Sustainability Report ODIN Fund Management 2019

Contents

ODIN is an active and responsible long-term fund manager. Our main task is to work to create good, long-term returns for our clients. As long-term owners of the companies in which we invest, we conduct thorough analyses of the companies' history, risk and future opportunities. In this work, ESG criteria are an important component. ESG is an abbreviation for Environmental Social and Governance. This report will use the term sustainability instead of ESG.

We are stock pickers, and selective in the choice of companies we wish to invest in. Sustainability criteria impact the companies' value creation over time, and assessments related to sustainability are therefore a key element of all investment decisions. This also applies to our fixed income investments. Because sustainability and value creation are intertwined, the fund managers have incentives to engage in active ownership.

As active fund managers, in 2019 we have voted at all annual general meetings for the companies we are invested in, we have taken part in several nomination committees, and we have of course been in dialogue with most of the companies on specific events, strategy and reporting. We have also delved deeper into our selected themes for 2019 – and leaned on external expertise in order to enhance our own knowledge, and in order to be able to ask better questions and impose more relevant requirements on the companies we invest in.

In the course of 2019 we have established an ESG committee at ODIN. This will be a forum where we discuss different issues and anchor sustainability decisions throughout the organisation. In addition to focusing on in the companies we invest in, we as a company also seek to become more sustainable. This is something we will focus on in the year ahead. Among other things, in 2020 we shall develop climate accounts, and we aim to be climate neutral in 2020.

This report details how ODIN has worked with sustainability in 2019.

Have a good read!

BJØRN EDVART KRISTIANSEN
CEO

Pessimists, optimists or realists?

We can divide the world into those who are optimists, who focus on positive changes and opportunities, and those who are pessimists, who believe everything was better before and who emphasise the negative changes in the world. Some will perhaps claim that there are those who are in the middle, the "realists," who view things as they really are, who are neither optimistic nor pessimistic, but only relate to fact-based problems and solutions.

As we now face a threat that potentially can change the fundamental conditions for a good life for much of the world's population, it is natural to ask oneself whether it is optimism, pessimism or realism that will best equip us to face this threat. The consequences of man-made climate change require political action, it requires action from each and every individual, and it requires action from industry and institutions that have the resources, knowledge and impact to guide the world in a new and more sustainable direction.

Most of us don't want to listen to the climate pessimists, those who constantly point out that we for several decades have had an unsustainable lifestyle, which with each barrel of oil have robbed our children and grandchildren of a safe future. It took a child, a 16-year old girl, and well, a climate pessimist if you wish, to wake the world up to the realities and take in the message of the climate pessimists. Greta Thunberg must now pass the baton to the optimists. To those who see solutions and who are willing to make the difficult decisions because they believe in a better future where we manage to slow down greenhouse gas emissions by way of new technology and changes to our lifestyles. We also require a dose of realism, in the form of assigning priority to the measures that are most feasible and that will have the greatest possible impact, rather than symbolic measures that result in a good conscience but little actual impact.

Small and large issues

Although the climate crisis is unprecedented in scope, it has similarities with numerous small and large problems we as a society have had to grapple with throughout history. Capitalism has created amazing growth in prosperity, but along the way, laws and regulations and a strong moral compass have been required to limit the negative side-effects – on the environment, on society and to individuals. The road to current prosperity has been, and remains, littered with dilemmas.

Dilemmas

Our job, as the fiduciaries of others' money, is also rife with dilemmas. Many "green" companies are now so highly priced on the stock market that it is unlikely that they will provide good future returns to us as shareholders. Other companies potentially have the solution to one or more challenges, but it's uncertain whether they will ever achieve profitability operations. Is it true we have to forgo returns in order to invest with a good conscience? Do our shareholders miss out on returns because we are unwilling to invest in "dirty" companies even though they are priced low and are profitable? How do we relate to a world where the rules of the game will change drastically in many ways in the next 5-10 years?

Our approach to these dilemmas is closely related to our investment philosophy and the way we construct portfolios. We have concentrated funds that include between 25 and 40 companies. This means that we can perform thorough analyses of each individual company and that we don't need to compromise the requirements we have towards accountability, or on our requirements to returns. We can be active owners by maintaining an ongoing dialogue with our companies in order to learn more about the issues they encounter on an everyday basis, challenge their sustainability work and make sure words are put into action.

The ODIN-model

Our long-term approach to our investments leads us to select those companies that have the will and ability to always improve, to adapt to future requirements in a world that is in constant change. Our dialogue with the companies on sustainability is just as much about gaining an understanding of the management's general ability to take a long-term view and to take various risk factors into account. Corporate governance, management and culture are important to value creation. We see that those companies where sustainability work is supported by the management and board, and also well-integrated in the corporate structure, are companies that are better than others at providing profitable growth over time. Here we find several companies (also beyond the green

'usual suspects'), across industries, that manage to create value for both society and for shareholders. In order for real change to take place, everyone must pitch in.

