



TCFD report
Moreld 2020

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Introduction

Moreld is an industrial group created through the merger of a collection of service companies with roots in the North Sea offshore energy sector. As society prepares for a transition towards a low-carbon future, Moreld will establish itself as a leader in providing end-to-end sustainable solutions to all industries. Moreld will seize opportunities to increase its foothold in sectors such as aquaculture, infrastructure, offshore wind, and other relevant renewable energy sectors, whilst continuing to develop sustainable solutions to existing oil service operations.

Moreld is owned by HitecVision, a leading Norwegian private equity investor and provider of institutional capital to the North Sea region's energy- and renewable industry. Moreld is collectively represented by 3400 employees and a turnover of NOK 7 billion, making it one of Norway's largest industrial groups. Looking towards the future this newly established industry player has ambitious growth targets towards 2026, which will include a major foothold in new and sustainable industries.

As a part of Moreld's low carbon strategy, the company will pursue carbon reduction projects in all portfolio companies, including electrification of fossil powered systems, sourcing of renewable energy and advancing other technological solutions aimed at reducing the carbon intensity in Moreld's energy consumption.

Moreld will focus on reducing carbon intensity through its ownership. Its low carbon strategy sets out an objective of being carbon neutral for scope 1 and 2 emissions by 2030. For scope 3, Moreld aims to recycle and recover 98% of all waste by 2030.

In line with the Task Force on Climate Related Financial Disclosures (TCFD), Moreld has undertaken a comprehensive evaluation of its climate related risks and opportunities and has included the results in its strategic planning.

Moreld has committed to disclosing its climate related risk management approach in accordance with the guidelines set out by the TCFD as outlined in this document.

Governance

The board's oversight

Moreld's Board of Directors (Board) is ultimately responsible for overseeing the company's governance and management of climate-related matters. The Board reviews and monitors climate-related business risks and opportunities, on a regular basis as part of its broader enterprise risk management (ERM) procedures. Key climate risks and opportunities are reported to the Board on a quarterly basis as an integrated part of the business reporting process.

Material business risks and opportunities identified by the company, including those relating to climate change, are presented, and discussed with the Board on a quarterly basis.

Furthermore, the Board conducts a structured evaluation of climate risks and opportunities and the company's performance on metrics related to these on an annual basis. This forms the basis for reviewing and adjusting the business strategy, plans and targets.

Management's role in assessing and managing climate-related risks and opportunities.

Management of climate-related risks and opportunities ultimately resides with Moreld's CEO who has delegated this to the COO. Status updates are part of monthly management meetings and quarterly ESG reporting.

The COO is responsible for implementing and following up policies, processes, and procedures for managing climate risk and opportunities. The COO works with the Board in setting Moreld's climate-related targets and is accountable for performance against set targets.

The responsibility for delivering on Moreld's climate-related targets is also distributed to the respective group companies. The CEO of each group company are responsible for defining and implementing relevant actions for their respective companies in order to deliver on the low-carbon strategy and associated targets. This responsibility also includes identifying relevant climate-related risks and opportunities.

Strategy

Climate-related risks and opportunities identified over the short, medium, and long term

Moreld identifies and assesses climate risks and opportunities across its business in line with TCFD guidelines. Moreld’s main risk categories are defined as transition risks especially within Policy, Legal and Market. Transition risks result from a global transition to a low-carbon and climate-resilient economy.

Impact of climate related risks on business, strategy, and financial planning

Below we have described the key climate-related risks with the potential impact to our business over short term (0–5 years), medium term (5-10 years) and long term (10-20 years +) horizons and our assessment of and approach to these.

Risk	Direct/ Indirect	Implications for Moreld	Financial impact	Risk impact level by timeframe			Consequence	Management actions	
				0-5 years	5-10 years	10-20 years +			
Restrictions on new exploration and / or drilling activity (including field life extensions) (May vary per region)	Indirect	Reduction in market opportunities for capex driven services Resulting increase in competition and resulting impact on achievable margins	Impact on market size and rates (Revenue)	Not likely	Slight	Likely	0-5yr	Medium	Continued diversification of service offering towards renewable energies and other marine industries, as well as non-oil and gas industries
							5-10 yr	Medium	
							10-20yr+	High	
Banking terms impacted by reduction in bank appetite to fund O&G sector	Direct	Direct impact through higher cost of capital and/or reduced leverage capacity. Indirect impact potentially through banking restrictions on O&G lending or changing view of resilience of customer base	Return on investment, exit valuation Investment pricing (M&A)	Likely	Expected	Almost certain	0-5yr	Medium	Continued diversification of service offering towards renewable energies and other marine industries as well as non-oil and gas industries
							5-10 yr	High	
							10-20yr+	High	
Higher return requirements for equity investors	Indirect	O&G sector perceived to be higher risk with ongoing climate focus. Investors expected to require higher yield given perceived risk characteristics. Impact on available exit valuation	Return on investment, exit valuation	Likely	Expected	Almost certain	0-5yr	Medium	Continued diversification of service offering towards renewable energies and other marine industries as well as non-oil and gas industries
							5-10 yr	Medium	
							10-20yr+	Medium	

