

Climate-related risks

	Risk Type	Description	Examples of potential Financial Impact	Mitigating actions
Physical	Accute	<i>Short term (0 - 3 years)</i> Poor air quality, flooding of ports and canals, hurricanes, wave heights, draughts etc. can harm both personnel, cargo and assets. This may lead to operational downtime, re-routing, increased operational costs and negative impact on health and safety for our crew.	Potentially negative impact on revenues and increased operational costs due to more idling and inefficient trading patterns, such as the impact from reduced sailings through the Panama Canal.	<ul style="list-style-type: none"> • Keeping our fleet up to date with accurate and reliable weather routing systems as this may become more important in the future to avoid rough weather and seas. • Planning for delays for our crew changes due to rough weather and delays to reduce impact for our crew. • Planning and optimizing network and capacity the best way possible to limit idling/waiting time due to adverse weather conditions.
		<i>Medium term (3 - 10 years)</i> Extreme weather conditions may affect suppliers or local infrastructure (in particular access to port / docks). This can potentially lead to disruptions and project delays, which, again, can have financial and reputational impact, as well as impact health and safety for our crew	Potentially increased CapEx due to investments in AI assisted systems and improved weather routing/digitalization solutions	<ul style="list-style-type: none"> • Digitize our fleet to optimize speed and energy efficiency throughout our sailing patterns and network.
	Chronical	<i>Long term (>10 years)</i> Climate changes can lead to extreme conditions, causing local conflicts, political instability, disruptions and migrations. This can affect Höegh Autoliners' operational profile and lead to increased operational expenditure	Potentially increased operational costs due to increased prices from suppliers who would need to adapt to new environment of higher risk of chronical impacts	<ul style="list-style-type: none"> • Continuously update our climate risk analysis for the long term to be able to acquire needed assets and technology to meet the future climate-related issues.
Transitional	Regulatory	Increased regulations from NGOs and other supranational bodies, such as IMO and EU, to reduce GHG emissions and increase efficiency (EU ETS/CII/EEXI/ Energy intensity etc.)	<ul style="list-style-type: none"> • Regulations may lead to lower speed, reduced capacity and higher operational cost (for example through purchase and consumption of low carbon fuels). • Potentially bigger financial losses and reduced asset values due to earlier recycling or financial impairments of existing fleet if failing to follow future emission regulations (stranded assets). • Potentially increased CapEx due to technical upgrades and NBs/new vessels to ensure a compliant fleet • Reduced availability of, and increased cost of, capital if not being compliant with regulations and/or with stakeholders expectations • Potential fines/penalties for not complying with regulations 	<ul style="list-style-type: none"> • Continuously monitor and update our fleet transition strategy and operational performance of our fleet to ensure compliance with existing and future regulations. • Be proactive and prepare for coming environmental regulations.
		Differences in regional regulations may cause uneven playing fields for global companies. Abrupt and populist climate politics may lead to unpredictable regulatory frameworks.	<ul style="list-style-type: none"> • Loss of revenues if peers from other regions are having competitive advantages if regulatory frameworks are inconsistent • Lack of incentives to choose the greener technology if the price gap between conventional fuel and low-carbon fuel remains large. 	<ul style="list-style-type: none"> • Being active in discussions with governments and regulators to establish a common understanding of the shipping sector's needs to decarbonize and what is needed to level out the playing field across regions.
		Increased cost for GHG emissions on Hoegh Autoliners as a shipowner, operator and technical manager will impose a risk of not having all cost passed through to our customers	Potentially increased operational cost if cost is not fully passed through to our customers	<ul style="list-style-type: none"> • Having a good and transparent process with our customers to ensure pass-through of incurred ETS costs
		Enhanced reporting obligations (ie CSRD, EU taxonomy, scope 3 etc) and requirements will demand more data, increased competence and expertise, and new/ upgraded ERP systems.	Will require higher cost related to competence, capacity and expertise. It will also require higher investments in systems, data collecting processes and internal controls systems	<ul style="list-style-type: none"> • Staffing-up, and upskilling of employees to acquire the needed competence to meet the existing and coming reporting requirements. • Investing in systems to meet future reporting requirements • Conducting a double materiality assessment to prepare for coming disclosure requirements