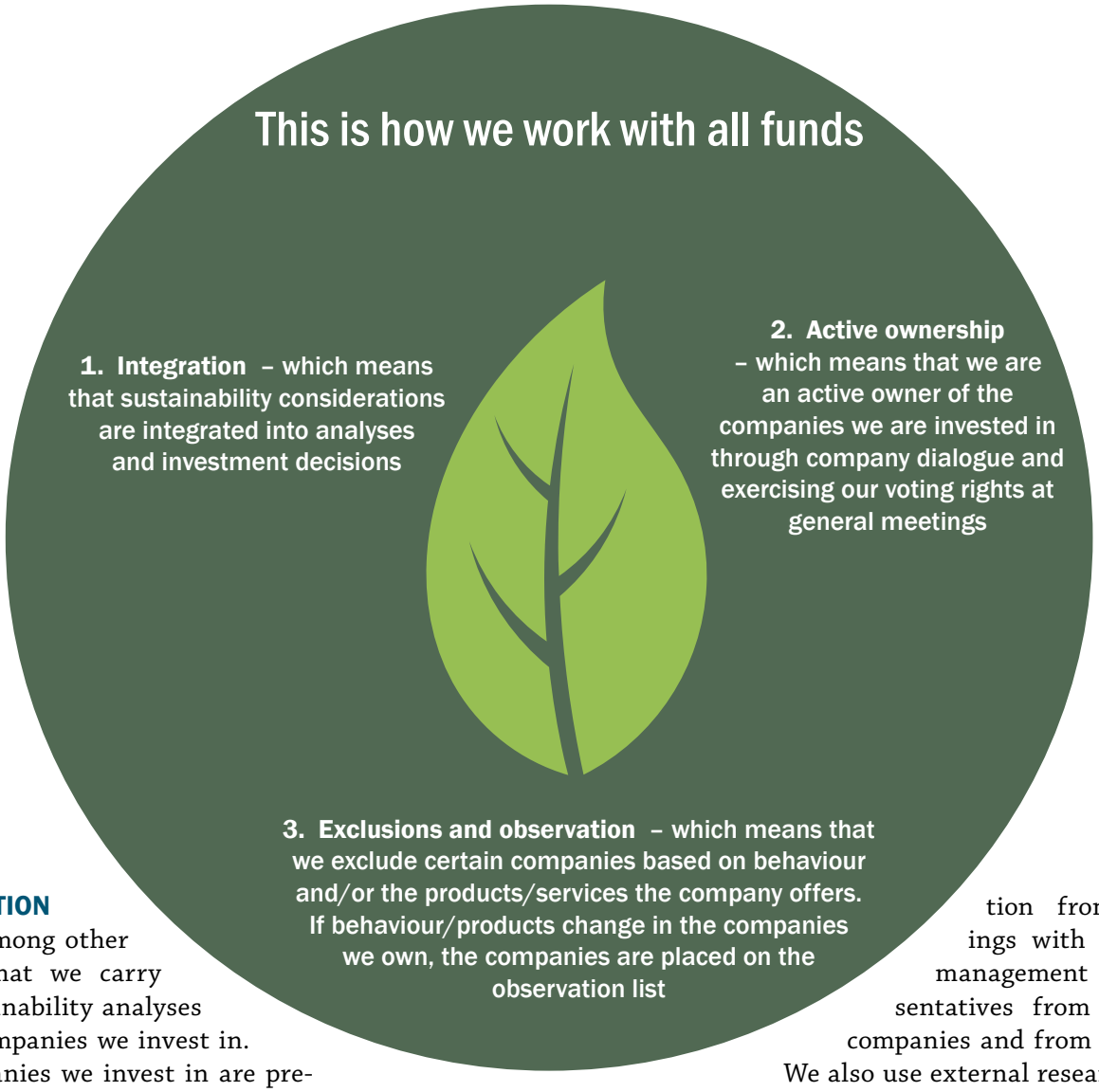
We are open about what we do, what we own, and what we believe in. This makes us receptive to hopefully constructive criticism from a number of different directions. This is how we may improve our sustainability work.

The next time you read a news story about sustainable finance, about how capital owners need to take action and ensure that they invest their capital in sustainable businesses, you need to remember that you are a capital owner through your fund investment. We try to the best of our ability to manage your capital in a responsible manner that will provide you with good returns with low risk, while also making your capital part of the solution to the problems we as a society face, not a part of the problem.

ANE S. RONGVED
HEAD OF SUSTAINABILITY

Our approach

We are stock pickers, and selective in the choice of companies we wish to invest in. Sustainability criteria impact the companies' value creation over time, and assessments related to this are therefore a key element of all investment decisions, and also give the fund managers incentives to engage in active ownership. We signed up to the UN's Principles for Responsible Investment in 2012. This is based on our commitment to implement and report on how we include responsibility and sustainability criteria in our company and portfolio assessments. This also applies to fixed interest funds. We can summarise this in three parts;