Risk	Direct/ Indirect	Implications for Moreld	Financial impact	Risk impact level by timeframe			Consequence		Management actions
				0-5 years	5-10 years	10-20 years +			
Increased frequency of storms + increased ferocity resulting from global warming	Indirect	Weather window disruption for supply activities to offshore platforms. Direct weather impact expected to be insurable but may be own supply chain disruptions Potential for increased offshore insurance costs etc Potential supply chain disruption	Insurance costs Increased maintenance costs Capex costs	Slight	Likely	Expected	0-5yr 5-10 yr 10-20yr+	Low Low Low	Explore opportunities within clean tech initiatives, such as scrubbers. Maintain close contact with ship owners on required actions
Sea level rise	Indirect	Potential supply logistics disruption due to flooding etc. Limited impact expected in Norway	Insurance costs.	Not likely	Not likely	Slight	0-5yr 5-10 yr 10-20yr+	Negligible Negligible Negligible	Continue to closely monitor effect on business and ability to pass on cost to clients
Oil and gas sector stigmatisation	Direct	Stakeholder impact (banks, ministry, investors etc) Perceived ESG/Climate performance expected to be relevant for customers. Potential targeting of sites / premises by anti fossil fuel protesters . Impact on ability to attract talent (workforce development).	Regulatory and bank impact referenced above.	Likely	Likely	Expected	0-5yr 5-10 yr 10-20yr+	Medium Medium Medium	Continued pursuit of diversified marine services including offshore wind and fish farming
Increase in emissions cost (CO2 / other)	Direct	Increased carbon tariff applied to offshore industry's CO2 emissions. Potential to impact oil and gas field production economics including earlier cessation of production Impact on offshore activity levels (eg development economics impact etc) Increased focused on costs and reduction in discretionary spending Impact on oil company (customer) solvency	Contract loss / reduced revenue / pricing pressure	Expected	Almost certain	Almost certain	0-5yr 5-10 yr 10-20yr+	Low Medium Medium	Continued pursuit of diversified marine services including offshore wind and fish farming.

Risk	Direct/ Indirect	Implications for Moreld	Financial impact	Risk impact level by timeframe			Consequence		Management actions
				0-5 years	5-10 years	10-20 years +			
Net zero carbon emissions requirement for new offshore O&G developments	Direct	Higher cost developments, subject to technology costs. Impact on field economics. Potential reduction in development activity, and resulting increase in competition	Impact on market size and rates (Revenue)	Slight	Slight	Likely	0-5yr 5-10 yr 10-20yr+	Low Medium Medium	Continued pursuit of diversified marine services including offshore wind and fish farming.
Further tightening of marine fuel content restrictions / air quality restrictions (climate driven)	Direct	Potential increased supply chain (logistics) costs for operators and other service providers Limited direct costs for Moreld. Expected to be able to pass on supply chain related costs	Potential impact on activity levels offshore and hence market size	Not likely	Slight	Likely	0-5yr 5-10 yr 10-20yr+	Negligible Negligible Negligible	Continue to closely monitor effect on business and ability to pass on cost to clients
Reduction in commodity prices due to low oil and gas demand (growth in renewables, improved energy efficiency, electrification of vehicle fleet etc)	Direct	Impact on producers. Potential reduction in new project sanctioning. Reduction in market opportunities. Increased pressure on costs resulting in margin pressure for service providers.	Impact on revenue (market scale and pricing pressures). Very limited residual value / stranded asset impact given nature of asset base	Not likely	Slight	Likely	0-5yr 5-10 yr 10-20yr+	High High High	Continue to closely monitor effect on business and ability to pass on cost to clients

Transition risks

Moreld considers risks that have the potential to impact the offshore oil and gas industry and the service suppliers during the transition to a low carbon future. These risks include significant increases in CO2 emissions pricing and other governmental interventions impacting offshore oil and gas activity levels, banking terms impacted by reduction in banks appetite to fund O&G sector, higher return requirements for equity investors and a general oil and gas stigmatization.

