# SUSTAINABILITY

## SFDR disclosure

SINTEF Venture VI

**2023**

**CONTENT**

# 1 BACKGROUND

SINTEF TTO AS (the "**Manager**") is a registered alternative investment fund manager under the Norwegian Act on Alternative Investment Fund Managers § 1-4 (2). The Manager is wholly owned by the SINTEF Foundation ("**SINTEF**"), the largest research institute in Norway and one of the largest in Europe.

SINTEF's strategy is to move the research front and facilitate a transition towards a sustainable society, nationally and internationally. The strategy, adopted in 2019, is guided by the UN Sustainable Development Goals (SDGs). This expands the obligations SINTEF has had as a member of the UN Global Compact since 2009. The 17 SDGs sets out what SINTEF and the world must achieve in our work towards creating a better society. As a part of SINTEF, SINTEF TTO is as dedicated to this as the rest of SINTEF.

The Manager manages funds (AIF's) that invest in start-up companies that commercialise technologies developed by various SINTEF institutes. The aim is that these technologies will result in products or services, and thereby economic activities, that will contribute to the achievement of the SDG's. All investments are seed/early phase investments.

The Manager is subject to the regulations laid down in regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("**SFDR**").

# 2 PRODUCT DISCLOSURE SINTEF VENTURE VI (COMREG 2022/1288 ART. 24, CF. SFDR ART. 10)

## (a) Summary:

| | |
|---|---|
| **No sustainable investment objective** | No sustainable investments. |
| **E/S characteristics of the financial product** | 50 percent of the Fund's investments will contribute to specified UN SDG's and thereby promote E/S characteristics |
| **Investment strategy** | The investment strategy is to commercialize technologies developed by and transferred from various SINTEF institutes. One of the investment criteria is whether the potential investee company will be able to contribute to one or more of the SDGs. |
| **Proportion of investments** | 50 % investments with E/S characteristics, 50 % other investments |
| **Monitoring of E/S characteristics** | The Fund will monitor the attainment of specific SDG-targets by the portfolio companies. KPI's will be designed, KPI target values will be determined, and reporting cycles to monitor set in cooperation with the portfolio companies' management. |
| **Methodologies** | Designed KPI's will be used to measure how the E/S characteristics are met. |
| **Data sources and processing** | The main data sources are 1) market information, 2) business plan and 3) the management discretionary assessment |

| | |
|---|---|
| **Limitations to methodologies and data** | The assessment is based on a qualitative analysis. No quantifiable data is available. |
| **Due diligence** | Our due diligence process is done internally by our investment team and can be summed up as follows:<br><br>1) Initial screening;<br>2) Analysis of prospective investee companies to ensure compliance with pre-defined investment criteria's; |
| **Engagement policies** | Portfolio company compliance will be monitored annually. The Manager will have direct audit rights and the right to require remedial actions if non-compliance is discovered. |

**(b) No sustainable investment objective:**

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

**(c) Environmental or social characteristics of the financial product:**

All investments to be made by the Fund will be in economic activities contributing to one or more sustainable development goals (SDGs) as adopted by the UN. The main reference benchmarks for the contribution to the SDG will be the indicators set by UN for the relevant SDGs, as well as case specific indicators. Fifty percent (50 %) of the Fund's capital will be will invested in companies that promotes the following environmental and/or social characteristics:

| **Environmental and social characteristics promoted by SINTEF Venture VI** | | |
|---|---|---|
| **Environmental characteristics** | | |
| | ***Sustainable Development Goal*** | ***Targets*** |
| | Goal 6. Ensure availability and sustainable management of water and sanitation for all | 6.1, 6.2, 6.3, 6,4 6.5 and 6.6 |
| | Goal 12. Ensure sustainable consumption and production patterns | 12.1, 12.2, 12.3, 12.4, 12.5, 12.6, 12.7 and 12.8 |
| | Goal 13. Take urgent action to combat climate change and its impacts | 13.1, 13.2 and 13.3 |
| | Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development | 14.1, 14.2, 14.3, 14.4, 14.5, 14.6 and 14.7 |
| | Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss | 15.1, 15.2, 15.3, 15.4, 15.5, 15.6, 15.7, 15.8 and 15.9 |
| | | |