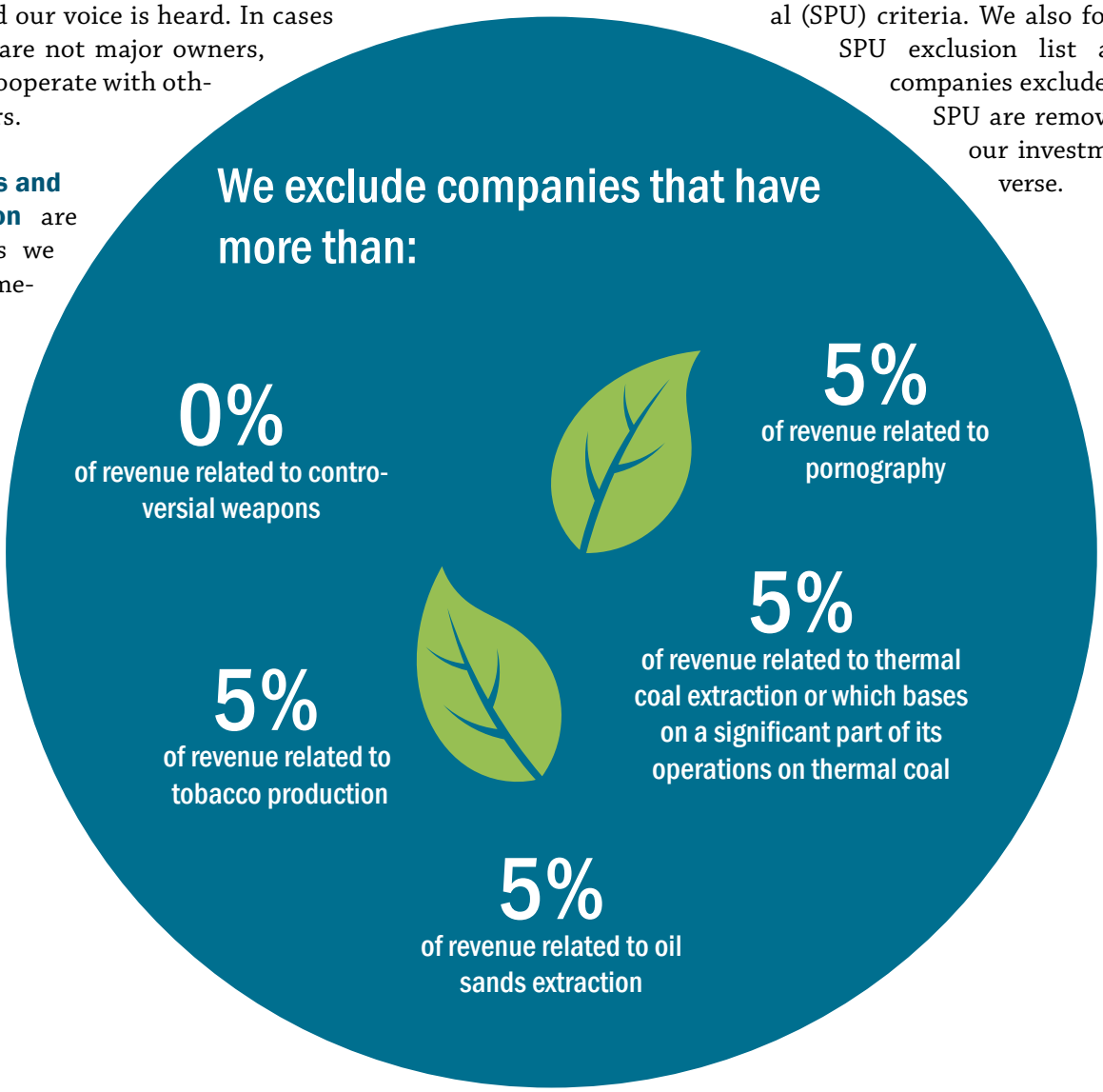


INTEGRATION means, among other things, that we carry out sustainability analyses of the companies we invest in. All companies we invest in are presented to the other fund management, and a sustainability assessment must also be included here. In other words, we consider the risks and opportunities associated with sustainability, as well as how the board and management are put together to deal with this. Beyond this, we regularly review our portfolios. In order to make good assessments, access to information is essential and we use information from several sources. We use publicly available information such as annual reports, NGO reports and the like, but also information from meetings with company management representatives from relevant companies and from analysts. We also use external research firms for objective assessments of companies. We currently use the research firm Sustainalytics which gives us access to their company database and analysts, as well as analysis related to product involvement and events.

ACTIVE OWNERSHIP is about using our voice as shareholders, both through voting at general meetings and through dialogue with the companies we invest in. We also take part in nomination committees. The goal is to

create awareness and positively influence companies. In this way, the companies can be better equipped to deal with the various issues they may face, which will also benefit the shareholders. We aim to vote at all general meetings of the companies we are invested in. To implement this in the best possible way we use services from ISS Proxy Voting Service, where we receive voting recommendations based on sustainability considerations. In dialogue with the companies we are invested in, this is typically linked to specific events, reporting or themes that we focus on. If something happens in the companies we are invested in, our first act will be to enter into dialogue. If we do not see an ability or willingness to change, we will sell our shares in the company. As a result of our concentrated portfolios, we are in many cases major owners of the companies we invest in and our voice is heard. In cases where we are not major owners, we often cooperate with other investors.

Exclusions and observation are the means we use if something appears in companies that may be in violation of our guidelines. As an active manager, our approach to assembling the portfolios is company-oriented, and in principle we do not have as much need for exclusion lists of companies we do not want to end up in the portfolios. This means that all the companies we are invested in are thoroughly analysed and selected after a lengthy process. A number of companies will be excluded as a result of a comprehensive assessment of the company's risk profile and future prospects where relevant sustainability criteria play an important role. At the same time, there are certain sectors and individual companies that we avoid based on ethical considerations, based on the product they offer and/or the company's behaviour. We make the assessments on the basis of our own criteria and the Government Pension Fund Global (SPU) criteria. We also follow the SPU exclusion list and the companies excluded by the SPU are removed from our investment universe.



(Some funds exclude additional categories)

Our approach

BEHAVIOUR-BASED

Companies will also be excluded or placed on the observation list in the event of suspected serious and systematic violations of generally accepted norms. We expect the companies we invest in to act in accordance with the principles of the UN Global Compact. These principles concern human rights, labour rights, the environment and anti-corruption:

The companies we invest in should act in line with the principles of the UN Global Compact:

1. Support and respect the protection of internationally proclaimed human rights
2. Make sure that they are not complicit in human rights abuses
3. Uphold the freedom of association and the effective recognition of the right to collective bargaining,
4. The elimination of all forms of forced and compulsory labour
5. The effective abolition of child labour
6. The elimination of discrimination in respect of employment and occupation
7. Support a precautionary approach to environmental challenges
8. Undertake initiatives to promote greater environmental responsibility
9. Encourage the development and diffusion of environmentally friendly technologies.
10. Work against corruption in all its forms, including extortion and bribery.

A further specification of criteria is available in our guidelines.

Overview of our funds

EQUITY FUNDS

ODIN Norge	✓	✓	✓	✓	
ODIN Norden	✓	✓	✓	✓	
ODIN Sverige	✓	✓	✓	✓	✓
ODIN Europa	✓	✓	✓	✓	✓
ODIN Global	✓	✓	✓	✓	✓
ODIN Emerging Markets	✓	✓	✓	✓	✓
ODIN USA	✓	✓	✓	✓	✓
ODIN Eiendom	✓	✓	✓	✓	✓
ODIN Small Cap	✓	✓	✓	✓	✓

BALANCED FUNDS

ODIN Aksje	✓	✓	✓	✓
ODIN Horisont	✓	✓	✓	
ODIN Flex	✓	✓	✓	
ODIN Konservativ	✓	✓	✓	
ODIN Rente	✓	✓	✓	

BONDFUNDS

ODIN Likviditet	✓	✓	✓
ODIN Norsk Obligasjon	✓	✓	✓
ODIN Europeisk Obligasjon	✓	✓	✓
ODIN Kreditt	✓	✓	✓

OVERVIEW OF THE SUSTAINABLE MANAGEMENT TOOLS USED IN THE VARIOUS FUNDS:

Integrates ESG
- Screening
- Important in the investment process

Eliminates
- Controversial weapons, tobacco, pornography, coal & oil sands
- systematic and serious violations of the norm

Dialogue
- Proactive and reactive dialogue with companies

Active ownership
- Votes at general meetings
- Participation election committee

Eliminates fossil energy
- Companies that extract oil, gas and coal

What have we done in 2019?

