



## Sustainability Investment and Risk Policy

JUNE 2023

## 1. Introduction

Hvitsten AS ("Hvitsten") is an alternative investment fund manager ("AIFM") authorised and supervised by the Financial Supervisory Authority of Norway pursuant to Section 2-2 of the Norwegian Act on Management of Alternative Investment Funds (the "AIFM Act").

Hvitsten's main business is the management of alternative investment funds and Hvitsten is currently managing Wind Fund I AS (org. no. 928924041) (the "Fund") which is fully subscribed by only professional investors and has made, and is contemplating making further, renewable energy infrastructure investments. The Fund has been established with the sole purpose to co-invest with Fred. Olsen Renewables AS in certain existing and future wind farms. Through managing Wind Fund I's portfolio of renewable energy assets, Hvitsten will assist in channelling capital towards the environmental objective of climate change mitigation and will contribute to the UN's Sustainable Development Goals ("SDGs"), primarily SDG 7 targeting increased access to affordable, reliable, and clean energy.

## 2. Background and Purpose

Hvitsten aims to contribute to the transition towards net zero emissions through managing portfolios of renewable energy assets and renewable energy related assets. By assisting in channelling capital towards sustainable activities that mitigate climate change, Hvitsten aims to contribute to international efforts to limit the global temperature in this century to below the Paris Agreement's target of 2 degrees. The renewable energy generated supports the transition to net-zero by replacing unsustainable energy sources with clean power.

This document sets out Hvitsten's overall approach for integration of sustainability factors in its activities. By "sustainability factors", Hvitsten refers to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters and governance matters.

The Policy, as amended from time to time, shall guide Hvitsten in its capacity as an alternative investment fund manager, when Hvitsten – for and on behalf of the Investors – may assess and screen potential investments, propose investments, monitor and manage investments. In case of any discrepancy between this Sustainability Investment and Risk Policy and the constitutive documents governing a relevant investment mandate, the latter shall prevail.

The following environmental, social and governance principles shall apply to Hvitsten and the funds managed by Hvitsten and we will endeavour and seek to promote that the principles are equally observed by the investments.

## 3. Integration of sustainability in the investment manager's activities

### 3.1. General

Hvitsten will consider conducting general sustainability analyses integrating considerations with respect to relevant sustainability risks and opportunities related to portfolio investments made by the funds under its management.

### 3.2. Applicable guidelines and principles:

Hvitsten's approach is guided by internationally recognised principles such as the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the G20/OECD Principles of Corporate Governance, the OECD Guidelines for Multinational Enterprises and other topic specific standards.

Hvitsten also specifically considers climate change related risks and intends integrate the recommendations from the Task Force on Climate-related Financial Disclosures ("TCFD") into its sustainability reporting framework.

### 3.3. Considerations in respect of sustainability of the investment

Taking into consideration Hvitsten's aim of managing funds that make investments in renewable energy assets or renewable energy related assets, Hvitsten is of the view that such investments, by concept, have the potential to or will make a positive contribution towards the environmental objective of mitigation of climate change. This long-term vision is aligned with the United Nations Sustainable Development Goals ("SDGs"), with a particular focus on SDG 7, clean and affordable energy. Hvitsten's standard for sustainable investments is based on the assumption that a consistent focus on sustainability factors (environmental, social and governance issues) is critical to the long-term success of investments. Sustainability objectives of the different portfolio investments will be measured through taxonomy alignment, potential avoided emissions, or alignment to Sustainable Development Goals.

### 3.4. Considerations in respect of sustainability risk

General sustainability analyses will also integrate considerations in relation to any sustainability risk related to the investment based on the definition of "sustainable risk" in SFDR article 2 (22):

"'sustainability risk' means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment;"

Hvitsten believes that the integration of sustainability risk considerations in the management of funds is an important part of the risk management.

Sustainability risk consideration will include, but will not be limited to

- Environmental: Climate change, greenhouse gas emissions, air quality, biodiversity and habitat, water and waste management, and other relevant environmental factors.
- Social: Employee matters, occupational health and safety, community health and safety hazard, working conditions, freedom of association, diversity and discrimination, human rights and Stakeholder engagement
- Governance: governance structure of the projects, presence of ESG policies, business conduct, anti-corruption and financial crime, supply chain consideration and cybersecurity

Within each fund managed by Hvitsten, we will endeavour and seek to promote that the following processes are observed by these funds:

#### *Environmental Factors*

- The identification and analyses of environmental consequences of investments should be assessed, monitored, and reported on a regular basis as required by relevant laws and regulations
- The environmental consequences related to the construction of infrastructure assets, should be minimized in accordance with good industry practice.
- The environmental consequences related to operational assets, specifically with regard to biodiversity, should be minimized in accordance with good industry practice.

