

C. Principal adverse impacts statement

SFDR Annex 1, Table 1, statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant: HitecVision Advisory AS

Summary: HitecVision Advisory AS (HitecVision) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of HitecVision. This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2023.

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 a 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 at the end of this table.

Description of the principal adverse impacts on sustainability factors

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES MANDATORY INDICATORS

| Adverse sustainability indicator | Metric | Impact 2023 | Impact 2022 | 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 | 220,082 | 301,180 | The decrease in Scope 1 emissions in 2023 is attributable to reduced direct emissions from our oil and gas-producing companies, mainly driven by the electrification of the Ivar Aasen field held by Sval Energi and our reduced ownership in Vår Energi. | 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 | 2,110 | 2,013 | The increase in Scope 2 emissions in 2023 is mainly related to Celsius, which was only included in the three last quarters of 2022, causing the figure to increase in 2023 when the full four quarters were included. | 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 | 2,552,022 | 178,600 | The significant increase in Scope 3 emissions is a consequence of the inclusion of additional Scope 3 categories in the reporting, most notably, the use of sold products by our oil and gas-producing companies, which represent 80% of the total Scope 3 emissions in 2023. | 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. |
| | Total GHG emissions | 2,774,213 | 481,793 | | |

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

MANDATORY INDICATORS

| Adverse sustainability indicator | Metric | Impact 2023 | Impact 2022 | Explanation | Actions taken, and actions planned and targets set for the next reference period |
|---|---|---|---|--|---|
| 2. Carbon Footprint | Carbon footprint | 129.1 | 15.8 | The significant increase in carbon footprint is a consequence of the inclusion of additional Scope 3 categories in the reporting, most notably, the use of sold products by our oil and gas-producing companies. | 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 contribute to reducing the carbon footprint of our portfolio over time. |
| 3. GHG intensity of investee companies | GHG intensity of investee companies. | 742.9 | 129.6 | The significant increase in GHG intensity is a consequence of the inclusion of additional Scope 3 categories in the reporting, most notably, the use of sold products by our oil and gas-producing companies, alongside a decrease in total revenues generated by the companies as energy prices returned to a more normalised level after record-high prices in 2022. | 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 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. | 63% | 80% | The reduced exposure to companies active in the fossil fuel sector is a result from two new companies being added to the portfolio in 2023 positioned for the energy transition, as well as a reduced ownership in Vår Energi. | 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 | 90% | 94%* | The share of non-renewable energy consumption and production decreased driven by a 45% increase in renewable energy production from the portfolio companies invested in by our New Energy Program combined with reduced production volume in our oil and gas-producing companies of 20%. <i>* This number has been revised from the reported figure in the 2022 report.</i> | 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 consumption is relatively low. 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 share of non-renewable energy consumption and production. |
| 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: 5.5 Mining and Quarrying: 0.2 | Electricity: 4.1 Mining and Quarrying: 0.1 | The increase in energy consumption intensity reflects a decrease in total revenues generated by the companies as energy prices returned to a more normalised level after record-high prices in 2022. For electricity, the development is further driven by Celsio, which has a high energy consumption to create district heating. Celsio was only included in the three last quarters of 2022, causing the figure to increase in 2023 when the full four quarters were included. | 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. |

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES MANDATORY INDICATORS

| Adverse sustainability indicator | Metric | Impact 2023 | Impact 2022 | Explanation | Actions taken, and actions planned and targets set for the next reference period |
|---|---|-------------|-------------|--|---|
| 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. | 7% | 3% | The increase in activities negatively affecting biodiversity-sensitive areas is related to Cadre, a new portfolio company in 2023. | Two of our portfolio companies have 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. |
| WATER | | | | | |
| 8. Emissions to water | Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average | 1.5 | 1.6 | The decrease in emissions to water is related to a general reduction across several portfolio companies operating offshore. | 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. |
| 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. | 36.6 | 25.1 | The increase in hazardous waste is mainly related to Celsio, which generates substantial amounts of hazardous waste in the form of residual ash from its municipal waste incineration plants. Celsio was only included in the three last quarters of 2022, causing the figure to increase in 2023 when the full four quarters were included. | 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. We expect all portfolio companies to dispose of hazardous waste in line with applicable regulations and, where relevant, their licenses from relevant regulatory authorities. |
| 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% | 0% | No change. | 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. |

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

MANDATORY INDICATORS

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|--|--|-------------|-------------|--|---|
| 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 | 25% | 40% | In 2022 and early in 2023, some of our portfolio companies had not yet formalised its processes and compliance mechanisms. Since the metric is calculated as an average across the four quarters, the figure for 2022 was relatively high and was reduced in 2023. | We believe that all portfolio companies have good compliance mechanisms in place. We intend to continue working with the companies to ensure that all companies have formalised processes and compliance mechanisms in place. |
| 12. Unadjusted gender pay gap | Average unadjusted gender pay gap of investee companies. | 22%* | 31%* | The decrease in unadjusted paygap is related to reduced gaps in several of our portfolio companies, including OMP Capital, Moreld and Energy Drilling. <i>* The figures exclude Vår Energi, as we do not have sufficient data from Vår Energi to include in the calculations.</i> | 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 and acted on. |
| 13. Board gender diversity | Average ratio of female to male board members in investee companies, expressed as a percentage of all board members. | 31% | 31% | No change. | HitecVision usually has the right to appoint a certain number of directors to its portfolio companies, and we have a target that at least 40% of these shall be female. While we do not control who is appointed by other shareholders in the investee companies, we try to influence those shareholders in order to gain a balanced board in each portfolio company. The Norwegian Government has recently adopted new rules mandating 40% gender balance in the boards of Norwegian companies meeting certain size criteria. This will further help improve the board gender diversity. |
| 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% | 0% | No change. | HitecVision has no exposure to weapons manufacturers of any kind, and does not intend to invest in such companies. |

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. | 21% | 38% | In 2022, some of our new portfolio companies had not yet established carbon emission reduction initiatives at investment. Since the metric is calculated as an average across the four quarters, the figure for 2022 was, therefore, relatively high and has been gradually reduced in 2023. | We ask all 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. We 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. In order to help drive this work, HitecVision has joined the Net Zero Asset Managers Initiative. |
|---|--|-----|-----|--|--|

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES MANDATORY INDICATORS

| Adverse sustainability indicator | Metric | Impact 2023 | Impact 2022 | Explanation | Actions taken, and actions planned and targets set for the next reference period |
|------------------------------------|---|-------------|-------------|---|---|
| SOCIAL AND EMPLOYEE MATTERS | | | | | |
| 16. Rate of accidents | Rate of accidents in investee companies expressed as a weighted average | 4.1* | 3.4* | The increase in the rate of accidents in 2023 is driven by an increase in lost time injuries among sub-contracts in Celsius. Several new HSEQ measures have been introduced to mitigate new incidents. <i>* The figures exclude Vår Energi, as we don't have sufficient data from Vår Energi to include in the calculations.</i> | As an investor primarily in industrial companies for several decades, HitecVision has long had a strong focus on health and 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
- Energy Transition Strategy
- Diversity, Equity and Inclusion Policy
- 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 and 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.

The information in the periodic disclosure has been compiled using data received from our portfolio companies, and the accuracy of the calculations depends on the quality of the data received. HitecVision's ESG approach is described in detail in HitecVision's annual Integrated Sustainability 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.

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 2023 til 31. desember 2023.

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.