

SFDR Article 4

Statement on principal adverse impacts of investment decisions on sustainability factors

Date of publication and update: March 2024

Pursuant to Article 4 Commission Delegated Regulation (EU) 2022/1288, and Article 4 Regulation (EU) 2019/2088, FMPs are required to disclose whether principal adverse impacts of investment decisions or advice on sustainability factors are considered as part of the investment decision or advice.

Summary

Havn Capital considers principal adverse impacts (“**PAIs**”) of its investment decisions on sustainability factors. This is first done during Due Diligence (pre-investment) and then reevaluated regularly during the ownership phase. Targets are typically set for the portfolio as a whole, and for individual companies in dialogue between management, the board of directors and Havn stewardship teams.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 to 31 December 2022, for Havn Capital I. Havn Capital is in the process of raising its second fund, Havn Capital II and has not yet made any investments during the reference period. Therefore, no principal adverse impacts on investment decisions on sustainability factors could be considered during the reference period for Havn Capital II.

Description of the principal adverse impacts of investment decisions on sustainability factors

Havn Capital considers all the mandatory PAIs from Annex 1, Table 1 in Regulation (EU) 2022/1288.

Additional indicators considered are:

- Table 2: PAI 13. Non-recycled waste ratio
- Table 3: PAI 15. Lack of anti-corruption and anti-bribery policies

Adverse sustainability indicator	Metric	Unit	2022	2021 ¹	Explanation	Actions Taken ¹
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Havn Capital I PAI statement:

Adverse sustainability indicator	Metric	Unit	2022	2021 ¹	Explanation	Actions Taken ²
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CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

GHG (Greenhouse Gas) Emissions	1. GHG emissions (Havn Capital I share)	Scope 1 GHG emissions and	tonnes	4.0	11.7	Havn Capital is committed to contributing to the goals of the Paris Agreement and to achieving net zero carbon emissions by 2050. To this end, under the EV Private Equity brand, Havn Capital I signed up to Science Based Targets (SBTs) in 2022 and had its targets validated by SBTi. The commitment was that 40% of our investments by invested capital set SBTi-validated targets by 2025, moving to 100% by 2030. During the reference period, Havn Capital sought to engage with one investee company (Noova) that was interested in committing to SBTs. The company had no Scope 1 emissions and already sourced its energy from 100% renewable sources. Upon consulting with SBTi, we were informed that SBTi did not have an option at that time for SMEs to commit on this basis i.e. to continue sourcing their energy from 100% renewable sources, but that they would look into including this possibility. On April 12 th 2023, we were informed by SBTi that “there should now be a new option to maintain zero scope 1 and/or scope 2 emissions in the SME Target Validation Application”. We then plan to explore this option with Noova during 2023. In the meantime, Havn Capital has taken the following additional actions: (a) encouraged and supported portfolio companies to improve their Scope 1-3 measurements; (b) gradually introduced Environmental, Social and Governance (ESG)-linked compensation tied to achieving year-on-year Scope 1 and 2 reductions. Havn Capital aims to implement an ESG component in management teams’
		Scope 2 GHG emissions	tonnes	3.2	10.6	
		From 1 January 2023, Scope 3 GHG emissions	tonnes	1,152.5	127.0	
		Total GHG emissions	tonnes	1,159.7	149.4	
	2. Carbon footprint	Carbon footprint	tonnes/€M	23.2	3.5	
	3. GHG intensity of investee companies	GHG intensity of investee companies	tonnes/€M	28.1	13.0	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	%	85% ³	100%	

¹ The data contained in the 2021 column exclude Noova (a 2022 investment).

² Besides the general approach described in this document, specific actions taken by portfolio companies can be found in the Portfolio Snapshots section of EV Private Equity Sustainability Report, available at www.evpe.com.

³ The share of investments calculation corresponds to Trainor and Enhanced Well technologies’ current value of the investment (i.e. fair market value), divided by the fund’s total fair market value, as of Q4 2022.