The expected increase in carbon tariff applied to the offshore industry's CO2 emissions has the largest potential to impact oil and gas field production economics, including earlier cessation of production, increased focus on costs and reduction in discretionary spending.

Moreld also considers the broader reputational risks of being connected with the oil and gas industry, and the potential impact on stakeholder relations and Moreld's cost of capital following the implementation of the EU Taxonomy.

Expectedly this will put pressure on Moreld's group companies. Strong focus and continued diversification of service offerings towards renewable energies will be vital.

Physical risks

The physical risk and opportunity analysis performed by Moreld has not identified any material physical risks to the current asset portfolio. The business could, however, experience an increase in cost caused by more frequent adverse weather impacting supply chain logistics and offshore development schedules.

Transition Opportunities

Moreld has identified numerous opportunities arising from a changing energy market and technological development. These opportunities can help mitigate the identified climate risks and support Moreld's sustainable growth trajectory.

The opportunities have not been quantified as they will vary on a case-by-case basis. The key ones are listed below.

Opportunity	TCFD Category	Direct/indirect	Implications for Moreld	Financial impact	Time horizon			Consequence (select)		Management actions
					0-5 years	5-10 years	10-20 years +			
Increase in emissions cost (CO ₂ / other)	Policy / legal	Indirect	Potential advantaged impact on NCS activity: Norway has a low average CO ₂ per barrel emissions figure. Globally adopted carbon emissions pricing may increase the attractiveness of the NCS relative to other producing regions, leading to more sustained activity levels.	Sales opportunities (Revenue)	Not likely	Slight	Likely	0-5yr	Low	Monitor market and drive business development towards low carbon solutions
								5-10 yr	Medium	
								10-20yr+	Medium	
Net zero carbon emissions requirement for all existing installations	Policy / legal	Indirect	Potential upgrade requirements (electrification, energy efficiency etc) with associated engineering and project delivery requirements	Sales opportunities (Revenue)	Not likely	Slight	Likely	0-5yr	Medium	Monitor market and drive business development towards low carbon solutions
								5-10 yr	Medium	
								10-20yr+	Medium	

Opportunity	TCFD Category	Direct/indirect	Implications for Moreld	Financial impact	0-5 years	5-10 years	10-20 years +	Consequence (select)		Management actions
Disruptive logistics technology (within climate focus given potential emissions reduction within supply chain transportation) - Increased 3D printing adoption - Drone delivery etc - Zero emissions vessels	Technology	Direct	Opportunity to benefit from technology (3D printing etc). Cheaper procurement of parts etc. Cost efficiencies and performance enhancement arising from technology improvements should help extend field life	Revenue	Slight	Likely	Expected	0-5yr	Medium	Continue focus on 3D printing and low carbon solutions.
								5-10 yr	Medium	
								10-20yr+	Medium	
Carbon capture and blue hydrogen development	Technology	Indirect	Potential material offshore opportunity for carbon capture using end of life fields, and related engineering and EPC requirements. CCUS and blue hydrogen expected to facilitate ongoing O&G exploration and development activity. Potential for Moreld to participate with significant deliveries within these segments	Increased market size and new service offering potential	Slight	Likely	Almost certain	0-5yr	Medium	Drive this business development towards CCS and blue hydrogen development
								5-10 yr	High	
								10-20yr+	High	
Growth in offshore wind market	Markets	Direct	Aligned with new strategy to expand service offering to offshore wind	Revenue opportunities	Likely	Almost certain	Almost certain	0-5yr	High	Leverage on Morelds established Offshore Wind EPC Company
								5-10 yr	High	
								10-20yr+	High	
Increased frequency of storms + increased ferocity resulting from global warming	Physical (Acute)	Direct	Increased design contingency requirements. Potential for increased inspection and maintenance requirements. Impact on O&G and offshore wind sector	Revenue opportunities	Slight	Likely	Expected	0-5yr	Low	Focus on opportunities within engineering, maintenance and modification.
								5-10 yr	Low	
								10-20yr+	Medium	

Impact of climate related opportunities on business, strategy, and financial planning

Climate risks and opportunities are an integrated part of Moreld’s business processes and a key consideration in formulating the business strategies and developing financial plans. Climate impact is also an integrated factor in all investment decisions.