| Social characteristics | | |
|---|---|---|
| | *Sustainable Development Goal* | ***Targets*** |
| | Goal 1. End poverty in all its forms everywhere | 1.1, 1.2, 1.3, 1.4 and 1.5 |
| | Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture | 2.1, 2.2, 2.3, 2.4 and 2.5 |
| | Goal 3. Ensure healthy lives and promote well-being for all at all ages | 3.1, 3.2, 3.3, 3.4,3.5, 3.6, 3.7, 3.8 and 3.9 |
| | Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all | 4.1, 4.2, 4.3, 4.4, 4.5, 4.6 and 4.7 |
| | Goal 5. Achieve gender equality and empower all women and girls | 5.1, 5.2, 5.3, 5.4, 5.5 and 5.6 |
| | Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all | 7.1, 7.2 and 7.3 |
| | Goal 10. Reduce inequality within and among countries | 10., 10.2, 10.3, 10.4, 10.5, 10.6 and 10.7 |
| | Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable | 11.1, 11.2, 11.3, 11.4, 11.5, 11.6 and 11.7 |
| | Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels | 16.1, 16.2, 16.3, 16.4, 16.5, 16.6, 16.7, 16.8, 16.9 and 16.10 |

**(d) Investment strategy**

The investment strategy of the Fund is to invest in companies that commercialize technologies developed by and transferred to the Manager from the SINTEF institutes. The Manager is the technology transfer office ("TTO") of the SINTEF foundation and, as part of its TTO-activities, the Manager invests in companies that have strong value drivers – the main ones being (1) a strong product/market fit, (2) an excellent team, (3) a trustworthy business plan, (4) a good financing plan for the company, and a (5) plan to contribute to one or more of the SDGs. The Manager evalutes and quantifies the contribution as part of the initial assesment of the portfolio company, making it a binding element of the investment strategy to select investments that will contribute to one or more of the SDGs.

The identification of the relevant SDGs for the portfolio companies is done by using the tool SDGCards.

The Fund requires all portofolio companies to adhere to a *Compliance and reporting guideline* which includes a requirement for the portfolio companies to submit to the Manager a statement of compliance on an annual basis. Such statement includes a reporting obligation on the specific company's governance practices.

**(e) Proportion of investments:**

The Fund will invest in shares in private limited liability companies – most of which incorporated under the laws of Norway. The Fund plans for the following allocation between investment having E/S characteristics and investments without such characteristics:

| | Allocation |
|---|---|
| E and S characteristics | 50 % |
| Other | 50 % |

**(f) Monitoring of environmental or social characteristics:**

The monitoring of the attainment of each of the environmental and social characteristics promoted by the Fund will be done the indicators set by UN for the relevant Targets to the SDGs, as they are described here: https://unstats.un.org/sdgs/indicators/indicators-list.

The identification of which of the indicators the investments will contribute to, and to what extent the investment will contribute, will be done using the following methodology:

- The investment director responsible for the investment will lead a team process in which SDG Cards will be used to identify to which targets the investments done by the Fund will contribute to
  - The analysis is done as part of the business plan work, and repeated and confirmed as an integral part of the investment decisions made by the Fund.
  - The analysis is made in accordance with the expected life span of the Fund and the investments undertaken by it, i.e. at time of first investment and until exit, whereupon the buyer of our portfolio company has realized a full commercial rollout of the solution (product and/or service).
- For each of the targets that the investment is concluded to contribute to, a quantitative calculation is made on the contribution on the relevant indicator of the target, as described above.

The quantitative calculations are repeated at each investment decision, and the results of the analysis will be included in the Fund's status reports. The output of this analysis will be used to design measurable goals for the development of the portfolio companies of the Fund in cooperation with the management of the portfolio companies.

**(g) Methodologies:**

The Manager will not measure how the E/S characteristics are met per se as quantifiable data does not exist. However, the Manager will review and monitor the portfolio companies' annual compliance report to the Manager where they will be required to report on various E/S attainment parameters relevant for their operations.

**(h) Data sources and processing:**

The main data sources for the monitoring and measurement process are:

- Market information

- Business plan
- Management discretionary assessment

The data are processed in an analytical and calculational process, in which the quality of the data is controlled and checked using second sources. This implies that a large part of the data is estimated.

**(i) Limitations to methodologies and data:**

The methodology is largely based on an analytical process, and the outcome of the process must be evaluated as such. The assessment is based solely on a qualitative analysis of each portfolio company and its potential to achieve one or more SDGs as there are little or no quantifiable data accessible.