Adverse sustainability indicator	Metric	Unit	2022	2021 ¹	Explanation	Actions Taken ¹
						<p>variable compensations for all portfolio companies by the end of 2024; and</p> <p>(c) through their board representations, encouraged management teams to consider pivot strategies i.e. energy transition initiatives through R&D and/or market expansion with a view to increasing the share of revenue deriving from clean energy.</p>
	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	%	2%	N/A	<p>Havn Capital introduced this metric in 2022 as part of the Sustainable Finance Disclosure Regulation (SFDR) requirements. The introduction by itself has spurred a constructive dialogue with several portfolio companies across our funds that have become increasingly conscious about the origins of the energy they consume. They have subsequently sought to increase the share of renewable energy by switching energy providers, moving to a new facility and/or purchasing guarantees of origin.</p>
	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	GWh/€M	0.0	N/A	
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%	N/A	<p>Several portfolio companies have reported operating outside biodiversity-sensitive areas, with offices and/or facilities located in commercial or industrial zones.</p> <p>Where the portfolio company is involved in operational activities that could potentially affect biodiversity-sensitive areas, produce emissions to water and/or hazardous waste, strict surveys are conducted and documented and remedial actions are put in place as part of their Health and Safety, Environment and Quality (HSEQ) policies and procedures. Additionally, since 2019, dedicated ESG due diligence is conducted on target investments (besides customary legal due diligence) aimed at identifying specific environmental issues and having these addressed prior to completion (for medium to high severity issues) or during the initial 100-day plan (for low severity issues).</p> <p>Through our ESG program, we have encouraged portfolio companies to develop and maintain HSEQ policies and training.</p>
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	tonnes/€M	0%	N/A	
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR	tonnes/€M	2%	0%	

Adverse sustainability indicator	Metric	Unit	2022	2021 ¹	Explanation	Actions Taken ¹
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		invested, expressed as a weighted average					
	13. Non-recycled waste ratio (additional environmental indicator)	Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average	tonnes/€M	20%	N/A		Havn Capital introduced this metric in 2022 as part of the SFDR requirements. Since then, we registered a significant number of enquiries from portfolio companies interested in improving this measurement. Several have reported implementing recycling initiatives or plans to improve this, and/or relying on waste management companies to manage their waste.

Adverse sustainability indicator	Metric	Unit	2022	2021 ¹	Explanation	Actions Taken ¹
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	<p>Havn Capital, under the EV Private Equity brand, is a Participant of the UN Global Compact since 2020. As such, Havn Capital subscribes to the UN Global Compact principles of human rights, labour, environment and anti-corruption, reporting on these issues annually.</p> <p>As part of our ESG program, we require portfolio companies to develop and maintain the following related policies:</p> <ul style="list-style-type: none"> (a) Anti-Bribery and Corruption (ABC); (b) ethical conduct; (c) diversity and inclusion; (d) code of conduct including harassment, discrimination and workplace violence; (e) whistleblowing; (f) health, safety and environment; and (g) human resources. <p>Each investment manager has a fiduciary duty, through their board representations, to enforce the above and implement corrective actions when material issues or violations occur.</p>
	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	%	0%	0%	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	%	0%	0%	<p>Havn Capital has collected data on gender pay gap and diversity since 2019. Through our ESG program and board representations, we have sought to influence management teams to increase the share of females in their workforce, as well as close their gender pay gap. Although we have seen year-on-year improvements, we recognise there is still much to be done, in particular to achieve fully balanced board gender diversity. Havn Capital plans to continue deploying efforts in these areas to ensure continuous progress.</p>
	13. Board gender diversity	Average ratio of female to male board members in investee companies	%	9%	11%	

Adverse sustainability indicator	Metric	Unit	2022	2021 ¹	Explanation	Actions Taken ¹
	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%	Our Responsible Investment policy sets out exclusions in relation to controversial weapons. Havn Capital, therefore, does not invest in companies involved in “the manufacturing or production of weapons which, in the course of normal intended use, would breach fundamental humanitarian principles (i.e. atomic, biological or chemical weapons, cluster bombs or anti-personnel landmines)”.
	15. Lack of anti-corruption and anti-bribery policies (additional social indicator)	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	%	0%	0%	See Actions Taken with respect to indicators 10 and 11 above.