We followed up the development of the companies we are invested in, while looking for new candidates for the funds. We continued to work on our sustainability approach in our portfolios, both related to reporting and improving existing processes. We have updated our guidelines and also worked closely with SpareBank 1 in developing common guidelines for the banks in the SpareBank 1 group.

In addition, we have also worked on ODIN's sustainability approach internally. During the year, we established an ESG Committee as a natural platform for discussing sustainability issues. Further measures will also be discussed in the ESG Committee in 2020.

During the year we have had a dialogue with a number of companies; both companies we are invested in and which we are considering investing in. We have also voted at general meetings, and during 2019 we have cast 3,361 votes at 241 general meetings. This amounts to a voting rate of 100 per cent. In 209 cases, we voted against the company's recommendation. Where we vote against the company's proposal, this typically applies to matters relating to incentive programs and compensation to management and the board, election of board members and restricted shareholder rights. In addition, we have voted for proposals that focus on increased reporting, transparency and guidelines within ESG.

In addition to voting at general meetings, we also sit on several nomination committees. The task of a nomination committee is to choose the company's board. This is an important job which we undertake together with other major shareholders in the companies.

As of 31.12.2019, we are members of the following nomination committees:

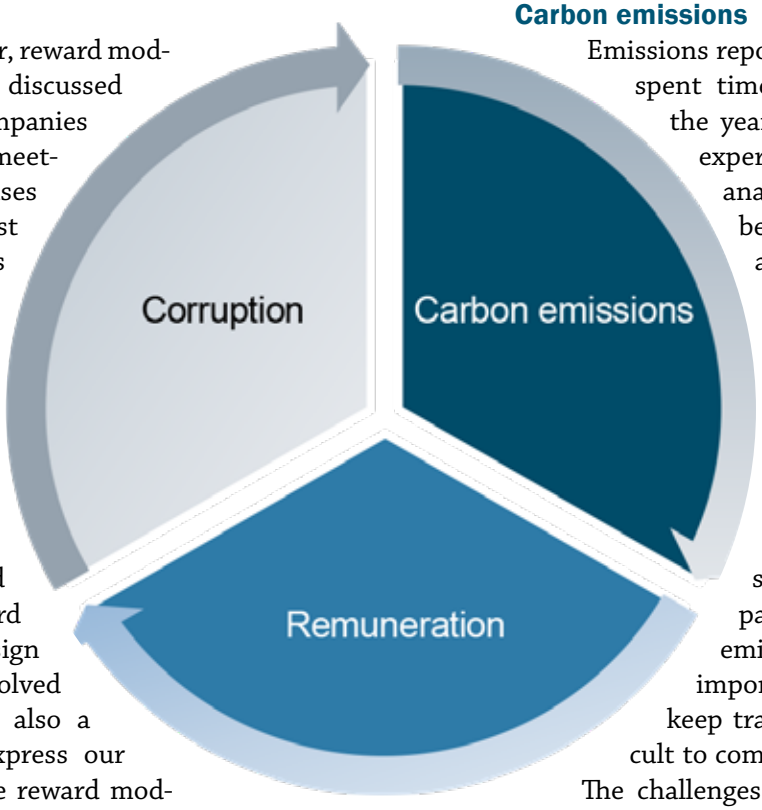
I NORGE:
XXL, Multiconsult, Kongsberg Gruppen, Tomra and Borregaard

I SVERIGE:
Axfood, Beijer Alma, Addnode, Byggmax, Addlife and AQ Group.

Active owners in 2019	Number of companies
Company dialogue 2019	**61**
- Strategy & reporting	41
- Topics and events	15
General meetings	**241**
- Number of votes	3.361
- Votes against the company's proposals	209
Nomination committee	**11**
- New in 2019	2
Observation	**5**
- Existing	4
- New in 2019	3
- Removed in 2019	2
Exclusion	**1**
- Existing	1
- New in 2019	0
- Removed in 2019	0

Selected topics for 2019

At the beginning of 2019 we chose three topics to focus on more closely in the coming year. The topics we chose were corruption, carbon footprint and remuneration models. Throughout the year experts in the topics have given lectures to the fund manager department. The purpose of this was to give us a better understanding of the issues related to these topics, and also what questions we can ask our companies related to handling of these issues. This has been both educational and useful for us, and we have included such details in meetings with our companies.



Remuneration

In the first half of the year, reward models were something we discussed extensively with the companies we own at their general meetings. Among the 209 cases in which we voted against the company's proposals at general meetings, the majority were related to compensation schemes for management. We are critical when the schemes are too short-term or unclear. We also had a review with an external expert in the field of different types of reward models, and how the design of reward models has evolved in recent years. It was also a good opportunity to express our views on how we believe reward models should be designed. This is useful knowledge to bring with us when evaluating the companies' proposed schemes ahead of general meetings. In many cases, we provide input in advance, so that the changes are implemented in the proposal presented at the general meeting. This work is important to ensure that the management's reward model is linked to long-term and clear requirements for target achievement.

Corruption

We have talked to several of our companies, across industries, about how they deal with the risk of corruption. This is a risk that exists in all companies, but some sectors are more exposed than others, and where in the world the companies operate also have a bearing. We have undertaken a review with an expert in the field with extensive experience from corruption investigation. He gave us insight into the challenges and consequences of not having systems to reveal financial crime. We believe that corruption is high on the agenda of the companies we own. Anything else would have been a red flag, and a signal that the board and management do not have sufficient insight into the company. This is a 'hygiene factor' for companies, as the consequences are detrimental to both the company and society.

Carbon emissions

Emissions reporting is also a topic that we spent time on in 2019. Throughout the year, we have invited external experts from both academia and analysis companies to gain a better understanding of why and how carbon emissions should be reported and why it is important to set clear goals. We see that most major companies today publish their carbon footprints, but are still working to improve and set clear targets for reduction. At the same time, many of the companies publish relative carbon emissions. This is of course very important for the company to keep track of, but it makes it difficult to compare the figure with others. The challenges that many of the smaller companies point to are the cost and resource use associated with this, when emissions are in many cases minimal, and that they have other issues that are more relevant on which to use resources. Nevertheless, many of the smaller companies are also well on their way to publishing their carbon footprints, as this is more or less a requirement today. We will continue to influence companies to improve reporting on their carbon footprints in the future.

