

— A SHARP EYE FOR NCS OPPORTUNITIES —

# TRANSPARENCY ACT REPORT 2022



PANDION ENERGY



Pandion Energy AS (Pandion Energy) is committed to the protection of internationally recognised human rights and fair and ethical work practices. The company aims to comply with all applicable laws and regulations, including the Norwegian Transparency Act.

The Norwegian Transparency Act came into force 1 July 2022 with the intention of promoting companies' respect for fundamental human rights and decent working conditions in connection with the production of goods and provision of services. The act includes a duty to carry out due diligence on fundamental human rights and decent working conditions in line with the OECD Guidelines for Multinational Enterprises.

This report has been prepared in accordance with the Norwegian Transparency Act. It summarises Pandion Energy's governance, policies, and procedures regarding the protection of human rights and decent working conditions. The report provides information on the results of the due diligence assessment conducted in 2022, as well as measures to mitigate risk.



# The Norwegian Transparency Act Report 2022

**Pandion Energy is an independent upstream oil and gas company. The company is a non-operator licensee on the Norwegian Continental Shelf (NCS) and does not engage in midstream or downstream activities. The company was established in 2016 on the basis of the operational platform and licenses acquired from Tullow Oil Norge AS.**

Pandion Energy is backed by Kerogen Capital, an independent private equity fund manager specialising in the international energy sector. The company has a team of highly experienced oil and gas professionals with strong and proven subsurface, financial, and commercial competence, as well as extensive project execution experience on the NCS. Pandion Energy is headquartered in Oslo, Norway.

## **Business model**

The company's business model includes participating in the discovery, appraisal, development and production of oil and gas resources on the NCS, targeting upsides in and around proven assets with access to existing infrastructure.

Pandion Energy's strategy is to be an active and responsible non-operator partner driving value in high-quality assets, based on a full-cycle investment mandate. The company seeks attractive growth opportunities through mergers and acquisitions, farm-ins and participation in licensing rounds, and devotes continuous attention to the development of the opportunities in its existing portfolio.

Joint operating agreements are particularly common in the oil and gas industry. In a production licence (PL), one company is assigned the status of the operator, and each partner holds a percentage of equity as a licensee. This distinction is important, since the operator is responsible for the day-to-day management of activities within the licence, while the licensees have a reduced level of control.

However, licensees on the NCS have a "see to it" duty – an obligation to ensure that the operator carries out its work in accordance with the regulatory requirements. The licensee must take a risk-based approach in observing this "see to it" duty and establish a management system to structure its supervisory work in a systematic manner.

## **Commitment to human rights and decent working conditions**

Pandion Energy is committed to the protection of internationally recognized human rights and fair and ethical work practices. The company has zero tolerance of modern slavery and child labor in any parts of its business and value chain. All workers must be ensured safe, secure and healthy working conditions, including working hours, as well as wages and benefits that meet or exceed national legal standards. The workplace must be free from any form of harsh or inhumane treatment.

All applicable laws and regulations on the above-mentioned issues must be complied with. The company's position on modern slavery and child labor is covered in the working conditions section of its Code of Conduct. Pandion Energy expects all business partners and suppliers to comply with applicable laws, respect internationally recognised human rights, and adhere to the ethical standards outlined in the Pandion Energy Code of Conduct, when conducting business with or on behalf of the company. The company requires all employees and in-house consultants to participate in training in the Code of Conduct.

## **GOVERNANCE OF HUMAN RIGHTS AND DECENT WORKING CONDITIONS**

### **Responsibilities**

Pandion Energy aims to be an active and responsible business partner and believes that sound business decisions are a product of a strong team, an active board and competent owners.

The board has an overall leadership and supervisory role in all ESG matters. This includes human rights and decent working and the duties in the Transparency Act. The board's ESG committee comprises two members including one board representative supported by CEO and VP HSE and Operations.

Executive management is responsible for overall risk management with the VP HSEQ & Operations responsible for the ESG- work and work carried out regarding the Transparency Act. The CEO is ultimately responsible for the ESG performance of the company, as well as compliance with law and regulations.

### **Policies and governing documents**

Pandion Energy's ability to create long-term, lasting value rests on maintaining high standards of governance, sustainable business practices and operations. The company



strives to uphold the highest standards of ethical behavior in all operations along the whole value chain. The company's commitments to responsible business conduct are set out in its Code of Conduct, including its position on human rights and decent working conditions.

The Code of Conduct provides guidance on how to act in accordance with the company's core values, and includes references to relevant policies, processes, procedures, resources and tools. It sets out Pandion Energy's expectations, commitments and requirements for ethical conduct in its business.

The Code of Conduct applies to directors, executive management and all employees and consultants. Pandion Energy also expects all its business partners and suppliers to act in a manner consistent with the principles of the Code of Conduct.

The board has established the Code of Conduct in close cooperation with the management team. The CEO is ultimately responsible for its implementation and for monitoring its operational effectiveness. The Code of Conduct is evaluated on a regular basis to reflect Pandion Energy's activities as it develops as a company and as changes are made to laws and regulations.