To continue our path to becoming a sustainable new generation energy service supplier, Moreld recognises that it is paramount to address transition risks and opportunities through its business strategy and plans.

Moreld has established clear climate targets to effectively drive and implement the necessary plans and actions. The low carbon strategy is founded on the following three pillars:

- Electrification and energy efficiency - Moreld will contribute to reducing total emissions in its portfolio and the group aims to be carbon neutral by 2030
- Diversified service offerings - Moreld will continue to develop and invest in businesses within renewable energy and green technology, both organically and inorganically
- Integrate climate sustainability – Moreld considers climate sustainability as an integrated part of the business and a key parameter of all business and investment decisions.

The CEO and CFO are responsible for making sure that the necessary funds and resources are available for implementing the strategy. The Board will oversee and monitor progress.

Resilient strategy and scenario analysis

In accordance with the TCFD recommendations, Moreld has used scenario analysis and sensitivity analysis to assess and manage climate-related risk.

The TCFD recommends that companies base their assessments on at least two different climate scenarios which account for a world that 1) achieves the climate targets proposed by Intergovernmental Panel on Climate Change (IPCC) and 2) does not implement necessary measures to limit global warming to below two degrees. The impact of the transitional and physical risks in the organisation's value chain will differ in the two scenarios.

Moreld has assessed its resilience by modelling its business outlook under the following scenarios:

Scenario 1 assumes measures are implemented to limit global warming to well below two degrees global warming by the end of the century, in accordance with the IPCC recommendations. This scenario uses data from the International Energy Agency's (IEA) Sustainable Development Scenario.

Scenario 2 assumes that emissions targets and related policies are either not widely adopted enough or are insufficiently adhered to. This in turn leads to a global warming in the likely range of to 3.5 degrees. This scenario uses mainly data from IEA's Stated Policies.

In addition to the IEA projections, both scenarios incorporate local factors where applicable.

Scenario 1 evaluation

Transition as modelled in Scenario 1 is expected to have the largest impact on the offshore oil and gas industry. Moreld has exposure to the offshore oil and gas industry through our oil service supplier portfolio companies.

At present, Moreld's financial exposure is weighted to the short term with approximately 90% (2020) of our current revenues related to the oil and gas industry. The modelled combination per Scenario 1 will impact our current business model in several ways. We expect to experience reduced revenues and increased pricing pressure. Additionally, we expect reputational issues such as increased stigma, as well as higher cost of capital and reduced leverage capacity. Consequently, these implications are the main drivers behind our efforts to diversify our service offerings towards renewable energy and other marine industries.

Moreld targets 40% of revenues from non-oil and gas segments in 2026, while maintaining 60% of our revenues within oil and gas as a sustainable and innovative oil service supplier.

- Moreld will re-profile as a sustainable company with a material presence in green segments.
- Moreld's goal is to be sustainable in all our operations.
- Moreld will develop new segments outside of oil and gas through cross company initiatives and by building on existing competence and resources across companies.

Moreld's diversification will make us better prepared for the challenges and opportunities as described under Scenario 1 and will contribute to reducing the company's exposure to oil & gas and increase our transition toward renewables and other marine and land-based industries.

Scenario 2 evaluation

We expect to see higher revenues and lower pricing pressures in scenario 2. A higher oil price will extend our planned transition to renewables. We also expect to see an increase in the cost of capital due to a continued high exposure to the oil & gas industry.

Our revenue target of 40% revenue from non-oil and gas segments will not be achieved until 2034 in this scenario.

Scenario 2 involves certain risks arising from increased emissions and global warming. It should be noted that Moreld's current assets typically have very low level of weather-related risks. The physical risk and opportunity analysis performed by Moreld has not identified any material physical risks to the current asset portfolio.

The business could, however, experience an increase in costs caused by more frequent adverse weather impacting supply chain logistics and offshore development schedules. The modelled scenario cases include climate related opportunities described in table 2. Such opportunities are expected to provide material upside to Moreld's current business.

The results of the climate risk and opportunity assessment have been evaluated by Moreld management and the Board, and are part of the company's strategic planning.

In conclusion, Moreld's current business uses the expected changes to build a new business model in order to form robustness and resilience through clear leadership, commitment and an active management of climate related risks and opportunities.

Risk Management:

How Moreld identifies, assesses, and manages climate-related risk.

a) Processes for identifying and assessing climate-related risks.