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

Havn Capital 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:

- Code of Conduct
- Responsible Investment Policy
- Diversity, Equity and Inclusion Policy
- Energy Transition Investment Strategy

Principal adverse impacts, according to the (EU) Sustainable Finance Disclosure Regulation (“**SFDR**”), are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

As part of Havn’s investment process, all potential investments undergo rigorous third-party due diligence (“**DD**”), including a mandatory expert ESG assessment.

The PAIs are identified and prioritized according to materiality for each portfolio company by considering the scope, severity, probability of occurrence and potentially irremediable character on sustainability factors. A pro-forma Principal Adverse Impact table is created at the confirmative due diligence stage, according to the SFDR. Some indicators⁴ are material by nature, so will render the investment incompatible with Havn investment, for example:

- PAI no. 7: Activities negatively affecting biodiversity-sensitive areas
- PAI no. 10: Non-respect of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles including the principles and rights set out in the eight fundamental conventions identified in the ILO Declaration and the International Bill of Human Rights
- PAI no. 14: Exposure to controversial weapons.
- PAI no. 15: Exposure to companies active in the cultivation and production of tobacco
- PAI no. 16: Share of employees of investee companies earning less than the adequate wage

Other PAI indicators form part of a materiality assessment to understand whether any exposure is compatible with sustainable investment. Two other examples of ESG factors identified as material to all Havn investments are GHG emissions and HSE practices.

Havn prioritise addressing material ESG risks prior to investment completion or within the 100-day plan. Value-linked ESG development opportunities are integrated into Havn’s ongoing stewardship phase. PAI risks are evaluated not just in the screening and investment phase, but also in the stewardship phase. Risk assessments are conducted periodically, and may include, amongst other things, the scope, potential severity and probability of occurrence of sustainability-related risks. Havn set portfolio-level targets alongside individual company-specific targets, established through collaborative dialogue between management, the board of directors, and Havn deal teams.

The responsibility for the implementation of Havn Capital’s policies on principal adverse impacts primarily lies with the stewardship team professionals.

All investments that Havn Capital will target in the future have GHG emissions avoidance as a key value proposition of their climate solution.

⁴ PAI indicators taken from the December 2023 RTS report: [Final Report on draft RTS: 4 December 2023](#)

Once under the stewardship of Havn Capital, 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. 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.

Data on the principal adverse impacts is obtained directly from the portfolio companies, who report ESG KPIs and Scope 1-3 on a quarterly basis through the climate reporting software MoreScope.

Engagement Policies

Havn Capital takes a hands-on approach, typically acquiring majority ownership in our portfolio companies. We actively partner with their management teams to unlock financial growth while creating a positive environmental impact.

Our bespoke Havn Capital Value Creation Toolbox equips us to tackle sustainability challenges. We focus on avoiding, measuring, and reducing principal adverse impacts on Sustainability Factors based on our ownership policies and practices. This aligns with our ownership policies and reflects our commitment to Responsible Investing.

We set clear targets for reducing negative ESG impacts and hold ourselves accountable for achieving them. If progress falls short, we work with our portfolio companies to identify and overcome roadblocks.

Adherence to business conduct codes and internationally recognised standards.

Havn Capital is committed to contributing to the objectives of the Paris Agreement. Havn Capital seeks to invest in companies whose product/service offering includes competitive and scalable climate solutions and whose growth strategy is or can be aligned with the climate goals of the Paris Agreement. Our long-term goal is to fully align our portfolio with the ambitious target to limit global average temperatures to below 1.5 degrees Celsius above pre-industrial levels, a so-called “1.5 degree scenario”. With this in mind, we ask all future investments to become signatories of the Science Based Targets initiative and have committed to our existing portfolio becoming signatories by 2030.

To track and monitor progress in line with these ambitions, all portfolio companies report their Scope 1-3 emissions to us on a quarterly basis, according to the standards set by the Greenhouse Gas Protocol.

Havn Capital I, under the EV Private Equity brand, is a signatory to the UN Principles of Responsible Investment (PRI) and has supported the UN Global Compact Pledge. We seek to adhere to the 10 principles of the UN Global Compact, and respect for established human rights is integrated into our policies for both Havn Capital and our portfolio companies. Further, we are committed to using internationally recognised standards for our ESG Due Diligence.