### **Whistleblowing**

Pandion Energy encourages its employees, contractors and any of its affiliates who have concerns about any aspects of its business to raise them and to disclose any information which relates to improper, unethical or illegal conduct in the workplace or the value chain. The company has set up an independent disclosure service for whistleblowing. No whistleblowing reports were received during 2022.

### **DUE DILIGENCE WITH RESPECT TO HUMAN RIGHTS AND DECENT WORKING CONDITIONS**

Pandion Energy operates in a low-risk environment for human rights abuse, since all its assets are located in Norway. Furthermore, the majority of the subcontractors and vendors providing goods and services to its assets are also based in Norway or in other low-risk countries. However, Pandion Energy is aware of potential human and labour rights risks that may occur in some parts of the industry and further down the supply chains and takes a risk-based approach when considering potential human rights issues related to material contracts under the joint operating agreements.

Despite significant Norwegian content in its partner-operated assets, the operational activities are exposed to global suppliers. Suppliers' fabrication locations such as construction yards can often be located in countries that are exposed to certain human rights risks such as, but not limited to, risk of forced and compulsory labour, risk related to safety and security at the workplace and risk related to migrant workers among others.

Pandion Energy seeks to monitor the activities and performance of its business partners in line with the assessed risk to secure compliance with the Pandion Energy Code of Conduct, including the operators' due diligence of contractors, subcontractors and suppliers affiliated with the company's assets. Third-party due diligence of business partners, suppliers or counterparties is performed where appropriate.

The company is committed to implementing updated due diligence assessments on these topics on an annual basis to monitor and manage actual and potential adverse impacts on human rights and decent working conditions.

### **Risk assessment**

In September 2022, Pandion Energy conducted an overall due diligence assessment in accordance with the requirements of the Transparency Act. The assessment was based on a methodology including ISO Standard 31000 for risk management.

In the due diligence assessment, the company primarily looked at risks associated with its assets and chose to assess risks at an overall strategic level. The assessment of the value chain focused on the following five categories and related activities: exploration, appraisal, development, production, and abandonment.

No negative actual consequences were discovered during the due diligence assessment, given that the company operates in a low-risk environment.

However, there may be a potential risk further down the supply chains. Based on the risk assessment, Pandion Energy defined the following key risk areas, both in the development phase:

- Materials and raw materials
- Construction/yard activities abroad



Asia has the majority of the market of extracting and mining steel used for constructing drill pipes and or platforms, and there is potential risk for violations of human rights and decent working conditions. The risk related to products and raw materials in the rest of the value chain (exploration, appraisal, production and abandonment) is considered lower due to lower volumes and relatively sophisticated materials. As the company's focus and operations lie within the oil and gas industry, the potential risks associated with raw materials and components in various electronic products and control systems are considered beyond the primary scope of the company's activities.

Construction activities in the sector that are conducted outside of Norway are often done in yards in Asia and Middle East. There are higher risk of violations of human rights and decent working conditions in these areas then when done in Europe. The operator of the development projects on Valhall and Hod fields during 2022 has chosen to do most of the constructions in yards in Europe to mitigate risk. The same applies to Valhall PWP development project, sanctioned in December 2022. In addition, some scope is planned to be performed in the United Arab Emirates. Pandion Energy has confirmed that the operator has established a program for conducting human rights due diligence assessments of its suppliers. For more information please refer to the accounts of the company's development and production assets linked at the company's webpage.

Business partners who provide Pandion Energy with goods and services that are not a direct part of the business value chain was also part of the assessment. The non-negligible expenditures are mainly related to acquisition of Seismic data, IT and digitalisation services and professional services such as advisory, legal and accounting services. The risk related to business partners is considered to be low as of 2022.

#### **MITIGATION OF RISK**

Based on the risk assessment, Pandion Energy has not identified actual adverse impacts on fundamental human rights and decent working conditions linked to own operations, the value chain and business partners. As far as the identified risks related to the value chain, concrete measures and initiatives have been identified to manage these. These measures include that Pandion Energy will actively request information and include such measures as a standard part of checklists for each project in which the company is involved in.

#### **Measures**

Pandion Energy is constantly working to strengthen the work on human rights. In 2022, policies and governance documents have been updated, as well as procedures and routines regarding due diligence assessments and monitoring of activities and performance of business partners.

These measures have helped the company establish a clearer overview of all risks related to human rights and decent working conditions and contribute to solid monitoring systems that identify any potential risk and adverse impact it may have on its business and value chain.

#### **DUTY TO PROVIDE INFORMATION**

Pandion Energy has established a procedure for handling information requests under the Transparency Act to ensure timely processing of information requests. No requests were made in 2022.





Oslo, Norway, 29 June 2023

The Board of directors and CEO of Pandion Energy AS

**Alan John Parsley**  
Chairman of the board

**Jason Aun Minn Cheng**  
Board member

**Jan Christian Ellesen**  
CEO/Board member

**Roberta Wong**  
Board member

**Anish Patel**  
Board member

**Helge Larssen Nordtorp**  
Board member