Moreld follows the TCFD guidance in assessing climate-related risks and opportunities resulting from transition risks and physical risks. Transition risks comprise market, reputational and policy risks, whereas physical risks arise through changes in weather patterns and temperature increases.

Identification of climate-related risks and opportunities is undertaken by running regular facilitated workshops with the business unit leads and the COO. The company identifies and assesses climate-related risks across its own assets and operations, and indirectly across its supply chain.

Moreld's main exposure to climate risk is through its product and service deliveries to the offshore oil and gas production and distribution activities. As part of its risk assessment, the business considers the potential impact of increasing CO2 emissions costs, emissions restrictions, reduction in commodity pricing resulting from lower demand and increased cost of capital, as well as the impact of potential physical risks.

Identified risks and opportunities with medium or high impact are included in the enterprise risk register and assessed based on a combination of likelihood, knowledge strength, consequence and residual risk following defined mitigating actions. The proposed impact levels are reviewed by the COO.

Climate-related risks are assessed across the following timeframes: 0-5 years, 5-10 years and 10 years plus. They are allocated to one of four ERM risk categories: Financial, Operational, Strategic, and Compliance as well as a subcategory climate classification and referenced with one of the six TCFD risk categories: Legal/Policy, Market, Technology, Reputation, Acute Physical, Chronic Physical.

Scenario and sensitivity analysis, as discussed above, are used to stress test the impact of identified risks on the business. Separate climate risk assessments are undertaken for investments as part of the formal investment approval procedures to ensure these aspects are fully understood and accounted for when growing Moreld's portfolio. New climate-related risks and opportunities arising from mergers and acquisitions are included in the enterprise risk register following closing of transactions.

Climate-related risks identified in the ordinary course of business, such as from proposed changes to regulations, are assessed and included into the enterprise risk register as part of the regular risk review cycle and process.

b) Process for managing climate-related risks

Climate-related risks are managed in accordance with Moreld's enterprise risk management (ERM) procedures. Climate-related risks and associated mitigation strategies and actions are assessed at board level with the following frequency:

- Top-tier enterprise risks, including climate risks, are included in the board reporting, and discussed on a regular basis as required.

- The board has a structured evaluation of climate risks and opportunities on an annual basis. The evaluation results are used when reviewing strategy, business plans and evaluating performance objectives.
- Mitigating actions are identified and assigned to individuals within the relevant business function. Progress against these activities is followed up and monitored continuously by the responsible business unit leader.

c) Integration of processes for identifying, assessing, and managing climate-related risks into overall risk management

Management of climate-related risks is embedded in Moreld's ERM procedures and processes.

As part of the ERM procedures, key business risks are assessed by the COO and discussed with the board as a direct input into Moreld's strategic planning process. As referenced above, the Board's Audit and Risk Committee is responsible for oversight of Moreld's climate-related risk management procedures as part of a broader ERM oversight role. The committee ensures that climate-related risks and opportunities are properly integrated into the ERM framework.

Metrics and Targets

Metrics used to assess climate-related risks and opportunities.

It is Moreld’s ambition to be sustainable in all our operations. With this comes the need to set clear targets related to CO2 emissions. Moreld will be reporting all relevant Scope 1, 2 and 3 emissions.

There are several different ways of measuring environmental performance, the most relevant measure for Moreld is the CO2 -reduction targets. The below table describes Moreld’s carbon emission levels.

Greenhouse Gas Emissions (tonnes CO2 eq.) metrics	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Scope 1	491	291	201	424
Scope 2	596	373	362	513
Waste recovery ratio	92%	83%	78%	92%

Targets used to assess climate-related risks and opportunities, and performance against these targets.

Moreld’s most important climate goal is to reduce greenhouse gas (GHG) emissions and contribute to the transition to a low carbon economy.

Moreld will comply with all climate related legislation and regulations. Emissions and climate impacts of our operations will be monitored and assessed, and the company will seek to improve these.

Moreld will focus on reducing the carbon intensity of our group companies through our ownership positions. Our low-carbon strategy sets out an objective of being carbon neutral for scope 1 and 2 emissions by 2030. For our Waste recovery ratio in GHG scope 3, we aim to minimize our waste and recover 98% of all waste by 2030.

This target is better than the Norwegian goal of reduced emissions with at least 50% and towards 55% by 2030 compared to 1990 levels and well below the global average, thus making Moreld an active contributor to reach the climate target under the Paris agreement