Company dialogue in 2019

We maintain close monitoring of our investments through regular meetings with the management of the companies. These are good forums for dialogue on strategy, as well as the companies' challenges and opportunities in both the short and long term. As mentioned earlier, it is important to us that the company's management are able to both think and act in a long-term perspective, and that the conditions in the company allow this. Here, of course, sustainability considerations are also included. We believe that the management should understand how the company is affected by changes, but also how the company itself impacts the outside world – locally and globally. An increasing amount of resources are allocated towards this in the strategic work of the companies, which shows that companies take this seriously.

During 2019 we have been in contact with several of the companies we have invested in, through physical meetings, phone calls or emails correspondence. Below you will find a selection of the companies we have been in dialogue with in 2019.

ESSITY – PROTECTED FORESTS AND INDIGENOUS PEOPLES' RIGHTS

Essity is one of the world's leading hygiene and health companies and sells personal care products, home-use paper and professional hygiene products. Sustainability is firmly rooted in the company and they report well. They are recognised for being among the leaders in the industry. Essity produces paper-based products where the most important input factor is pulp extracted from forests. This in itself is not a problem, as long as forest management is sustainable and follows certain guidelines. It should be emphasised that Essity does not itself manage forestry, but is a buyer of pulp. In June 2019, Greenpeace launched a report accusing several players, including Essity, of buying pulp originating from protected forests in Northern Europe. Forest protection is necessary to protect species diversity in order to maintain the balance required for ecosystems to survive. At the same time, forest management in individual areas can also have a negative impact on the local population. To ensure that products are manufactured in a sustainable way, there are several certification schemes. From what we can see, Greenpeace's charges are linked to a report on the same topic they prepared in 2017, and criticism is directed at Essity for not having sufficiently improved the practice.

Company dialogue in 2019

Essity has been open about the criticism, and has been in dialogue with Greenpeace to refute the charges. We contacted the research firm Sustainalytics to get some input on what is required for Essity to be "acquitted". The points we took with us in dialogue with Essity were whether they have officially stated what measures they are taking and whether they report on the percentage of their purchases that are FSC* certified.

Essity explained to us that they were in dialogue with a number of NGOs, both WWF and Greenpeace, as well as a number of organisations related to indigenous peoples' rights. They have drawn up goals and new guidelines that are in line with feedback they have received from external stakeholders. They also stated that they had communicated a clear commitment that all raw materials they use should come from sustainable forest management. Today, 76% of all their purchased pulp is FSC certified and they will report on progress in the annual report for 2019. We feel that Essity is at the top of the class here, but will continue to monitor developments.

* FSC is a certification for sustainable forestry
* NGOs are non-governmental organizations

NESTE – SUSTAINABLE PALM OIL

Palm oil is used in a variety of products and you can find it in everything from food and soap to fuel. World consumption reached some 65 million tonnes in 2018 and increased production is a threat to both the rainforest and indigenous peoples. This has been the focus of several NGOs, such as the Rainforest Fund, in recent years. Palm oil plantations are established by cutting or burning down existing forests, which is detrimental to species diversity, wildlife, locals and the climate. The largest exporters of palm oil are Indonesia and Malaysia, but rainforests in South America and Central Africa are also under threat. This requires companies, authorities and investors to take action. We contacted the Finnish company Neste, one of the world's largest producers of biodiesel, to gain insight into how they work with these challenges. Neste is ranked third place among the world's most sustainable companies (Corporate Knights 100). At the same time, the company is a relatively large buyer of palm oil, accounting for 17 per cent of the company's renewable resource input in 2018. Neste told us that all palm

oil they use is fully traceable and certified, and this information, including both who and where they buy from is available on their websites. They impose strict requirements on their suppliers who must commit to following Neste's deforestation principles and requirements related to working conditions and the local community. They also told us that all suppliers are reviewed before entering into an agreement. If a supplier proves to be in breach of their principles, they will cancel the contract if positive influence is not considered realistic. Neste assumes that the proportion of palm oil in their input mix will decrease in coming years.

A.O.SMITH – REPORTING

We note that American companies are lagging behind European companies in terms of reporting on sustainability initiatives, guidelines and sustainability goals. We therefore have regular meetings with our American companies to communicate our expectations of reporting, goal setting and monitoring of their sustainability efforts.

An example of a company we met in 2019 is A.O. Smith. A.O. Smith's main business is the production and sale of hot water heaters of various types. The greatest ESG risk in the company's operations, as we see it, lies in the energy intensity of the manufacture of their products, which contain a lot of steel. We feel that better reporting of energy consumption and carbon emissions from production are needed. The company's response is that they are working on this, but that they have been somewhat hesitant because they think the cost of this type of reporting is high. They also point out that their US investors do not demand this, which we also hear from many other companies. We urged them to still make progress in this work and pointed out that the demands of customers and investors will increase drastically in coming years, making it urgent to get this in place.

We also encouraged the company to take a clearer position as a manufacturer of energy efficient products that can contribute to a significant reduction in energy consumption for heating water and buildings. The company has products that are market-leaders in energy efficiency and it is in their, and the environment's, interest that customers are more willing to pay for new energy efficient products that can replace old, energy intensive products.

Company dialogue in 2019

ATLAS COPCO – INTERNATIONAL LAW

Western Sahara is treated by the UN as Africa's last unresolved colonial issue. Parts of the territory are occupied by neighbouring Morocco. Moroccan forces took control of the territory in 1975, in violation of international law and an advisory opinion from the International Court of Justice in The Hague. Economic activity in Western Sahara is controlled by the Moroccan government, which offers tax relief and subsidies to many Moroccan settlers in the occupied territories.

In recent years, however, international awareness of the ethical issues associated with investing in the occupied area has increased, and several foreign companies have withdrawn as a result of negative media coverage or pressure from ethically conscious shareholders. One of Morocco's main motives behind the occupation of Western Sahara has always been the area's valuable natural resources. While Morocco is financing the occupation through natural resources in the area, most Sahrawis have been banished to life in refugee camps. A large number of UN resolutions and international conventions define this type of activity as illegal.