	Risk Type	Description	Examples of potential Financial Impact	Mitigating actions
Transitional	Reputational	Risk of not reaching our carbon reduction targets and poor fuel efficiency in operated fleet may result in bad reputation and loss of credibility among customers and investors	<p>Potential loss of revenues from existing customers and/or loss of future contracts/tenders if we fail to uphold our green profile and ambitious transition plan.</p> <p>Reduced availability of, and increased cost of, capital if not meeting stakeholders' expectations</p> <p>Potentially reduction in the share price and loss of investors (on the stock exchange) if we fail to be perceived as an actionable Company driving change.</p>	<ul style="list-style-type: none"> • Maintain close discussions with our customers to understand their needs, and initiate projects and measures to meet the future needs and requirements • Further enhancing our stakeholder engagement (ie financial institutions, investors, regulatory bodies and other stakeholders) in materiality assessments to understand what is expected to become the shipping company for the future. • Increased focus on communicating our sustainability performance and initiatives in all channels, reaching an increased variety of stakeholders"
		Risk of unforeseen/negative incidents for our people or the environment, such as accidents, oil spills, health and safety issues etc	Potential loss of revenues from existing customers and/or loss of future contracts/tenders if we fail to uphold our green profile and ambitious transition plan.	<ul style="list-style-type: none"> • Closely monitoring operations and ensure mitigating measures are in place to reduce risk of such incidents
		Risk of stigmatization related to shipping being a polluting and grey industry	Potential loss of revenues from existing customers and/or loss of future contracts/tenders if we fail to uphold our green profile and ambitious transition plan.	<ul style="list-style-type: none"> • Continue to be a front-runner/leader in the decarbonisation of shipping, through proper execution of our strategy and initiatives.

Climate-related risks

	Risk Type	Description	Examples of potential Financial Impact	Mitigating actions
Transitional	Market & Technology	There is high uncertainty related to future propulsion and fuel technology. Being a first mover, betting on the wrong fuel and propulsion technology may become costly.	Potentially negative impact on asset values(both market values and book values) and increased financial losses if chosen technology is not developing in a favorable direction, or if it is not becoming commercially viable. Existing vessels might become less competitive, which might impact revenue negatively	<ul style="list-style-type: none"> Incorporating fuel flexibility in our newbuilding program (dual fuel engines LNG/MGO and ammonia/methanol ready notations)
		Risks related to the pace of decarbonization of our own fleet, driven by uncertainty of the future propulsion technology, infrastructure to ensure commercial availability of zero-carbon fuels and alignment of regulatory frameworks to ensure level playingfield for market participants.	Potential loss of revenues from existing customers and/or loss of future contracts/tenders if we fail to uphold our green profile and ambitious transition plan. Reduced availability of, and increased cost of, capital if not meeting stakeholders' expectations	<ul style="list-style-type: none"> Continue to partner with our customers to stay ahead of future demands for technology, and to share risk and cost of decarbonizing both our own operations, as well as their supply chains. Continue partnering with stakeholders and partners, such as ammonia producers and research centres to mitigate the risk of low availability of future zero-carbon fuels and technology needed to decarbonize our operations. Being active in discussions with governments and regulators to establish a common understanding of the shipping sector's needs to decarbonize and what is needed to level out the playing field across regions.
		Risk of increased cost of fuel; in particular for low-carbon fuels	Potentially increased operational expenses due to higher fuel prices and low availability of low-carbon fuels	<ul style="list-style-type: none"> Having industry accepted Bunker Adjustment Factors in place to capture bunker price fluctuations. We monitor this practice closely to keep operating expenses as low as possible. Continue partnering with stakeholders and partners, such as ammonia producers and research centres to mitigate the risk of low availability of future zero-carbon fuels and technology needed to decarbonize our operations.
		With current technology, vessels may be outdated prior to its expected lifetime, potentially resulting in recycling/sales of vessels earlier than expected (stranded assets/residual values)	Can potentially lead to financial losses due to early recycling or vessel sales, or impairment losses due to stranded assets/residual values May require retrofitting of vessels which will impose higher capital expenditures and increased financing cost."	<ul style="list-style-type: none"> Continuously monitor and update our fleet transition strategy and operational performance of our fleet, and keep updated on available and best in class technology Continuous research undertaken to understand what will be the future fuel and propulsion technology Ensuring top competence of our employees responsible for monitoring and understanding new vessel technology
		Risk of reduced global demand for fossil fueled vehicles, resulting in lower demand for our shipping services	Potential loss of revenues due to reduced demand for our services.	<ul style="list-style-type: none"> We have increased carrying capacity of electrical vehicles for our newbuildings, increasing the optionality of our cargo mix.
		Uncertainty about customer's willingness to pay for the decarbonization of their own supply-chain	Risk of not being able to decarbonize at the pace needed to reach our short and long-term targets, resulting in higher operational expenses and potential loss of revenues from our shipping services if we are not able to meet stakeholder expectations	<ul style="list-style-type: none"> Maintain close discussions with our customers to understand their needs, and initiate projects and measures to meet the future needs and requirements Continuously monitor and update our fleet transition strategy and operational performance of our fleet, and keep updated on available and best in class technology"