG Protocol. While HitecVision applies these guidelines and standards in its investment activities, the standards and guidelines alone does not entail that HitecVision's investments are aligned with the Paris Agreement. HitecVision is aware of a number of forward-looking climate scenarios, but does not use any as a basis for its investment decisions.

Appendix 1: Translations of the Summary

Norsk

HitecVision Advisory AS (HitecVision) vurderer de viktigste negative konsekvensene av sine investeringsbeslutninger på bærekraftsfaktorer. Denne erklæringen er den konsoliderte erklæringen om de viktigste negative virkningene på bærekraftsfaktorer i HitecVision.

Denne uttalelsen om prinsipielle skadevirkninger på bærekraftsfaktorer dekker referanseperioden fra 1. januar 2022 til 31. desember 2022.

Denne erklæringen gir en oversikt over retningslinjene for identifisering og prioritering av de viktigste negative konsekvensene for bærekraft og en beskrivelse av de viktigste skadevirkningene og tiltakene som er truffet for å redusere slike konsekvenser. Blant de viktigste negative konsekvensene av våre investeringsbeslutninger er miljøpåvirkning, inkludert klimagassutslipp og andre utslipp til luft og sjø, helse og sikkerhet på arbeidsplassen, og mangfold og inkludering. HitecVision har kontinuerlig fokus på disse og andre bærekraftsfaktorer, overvåker for skadevirkninger og identifiserer potensiale for å bidra til å redusere negative konsekvenser av våre investeringer.

Version	Date	Scope
1	9 March 2021	First publication of disclosure
2	1 January 2023	Alignment of disclosure with Commission Delegated Regulation (EU) 2022/1288
3	30 June 2023	Updated with principal adverse impacts for 2022