**(j) Due diligence:**

The Manager assesses on average 40-60 new technologies annually as presented by various SINTEF institutes. The Fund aims to do 2-4 investments annually over the 5-year investment period, and a total of 12-15 investments. The due diligence process starts with an internal initial screening of a prospective investment to identify candidates who fit SINTEF's overarching objective to produce technology for a better society.

After the initial screening, the Manager continues with an in-depth analysis of the prospective investee company's

1. product/market fit;
2. management/team;
3. business plan;
4. financing plan; and
5. plan to contribute to one or more of the SDGs.

This analysis also includes an assessment of possible sustainability risks connected to the prospective investee company.

**(k) Engagement policies:**

The Fund will monitor the portfolio companies' annual reports relating to their compliance obligations as set out in the *Compliance and reporting guideline*. The annual reports will include a statement regarding the promotion of environmental and social characteristics where the directors of each portfolio company are required to provide company specific answers to certain sustainability questions. The specifics of the reporting format and the reporting arrangement will be determined by the Manager in its sole discretion.

As part of the investment agreements, the Manager will have direct audit rights if non-compliance with the *Compliance and reporting guideline* is discovered. The Manager may also instruct the specific portfolio company in question to take certain remedial actions to ensure compliance with its obligations under the *Compliance and reporting guideline*, including if the statement on environmental and/or social characteristics is not satisfactory to the Manager.

## 3 POLICIES ON THE INTEGRATION OF SUSTAINABILITY RISKS IN OUR INVESTMENT DECISIONS[1]

The purpose of this statement is to describe how SINTEF integrates sustainability risks in investment decisions. SFDR article 2 (22) defines sustainability risks as *"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"*.

The need for a rapid transition to a climate-neutral, climate-resilient, more resource efficient and a circular economy might also provide a risk for the investments made by our funds. The Manager's investment team identifies and assesses such risks that may have an actual material negative impact on the value of their fund's portfolio companies and thereby on the investment of our investors. On behalf of our investors, our top priority is to impact the world around us by contributing to societal solutions and competitive strength by realising the SDGs.

ESG issues are incorporated in our investment analysis and in our decision-making process in general, and specifically we assess whether there could be any risk of any of the targets of the 17 SDGs having a negative impact on the planned and prospective development of the potential portfolio companies of the Fund and/or on the existing portfolio companies of the Fund.

Thus, we engage in active dialogue with both prospect and existing portfolio companies in analysing whether any of the following targets could represent a risk to the investment:

| **Sustainability risks assessed by SINTEF TTO** | |
|---|---|
| ***Sustainable Development Goal*** | ***Targets*** |
| Goal 1. End poverty in all its forms everywhere | 1.1, 1.2, 1.3, 1.4 and 1.5 |
| Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture | 2.1, 2.2, 2.3, 2.4 and 2.5 |
| Goal 3. Ensure healthy lives and promote well-being for all at all ages | 3.1, 3.2, 3.3, 3.4 ,3.5, 3.6, 3.7, 3.8 and 3.9 |
| Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all | 4.1, 4.2, 4.3, 4.4, 4.5, 4.6 and 4.7 |
| Goal 5. Achieve gender equality and empower all women and girls | 5.1, 5.2, 5.3, 5.4, 5.5 and 5.6 |
| Goal 6. Ensure availability and sustainable management of water and sanitation for all | 6.1, 6.2, 6.3, 6,4 6.5 and 6.6 |
| Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all | 7.1, 7.2 and 7.3 |
| Goal 8. Decent work and economic growth | 8.1, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 8.8, 8.9 and 8.10 |
| Goal 9. Industries, innovation and infrastructure | 9.1, 9.2, 9.3, 9.4 and 9.5 |
| Goal 10. Reduce inequality within and among countries | 10., 10.2, 10.3, 10.4, 10.5, 10.6 and 10.7 |
| Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable | 11.1, 11.2, 11.3, 11.4, 11.5, 11.6 and 11.7 |
| Goal 12. Ensure sustainable consumption and production patterns | 12.1, 12.2, 12.3, 12.4, 12.5, 12.6, 12.7 and 12.8 |
| Goal 13. Take urgent action to combat climate change and its impacts[4] | 13.1, 13.2 and 13.3 |
| Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development | 14.1, 14.2, 14.3, 14.4, 14.5, 14.6 and 14.7 |
| Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss | 15.1, 15.2, 15.3, 15.4, 15.5, 15.6, 15.7, 15.8 and 15.9 |
| Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels | 16.1, 16.2, 16.3, 16.4, 16.5, 16.6, 16.7, 16.8, 16.9 and 16.10 |
| Goal 17. Partnership for the goals | 17.1, 17.2, 17.3, 17.4, 17.5, 17.6, 17.7, 17.8, 17.9, 17.10, 17.11, 17.12, 17.13, 17.14, 17.15, 17.16, 17.17, 17.18 and 19.19 |

Sustainability risks that might be detected from this analysis include amongst others the following:

- Supply chain risks: restricted access to resources and other input necessary to produce hardware or other constituent parts of technologies necessary to transit to a low-carbon

[1] Cf. SFDR art. 3

society due to higher environmental regulatory standards both nationally and internationally.