For many years, ODIN has been investing in Atlas Copco through our funds ODIN Norden, ODIN Sweden and ODIN Global. Through contact with the Norwegian Support Committee for Western Sahara, we have gradually become more familiar with Atlas Copco's involvement in Western Sahara. Atlas Copco has always defended the legality of its operations in Western Sahara, but has not responded to the point regarding the Sahrawi people's wishes. The Advocates General of the Court of Justice of the EU calls attention to the Sahrawis' sovereign right to manage their natural resources, and that Morocco does not have a legitimate claim on the phosphate of the territory.

In 2013, it was revealed that Atlas Copco had supplied equipment for the controversial Bou Craa phosphate mine in Western Sahara and provided maintenance equipment for the mine. Atlas has so far defended its operations in the area. Atlas Copco's customer is owned by the Moroccan authorities.

Throughout 2019, ODIN met with the Norwegian Support Committee for Western Sahara to become better acquainted with the issue. Norwegian Support Committee for Western Sahara is a member organisation working for a peaceful resolution of the Western Sahara conflict.

In September 2019, ODIN had a discussion with Atlas Copco about the issue, where we wanted to clarify whether Atlas Copco has a client in Western Sahara, or whether all Western Sahara activities have been taken over by Epiroc. Epiroc is Atlas Copco's former mining division that was spun off from the company in 2018. We believe that the initial answers we received regarding the engagement in Western Sahara were unclear, and not specific enough on whether Epiroc has taken over any service agreements. We will continue to follow up on the issue with the company going forward.

We want to invest in companies that take corporate social responsibility, take responsibility for the environment, and have governance mechanisms in place that constantly improve and minimise the risk of adverse events in the future. In this way, we primarily want to invest in companies that "have everything in place". In some cases, however, we choose to invest in companies that have historically not met the requirements for responsible operations, but where we see clear signs of improvement. There are two reasons for this. First, we see that the market in many cases does not price a better, more responsible future for these companies. Many investors rely only on exclusion and therefore choose not to invest in companies that do not meet the stated requirements. This leads to mispricing that will be corrected if the companies improve and investors return to the company. Secondly, we believe in influence, either as a single shareholder or preferably in collaboration with other investors. If one wants to influence a company to improve, one cannot entrust ownership to other investors, who do not necessarily have the same motivation to be a driver of change.

WELLS FARGO - GOOD BUSINESS PRACTICE

The major US bank Wells Fargo is an example of a company that has made mistakes, but is working on major changes to avoid similar mistakes in the future. We invested in Wells Fargo after it became known that bank employees had opened bank accounts for customers without their consent. The motivation behind this was a compensation system that rewarded employees based on the number of new products sold to existing customers. Strong pressure from management to achieve annual profit targets led to behaviour from employees that was not in the customer's interest.

Although the creation of new accounts without the consent of customers has not had a significant positive effect on the bank's profits, the behaviour revealed a negative culture in the company that went all the way up to the top management level and the consequences have therefore been dramatic. In addition to reimbursement of fees, Wells Fargo had to conclude a class action lawsuit against the bank, they have been required to keep the balance sheet unchanged until better control routines are in place and the entire top management as well as several board members have had to step down. We believe this will lead to major positive changes in the bank, although it will take time. Wells Fargo is a bank that has historically been known to be a sturdy bank with a low tolerance for risky lending. So while the recent scandals have been extensive, they are in many ways unique in a historical perspective. We therefore believe that Wells Fargo can regain the trust of existing and potential new customers.

In October, Charles Scharf was hired as the new CEO. He previously served as a head of Visa and of the Bank of New York Mellon. It was important for the company to have a new CEO in place, and we look forward to seeing how he can help put the bank recent problems in the past.

Company dialogue in 2019

NORDIC BANKS – ANTI-MONEY LAUNDERING ROUTINES

Nordic banks have been subject to inadequate internal control over the past years, and anti-money laundering procedures are a natural discussion topic in conversations with the banks we are invested in. We have met Danske Bank several times, and have also been in meetings with Handelsbanken, DNB and ING Groep where this has been on the agenda.

Danske Bank is still under investigation for money laundering (read more in the annual report for 2018). We met with representatives from the Executive Committee at the bank in June and December 2018 to discuss the situation. Our impression was that Danske Bank was on the right track and that they have made a big effort to improve practises. Danske Bank has hired over 1,500 people to work on anti-money laundering processes in the bank, and the incentives not to make the same mistake again should be in place. We met them again in June 2019, when there was not much new to report except that they are still making improvements and cooperating with the authorities. The market is now waiting to hear the amount of the fine (or fines). Following an overall assessment of the future potential for value creation, during the first six months of the year we sold our shares in Danske Bank. Swedbank was dragged into the money laundering affair in the Baltic States in the spring of 2019. The revelation got a lot of press, especially as the CEO had previously assured the markets that the bank was not involved here. The bank also attracted criticism for telling its largest shareholders about the case before it came out. We put the company on the observation list as we hold bonds from Swedbank.

In the autumn, DNB and SEB were also dragged into the money laundering issues. An Icelandic fishing company is said to have used DNB to transfer NOK 640 million to a tax haven. DNB says the bank closed its accounts in 2018. The "Uppdrag granskning" program on SVT reported on the suspicion of money laundering in the Baltics. SEB has commented that they have improved their procedures, but still cannot guarantee that the bank has not been used for money laundering. This is a persistent risk among banks, where previous routines have been far too weak. The banks have in many cases admitted that they have been 'too naive'. Our impression is that banks are using a lot of resources to correct the weaknesses and should be better equipped now, but this is still an important topic of discussion in dialogue with the banks.

Strategy and reporting

Several of the companies we are invested in are contacting shareholders to get an idea of how they can improve in their sustainability efforts. During the year, we have contributed to the development of the sustainability strategy for Swedish Intrum. We provided input on what we think they should focus on going forward, and are excited to see the outcome of the process. We have also been in dialogue with the gaming company Embracer about how they work on sustainability, where we gained insight and provided input on their plans going forward. We are positive to assisting our companies in their further development of their sustainability strategies.

The companies in the Nordic region, and for that matter also in Europe, are far ahead in this area. The rest of the world typically lags behind. This is something we consider before investing in companies. An example of this took place this year when we rejected a company in emerging markets due to lack of procedures and requirements for palm oil suppliers.

