Sustainability related disclosures

Sustainable Finance Disclosure Regulation (SFDR 2019/2088)

Financial Market Participant: Norrsken VC

June 2023

DISCLOSURES COVERED BY THIS DOCUMENT

ENTITY-LEVEL SUSTAINABILITY RELATED DISCLOSURES

As part of the European Commission's Action Plan on financing sustainable growth, the European Parliament and the European Commission adopted the Sustainable Finance Disclosure Regulation (SFDR) in December 2019. The disclosure regulation intends to increase transparency on sustainability characteristics and sustainable investments for the end consumer. Norrsken VC supports this initiative and has sustainable investment as its core objective, aiming to maximise positive impact on people and planet with every investment, while delivering market returns to our investors.

1. TRANSPARENCY OF SUSTAINABILITY RISK POLICIES (SFDR 2019/2088 Article 3)

Norrsken VC considers sustainability-related risks in its investment decision process, and has sustainable investments as its core investment objective. Sustainability-related risks and sustainable investments are core to Norrsken VC's investment policy and are considered through selecting or excluding certain investments based on the potential investment's environmental or social objectives, such as the investment's effect on for example environment and climate, human rights, labor rights, equal treatment and anti-corruption. More detail on our investment process, including our ESG due diligence, can be found in our Responsible Investments Policy available on our website.

2. STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS (SFDR 2019/2088 Article 4)

a. Summary

Norrsken VC considers principal adverse impacts (PAI) of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Norrsken VC covering the reference period of 2022.

Norrsken VC considers all PAI indicators in Table 1 of Annex I of the RTS, as well as indicator 4 from Table 2: “investments in companies without carbon emission reduction initiatives”, and indicator 4 from Table 3: “lack of a supplier code of conduct”.

Norrsken VC considers principal adverse impacts in investment decisions, through application of an impact assessment framework, where SFDR PAI indicators are integrated. During the ownership period of each investment, SFDR PAI indicators are monitored on an annual basis. This is also detailed in our Responsible Investments policy, to be found on our website.

The adverse impacts reported in the below statement cover 95% of Norrsken VC’s total investment value, we will work to improve quality of data over time. No strong adverse impacts were identified, and this provides a valuable benchmark to track against in future years.

a. Description of the Principal Adverse Impacts on sustainability factors

The information presented below contains the principal adverse impact (PAI) indicators for the reporting period of full year 2022. This data has been collected in collaboration with ESG consulting firm Position Green and using our sustainability data platform Worldfavor.

Actions taken during the reference period include awareness raising and upskilling around all indicators, especially on how to track their Scope 1, 2, and 3 emissions, and supporting companies to establish a strong good governance framework in line with OECD Guidelines for Multinational Enterprises. We are continuously working to upskill and improve data collection across our portfolio and aim to increase data quality in future reporting.

b. Principal Adverse Impacts for Norrsken VC

This section contains the PAI data at the entity level (Norrsken VC) for the reporting period FY 2022. For further information on our methodology, please contact Norrsken VC’s Chief Impact Officer.