- Global value chain environmental risk: risk of adverse impacts on the environment, for example pollution and biodiversity loss, in global value chains that portfolio companies are part of.
- Stranded assets risks: mitigation of environmental challenges by implementation of new regulations may devaluate certain assets that are being researched and developed by our fund’s portfolio companies.
- Global value chain human rights violations: risk of human rights violations, such as child labour and exploitation of workers, in global value chains that portfolio companies are part of.

Should the analysis show a substantial risk to the investment, the investment will not be done, unless appropriate measures could be taken to reduce the risk. Such possible measures including revising the business model of the prospect or existing portfolio company and adding aspect to the code of conduct of the company.

In addition to the specific sustainability risk analyses as identified above, the Fund has decided on certain restricted sectors and adopted certain exclusion criterias as part of a sustainability rationale:

The Fund shall not

(a) perform R&I activities considered as illegal according to the applicable legislation in the country of the Fund; or

(b) maintain business relationships with entities incorporated in any jurisdictions classified as "non-compliant" by the Organization for Economic Cooperation and Development (OECD) and its Global Forum on Transparency and Exchange of Information for Tax Purposes, from time to time (and agreed to transpose this requirement in the Fund's agreements with each Portfolio Companies such that it applies to each of them);

(c) invest, guarantee or otherwise provide financial or other support, directly or indirectly, to companies or other entities:

  (i) that are Excluded Final Recipients; or

  (ii) whose business activity consists of an illegal economic activity (i.e. any activity, which is illegal under the laws or regulations applicable to the company or entity) including without limitation, human cloning for reproduction purposes; or

(d) invest, guarantee or otherwise provide financial or other support, directly or indirectly, to companies or other entities which substantially focus on:

  (i) the production of and trade in tobacco and distilled alcoholic beverages and related products;

  (ii) the production of and trade in weapons and ammunition of any kind;

  (iii) casinos and equivalent enterprises; or

  (iv) the research, development or technical applications relating to electronic data programs or solutions, which aim specifically at:

    - supporting any activity referred to under (a) to (d)(iii) above;
    - internet gambling and online casinos; or
    - pornography,

  or which are intended to enable to illegally:

    - enter into electronic data networks; or
    - download electronic data.

## 4 NO CONSIDERATION OF ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

The Fund will not consider adverse impacts of investment decisions on sustainability factors.

The Fund provides venture capital to early-stage investment projects and companies established for commercialisation of technologies developed by and transferred from SINTEF. The investment horizon in our AIFs is up to 10 years with yearly extension possibilities.

The Fund's portfolio companies are for the most part engaged in small scale technology and product development activities and generate little or no data that can provide useful information as to their impact on the PAI-indicators. The Manager recognizes that, regardless of the limited economic activities, all forms of activity will have an impact on the on the PAI-Indicators. The costs in assessing the impact on PAI-indicators of the start-up companies will be substantial compared to the quality on the data-output they can provide. Against this backdrop, it is our view that the costs related to the monitoring of PAI-indicators outweighs the benefit of the limited information generated. This is the reason why we do not consider PAI of our investment decisions in new funds or for our existing funds per now.

## 5 REMUNERATION POLICIES

Neither the Manager or any of its key executives or key staff will have any equity interests in the Fund. The Manager has implemented an incentive scheme which includes the possibility of cash payments to key executives and/or staff only upon the achievement of certain milestones. These milestones are linked to the repayment of total commitments to the shareholders.

The incentive scheme encourages the investment managers to consider the long-term effects of their decisions and to avoid short-term risks to achieve the said milestones. Meeting the milestones will require portfolio performance over a longer time-period. A key part in the assessment of portfolio performance is the specific sustainability performance by the Fund.

This long-term perspective incentivises the investment managers to avoid or to minimize sustainability risks as part of their decision-making process.