In the companies we are invested in, we can contribute to better reporting and at the same time gain a better understanding of the company's risks and opportunities going forward. We contacted one of our holdings in emerging markets. Garware Technical Fibers, which manufactures nets and yarns, and among other things supplies the nets for soccer goals. We contacted the company to hear how they handled the challenges related to both working conditions and plastic waste. We received thorough feedback from management, who told us how they are working on this and what actions they are considering for the future.

As well as discussing specific issues within sustainability with the companies, we also ask for reports. This year we have been in dialogue with many of our companies on this point. For example we contacted Constellation Software and PolyOne, both to hear their views on sustainability and to call for better reporting.

Exclusions and observation

In addition to excluding companies based on products or services they provide, we also exclude companies based on their behaviour. We will always try to influence the company to improve before we choose to exclude the company. If we suspect that a portfolio company may be in breach of our guidelines, the company will end up on our internal observation list. If the company improves the practice that led to the incident, the company can be removed from the observation list after a while. If we see neither the ability nor the willingness in the company's management and board to improve, the company will be excluded.

Norsk Hydro was put on our observation list in connection with the problems at Hydro-owned Alunorte in Brazil. This started with heavy rainfall that led to discharges from the factory site in February 2018, and the environmental authorities and a regional court ordered the aluminium refinery to reduce production. The ban on production was lifted after a consultation where a third party judged the facility to be safe. We have had several meetings with the management, and in combination with surveys from our research firm, our assessment is that the company has handled this incident well, and that they have good procedures in place both to prevent and to deal with similar incidents in the future. We removed the company from the observation list in the summer of 2019.

Below you can see our observation and exclusion list, as well as changes made throughout the year:

Watchlist

Date	Company	Fund	Cause
04.07.2018	Danske Bank	ODIN Kreditt, ODIN Europeisk Obligasjon	Money laundering accusations
11.09.2018	Wells Fargo	ODIN USA	God business practice
22.03.2019	Swedbank	ODIN Kreditt	Money laundering accusations
14.11.2019	DNB	ODIN Kreditt/ODIN Europeisk Obligasjon/ODIN Norge/ODIN Norsk Obligasjon/ ODIN Likviditet	Money laundering accusations
19.11.2019	SEB	ODIN Kreditt	Money laundering accusations

Exclutions list

Date	Company	Fund	Cause
01.02.2019	Fortive Corp.	ODIN USA	Involved in nuclear weapons

Changes

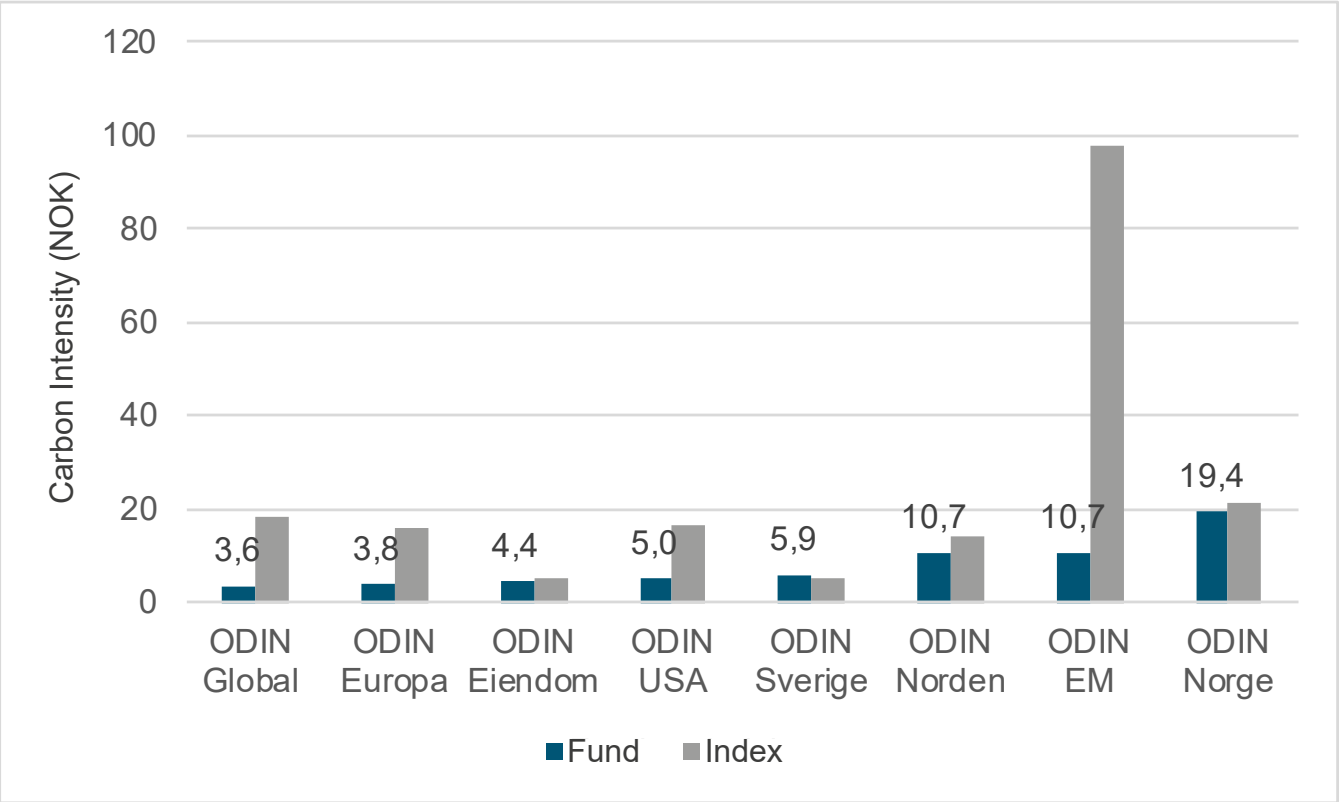
Date	Company	Cause	Changes
22.03.2019	Swedbank	Money laundering accusations	Added to watchlist
04.06.2019	Danske Bank	Money laundering accusations	Still on watchlist, out of ODIN Norden
06.06.2019	ING Groep	Money laundering accusations	Removed from watchlist Out of ODIN Europa
31.07.2019	Norsk Hydro	Emissions in Brazil	Removed from watchlist
14.11.2019	DNB	Money laundering accusations	Added to watchlist
19.11.2019	SEB	Money laundering accusations	Added to watchlist

Carbon footprint

In 2017 we started to measure the carbon footprint of our portfolios. The carbon footprint, here measured by carbon intensity, provides a picture at the fund level of the scale of the emissions from the companies in a given portfolio measured against the revenues. The lower the number, the better. Not all companies report their carbon footprint and we have to estimate this based on comparable companies. The reason for reporting the carbon footprint for our funds is to induce companies to measure their own emissions and set targets to reduce them from today's levels.