Adverse sustainability indicator	Metric		Impact - 2022	Unit	Explanation	Actions taken
Greenhouse gas emissions	1. GHG Emissions	Scope 1 GHG emissions	55.8	tonnes CO2e/year	Excluded companies with no reported greenhouse gas emissions. 90% coverage	Training and support to the full portfolio on carbon accounting through external expert. CO2 emissions calculator provided through our sustainability data platform.
		Scope 2 GHG emissions	400.5	tonnes CO2e/year	Excluded companies with no reported greenhouse gas emissions, 90% coverage	As above
		Scope 3 GHG emissions	1,945.9	tonnes CO2e/year	Portfolio companies are still building their capability to track their full Scope 3 footprint. This figure is based on available Scope 3 data reported on a best effort basis. Excluded companies with no reported greenhouse gas emissions, 90% coverage	As above
		Total GHG Emission	2,402.2	tonnes CO2e/year	Excluded companies with no reported greenhouse gas emissions, 90% coverage	As above
	2. Carbon Footprint	Carbon Footprint	21.39	tonnes CO2e per MEUR invested	Based on Scope 1-3. Excluded companies with no reported greenhouse gas emissions, 90% coverage	While this provides an important baseline, it does not tell us the net effect of our portfolio, as many of our investments drive significant reductions. This will be a focus for us to understand going forward.
	3. GHG intensity of investee companies	GHG intensity of investee companies (expressed as a weighted average)	850	tonnes Co2e per MEUR revenue/year	Excluded companies with no revenues and no reported GHG. 83% coverage. As many of our investments still have low revenue, the emissions per revenue ratio looks high. This indicator will increase in relevance over time as investments mature and revenue increases, and should be treated with caution for early stage funds. Underlying revenue numbers are	

					based on audited reports only when available.	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0%	%		
	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 weighted average)	42.5%	%	Excluded companies with no reported energy consumption. 80% coverage. As we have no energy generating companies in the portfolio, the number only represents consumption (and not 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				
		C - Manufacturing	0.17	GWh / MEUR revenue / year	17% coverage of total investments	
		H - Transporting and storage	0.04	GWh / MEUR revenue / year	28% coverage of total investments	
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	0.0%	%		
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested	0.17	Tonnes / MEUR invested / year		
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested	0.04	Tonnes / MEUR invested / year		

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%	%		
	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	40.5%	%	This number is explained by the early stage nature of the Fund's investments. This means that many are still developing their governance platform, with close support from NVC.	We are actively supporting all portfolio companies with policy templates and guidance, to ensure that every company monitors its compliance with the mentioned guidelines. As a result, we expect this indicator to increase over time.
	12. Unadjusted gender pay gap	Unadjusted gender pay gap of investee companies (expressed as a weighted average)	7.0%	%	A significant share of companies lacked information about their gender pay gap and responded "zero" or "we don't have this". These have been excluded; 76% coverage.	We consider it important for a company to understand its gender pay gap, and will aim to upskill the portfolio companies during 2023. Our ambition is that this will improve accuracy of this indicator going forward.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	24.7%	% female identifying	Note: The formula provided in the latest Joint Consultation Paper points to the ratio of male to all board members, but we have reported in line with the description for this indicator.	We are actively supporting our portfolio companies to increase female representation on their Boards and in leadership in general. 80% of our portfolio's boards have at least one woman on the Board.

	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%	%	This forms part of our exclusion list that we review all prospective investments against in the due diligence. The Fund would never engage in such activities.	

Additional PAI indicators

Adverse sustainability indicator		Metric	Impact - 2022	Unit	Explanation	Actions taken
Environmental	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	80%	%	This is a voluntary PAI indicator that we've chosen to track and report on, as it's critical that all companies are aware of their footprint and put in place measures to reduce this. We consider this notably high, which can be explained by the early stage nature of our investments, but will work actively to reduce this.	Having provided support on carbon accounting in 2022, an important priority ahead is to support investments to establish initiatives to reduce their carbon emissions, and where relevant, offset or compensate for any unavoidable emissions.
Social	Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)	39%	%	This is a second voluntary PAI indicator that we've chosen to track and report on, as it's critical that our portfolio companies consider their impact and influence, not just within their own company but across their full supply chain.	Similarly to above, many of our investments have not established such a policy yet because of their early stage nature. Support has been provided to companies to establish or improve their supplier code of conduct, especially to help companies that are EUT Eligible meet the EUT Alignment criteria. This will continue to be a priority in 2023, namely to upskill on good governance through the supply chain, which includes human rights considerations.

c. **Policy on the identification and prioritisation of principal adverse sustainability impacts and indicators**

The Principal Adverse Impacts (PAI) indicators are considered before investment and then monitored throughout the ownership period:

- Pre-investment: PAI indicators form part of the Sustainability Questionnaire asked during the due diligence phase. If any potential adverse impacts are identified, these are screened further as part of the due diligence and mitigation efforts will be required. If considered necessary, commitments to realise these mitigation efforts may be formalised in a side letter alongside the Investment documentation. If mitigations are not considered possible, resulting in a risk of adverse impact outweighing the positive impact potential, Norrsken VC would not make the investment.