#### *Social Factors*

- Relevant social and human rights issues of an investment should be identified and assessed.
- Relations with local community and relevant authorities should be promoted to the extent relevant.
- The fundamental employees' rights should be acknowledged and observed by the investment projects, including significant suppliers.
- Laws and regulations regarding, e.g., environmental, human rights and labour rights set out by relevant authorities, should be complied with by all parties involved, including significant suppliers, involved in an investment.
- Health Safety and Environment issues ("HSE Issues") should be assessed throughout the construction and asset management phases.

#### *Governance*

- Hvitsten AS has a zero-tolerance policy when it comes to corruption and bribery. We will require that no corruption and/or bribery shall take place or be carried out directly or indirectly by any fund investments.
- Hvitsten will expect that obligations to prevent, identify and assess risks of money laundering and/or fraud set out by relevant law or regulations, are properly observed, and complied with by fund under its management and their investors.
- Hvitsten AS is focusing on avoiding situations giving rise to conflicts of interest and encourage transparency wherever possible

### 3.5 Exclusions

Although Hvitsten is set up to manage funds with investments within in the renewable energy sector, it will apply an exclusion list. The current exclusions comprise any investment that is currently, or likely to in the future, to generate a significant share of its revenue from industries or products involved in the following:

- a) production, trade and/or distribution of manufacturing of controversial weapons, i.e., weapons which in the course of normal intended use would breach international conventions or fundamental humanitarian principles (e.g., atomic, biological or chemical weapons, cluster bombs or anti-personnel landmines), or in the development, production or storage of nuclear weapons, or in the production of components made explicitly for use in controversial or nuclear weapons.
- b) production, trade and/or distribution of tobacco.
- c) activity of prostitution or procurement of prostitutes.
- d) production, distribution, or sale of pornography.
- e) manufacture or marketing of casinos or other gambling activities.
- f) thermal coal mining and extraction as well as extraction of tar sand.

Exclusions also include investments operationally or financially linked to a country, company or persons registered on relevant sanction lists.

### 3.6 Integration in investment process of funds

Environmental, Social and Governance considerations are important in relation to investment decisions, both to understand and manage investment risks, and to identify opportunities for enhancement of returns. We believe that focusing on assisting investors towards sustainable investments and ESG will create long-term value for the investors.

The following overall principles apply to the integration of a sustainability analyses in Hvitsten's activities:

a) Hvitsten will integrate considerations in respect of the sustainability of investments and sustainability risk factors arising out of alternative investment funds under its management. Sustainability is, in Hvitsten's view assumed to have a positive long-term impact on the risk-adjusted return of investments.

c) Hvitsten encourage for investments the adoption of plans addressing identified improvement in respect of both sustainability and sustainability risks. The aim is to increase investee companies' focus on and performance in relation to relevant sustainability factors and/or reduce sustainability risks.

#### *Initial Screening*

Although funds under Hvitsten's management are expected to mainly target investments within the renewable energy sector, Hvitsten will take adequate steps to ensure that funds under its management avoid any investment that is currently, or likely to in the future, generate a significant share of its revenue from excluded industries or products involved in the activities described above under Exclusions.

#### *Due Diligence & Investment Decision*

Hvitsten, through the use of advisors, conducts due diligences for potential investments within the funds it will manage. Through this due diligence process, including Environmental Impact Assessment and other sustainability factors, Hvitsten will endeavour to assess whether there are any red flags (including unmanageable sustainability risks) that should prevent such funds from proceeding with potential transactions. Through this process, Hvitsten will aim to identify key sustainability risks (and opportunities) and appropriate mitigating activities. Examples of sustainability risks assessed include, where relevant, inter alia, negative industry risks such as controversial business activities, adverse climate impacts, biodiversity impacts, water and waste management, social and employee matters, human rights, health & safety impacts, product impacts and supply chain impacts. Within its due diligence framework, Hvitsten seek to disclose likely impacts of sustainability risks on the financial returns graded in a qualitative manner on a low, medium, high scale.

## 4. Sustainability reporting

Hvitsten will seek to promote disclosure on environmental, social and governance issues in accordance with good industry practice, while paying due respect to professional secrecy, patents, and trade rights as well as privacy and the protection of personal data.

Hvitsten's reporting will be designed to comply with applicable reporting requirements as laid down in SFDR, including contribution to environmental objective measured by taxonomy alignment or

alignment with The United Nations Sustainable Development Goals. As basis for such reporting, Hvitsten will engage with investee companies under its management as appropriate.

### 5. Review of Policy

Investments in infrastructure assets are characterized by a long holding period. Hvitsten acknowledges that sustainability considerations are constantly evolving and changing over time. This Policy will therefore be subject to regular reviews as appropriate by the management of Hvitsten under the supervision of its Board of Directors. Hvitsten may in its own discretion amend this ESG Policy from time to time.

<b>Date</b>	<b>Version</b>	<b>Amendment</b>
20.06.2023	1.0	Original publication