The carbon footprint (here measured by Carbon Intensity) is a way to measure the fund's exposure to emission-intensive companies. The carbon footprint shows the portfolio companies' emissions (CO2e over one year) in relation to their turnover (annual turnover in the fund's currency), adjusted for portfolio weight. The calculations are not exhaustive because they do not include all indirect emissions. For example, the company's emissions associated with purchased electricity (which is a Scope 2 indirect emission) are included, but emissions associated with a subcontractor's purchased electricity are not included (Scope 3). We have based our reporting on the new guidance proposed by Svenska Fondbolagens Förening and used the research firm Sustainalytics to perform the calculations on our equity funds. The key figure being assessed is the fund's carbon intensity based on calculations made with the latest available data at 31 December 2019.

The carbon footprint (NOK) for our equity funds in 2019



Collaboration and development

Work on sustainability and responsible investment is a continuous process, and it is useful to work with other investors to improve our sustainability efforts. This is why we participate in various forums for knowledge exchange, and we are members of Norsif, Swesif and Nues, among others. Internally within the company, it is also important to renew knowledge, and at regular intervals we include external experts who can give us deeper insights into relevant topics. It is also very useful to meet NGOs who are experts in different topics, so that we can be clearer in the expectations we set for our companies. Through membership in PRI, we have the opportunity to team up with other investors to influence companies and focus on certain topics.

As part of our work, we set up an ESG committee in 2019. This consists of ODIN employees across departments and offices where the purpose is to reach good solutions, answer questions from customers in different segments and make sure that we can be at the forefront. In 2020, we will continue to work on the sustainability strategy and the ESG Committee will play a key role in this work.

ESG Committee

Vegard Søraunet
CIO

Dan Hänninen
Director of institutional clients

Ane Serine Rongved
Head of sustainability

Tomas Hellström
CEO, ODIN Fonder

Harald Nissen
Portfolio manager

Jonathan Schönbäck
Senior portfolio manager

Mariann Stoltenberg Lind
Senior portfolio manager

Jessica Walter
Marketing manager,
ODIN Fonder

Walk the talk

We expects that the companies we invest in act responsibly and seek continuous improvement. This also applies to ODIN itself as a company. ODIN is a subsidiary of SpareBank 1 Gruppen, and has offices in Norway, Sweden and Finland. The headquarters are in Oslo, and it is here most of the employees are stationed.

In order to ensure to minimise our footprint, we have implemented a number of internal measures. In the course of 2020 we also publish climate accounts, which make it possible to set specific goals. This doesn't entail that we haven't previously focused on this. It's about being conscious of consumption, avoiding waste and using climate- and eco-friendly solutions wherever possible.

Conscious consumption

- Power consumption
- Paper & printing
- Disposable equipment/cutlery
- Purpose of air travel

Avoid waste

- Focus on minimising food waste, and plans for minimising packaging
- All waste must be sorted

Use climate/eco-friendly solutions where possible

- All disposable equipment from plastic and cardboard is phased to favour recycled materials

All employees received the "Ocean Bottle" water bottle as a Christmas present in 2019. This contributes to reducing the number of disposable glasses, etc. that are used. In addition, 30 per cent of the income from the bottle goes to collecting plastic under the auspices of recycling company The Plastic Bank, which employs locals in Brazil, Haiti, the Philippines and Indonesia to collect plastic. One bottle funds the collection of plastic corresponding to 1000 plastic bottles from the ocean. More information on Ocean Bottle is available here>>

Every year ODIN also gives Christmas presents to charitable causes the employees vote for. In 2019 the Christmas presents were warded to Norwegian Society for Sea Rescue, Sykehusklovnene (Hospital Clowns) and the Rainforest Foundation.

ODIN Fonder, our branch in Sweden, has for many years sponsored Hand in Hand, who work for a world free of poverty and child labour. They primarily help women to start small businesses using microloans. Thanks to increased income, women can improve the lives of their families and themselves. Hand in Hand's work model contributes to 12 of the UN's 17 global sustainable development goals. Read more about Hand in Hand here>>

We're looking forward to continuing work on this, and to setting new goals in 2020!

Goals for 2020

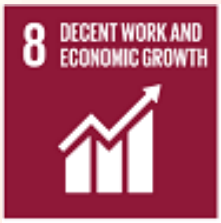
In 2020, we will continue to monitor the companies we own. At ODIN, we have an overweight of small and medium-sized companies in our portfolios, where our voice matters. These companies have less representation among the larger asset management companies, and here we believe we can make a difference.

ODIN supports the UN's sustainable development goals and will work with our companies (and ourselves) to reach the goals that have been set for 2030.

This year, as was the case last year, we will select three topics that we will focus on during the year. Two of these are linked to goals 13 and 8:

This will be:

- **The companies' goals related greenhouse gas emissions and the environment (SDG 13)**
- **Working conditions in the companies (SDG 8)**
- **Conflicts of interest**



Our goal is to create value for our unit holders. We believe that in order to achieve this goal we should invest in companies that are thinking long-term and are well prepared to meet the demands of society.

We are committed to finding the good companies out there, and sustainability concerns go hand in hand with our investment philosophy.

This is a part of the finance industry that is undergoing major developments, both in terms of available information and reporting, but also new standards that are set. Our goal is to be a leading player in this area and contribute to a better future.

VEGARD SØRAUNET
CIO

ODIN Forvaltning, Fjordalléen 16, N-0250 OSLO,
Postboks 1771 Vika, N-0122 OSLO
Telephone: +47 24 00 48 00, Organisationsnumber: 957 486 657
ODIN Forvaltning AS a wholly owned subsidiary of SpareBank 1 Gruppen AS

odinfundmanagement.com