- Post-investment: The PAI indicators form part of the Annual Sustainability Reporting which all portfolio companies commit to report on. Additional support and guidance is provided to all companies to build their capability to report this information correctly. Any adverse impacts discovered as a result of this reporting are further evaluated, to ensure that appropriate mitigation measures are put in place. Specifically for emissions, we support all investments with a CO2 Emissions tracker tool to facilitate this data collection and reporting.

In addition to the 14 mandatory indicators, the additional two indicators as outlined above have been identified as most relevant to our portfolio and ambition of the fund. As such, we will collect this data as a valuable baseline which we will aim to improve over time.

Our process to identify and prioritise Principal Adverse Impacts both pre- and post-investment is defined in our Responsible Investments Policy. Compliance with this policy is reviewed on an annual basis.

This is the first year that Norrsken VC is collecting this data, and portfolio companies have provided this on ‘best effort basis’. Response rate is high with 95% coverage of Norrsken VC’s total investment value, but there is room for improvement with regards to data quality to truly understand any adverse impacts of our investments. As such, comparisons with other financial market participants should be done with caution, to avoid inaccurate comparisons. In the absence of data, we have tried to obtain information directly from the investee company, carried out additional research or spoken with external experts to make reasonable assumptions about the investee’s potential adverse impact. We have not found any risk of adverse impact that has required further investigation.

d. **Engagement policies**

Norrsken VC’s policy and practices relating to portfolio engagement are outlined in our Responsible Investments Policy as published on our website.

Where Norrsken VC has a significant influence over the portfolio company’s structure and governance, we exercise our influence at the Board of Directors level and make sure that impact and ESG related topics are included in the Board Meeting’s agendas. We actively engage with management to ensure that impact and ESG is a recurring theme implemented into daily business operations.

In situations where Norrsken does not have significant influence, there are still a number of ways we support our portfolio companies to focus on impact and ESG issues. We provide close support to our portfolio companies to meet SFDR’s requirements of being a ‘sustainable investment’ and aligning with the EU Taxonomy. We monitor impact and ESG related data, including risks and opportunities, through quarterly and annual reports from our portfolio companies; which includes how they manage impact and ESG related risks and opportunities on a day to day basis, and how they take them into account in their business planning and strategy. We work proactively to add impact and ESG to the agenda of board meetings.

e. Reference to internationally recognised standards

Norrsken VC aims to contribute to the Sustainable Development Goals (SDGs) with every investment, and is also an active contributor to the ecosystem, through membership in VentureESG, Impact VC and the Global Impact Investment Network (GIIN).

Norrsken VC works actively with our investments with the aim to ensure they are aligned with the requirements in the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work, and the Universal Declaration of Human Rights. This has included that we are conducting a review of their policies and procedures as part of our efforts to help the assets become aligned with the EU Sustainability Taxonomy. As part of the PAI reporting, we are also tracking what share of investments that have carbon emissions reduction initiatives in line with the Paris Agreement and will provide support to increase this.

f. Historical comparisons

N/A this year as this is the first year we are reporting against the PAI indicators.

3. REMUNERATION POLICY (SFDR 2019/2088 Article 5)

As a sub-threshold AIFM, NVC is not subject to Article 13 of [AIFMD] and no remuneration policy exists accordingly.

PRODUCT-LEVEL SUSTAINABILITY RELATED DISCLOSURES

- **NVC Fund 1: Sustainability related disclosure**
- **NVC Fund 2: Sustainability related disclosure**