

Guidelines for responsible and sustainable investing for ODIN Fund Management



Adopted by the Board of Directors: 09.12.2019

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1. Introduction

ODIN Forvaltning AS is an active, responsible and long-term fund manager. The company was founded in 1990 and is a wholly-owned subsidiary of SpareBank 1 Gruppen AS. The main task of our fund managers is to work to create good, long-term returns for our customers. As long-term owners of the companies we invest in, this involves a thorough assessment of risks and opportunities for said companies in the long term.

Taking into account ESG criteria is key in this context. ESG is an abbreviation for Environmental Social and Governance. Our fund managers take into account the environment and society in the assessment of the individual company. Corporate governance assessment is also at the heart of our analyses. It is important to understand how a company is influenced by the outside world, but also how the company itself affects its outside world – locally and globally. ESG impacts the companies' value creation over time, and ESG assessments are therefore a key element of all investment decisions and give the fund managers incentives to engage in active ownership.

These guidelines cover fixed income funds, equity funds and balanced funds managed by the company. The guidelines must be reviewed annually.

2. Purpose

The guidelines describe the company's procedures for taking into account and operationalising ESG criteria in the management of our funds.

The purpose of the guidelines is to:

- Ensure that we act as a responsible manager that takes into account ESG criteria in the management of our mutual funds in line with the UN's Principles for Responsible Investment
- Ensure that our unit holders receive information on how we work with sustainability and responsible investment
- Ensure that the company lives up to the current expectations of our owners and customers, and thereby ensures that compliance is in line with guidelines set by SpareBank 1 for its securities distribution

3. Principles

Our investment philosophy is intricately linked to a long-term perspective and thorough analyses at company level.

ODIN Forvaltning AS signed up to the UN Principles for Responsible Investment in June 2012. This means that:

1. We will incorporate ESG topics into our investment analysis and decision-making processes
2. We will be active owners and incorporate ESG topics into our ownership practice
3. We will work for satisfactory reporting of ESG topics from the companies we are invested in
4. We shall promote acceptance of, and implementation of, the principles in the financial market
5. We will work together to ensure the effective implementation of the principles
6. We will report on our activities and developments in the work of implementing the principles

The UN Principles for Responsible Investment were established through cooperation between the UN Environment Finance Initiative (UNEP FI) and the UN Global Compact (UNGC). The ten principles of the UN Global Compact are based on the United Nations Universal Declaration of Human Rights, the



International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention against Corruption. The UN Environment Finance Initiative contributes, among other things, to the UN Sustainability Goals (UNSDGs) and the Paris Agreement.



4. Methods

There are several methods to be used to act as a responsible manager:

1. **Integration** – which means that ESG considerations are integrated into investment decisions
2. **Active ownership** - which means that we are an active owner of the companies we are invested in through company dialogue and exercising our voting rights at general meetings
3. **Exclusions and observation** - which means that we exclude certain companies based on behaviour and/or the products/services the company offers. If behaviour/products change in the companies we own, the companies are placed on the observation list

4.1 Integration

Integration involves, among other things, ESG analysis of companies before and during the investment, as well as a screening of the portfolios on a regular basis.

- All companies that are assessed must be presented to the fund management team. This presentation will include an ESG analysis
- All the companies we are invested in must be screened quarterly against the information we have available
- The compliance department in ODIN shall ensure the quality of the processes via random sampling at regular intervals

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 analysis agency Sustainalytics. The agency gives us access to:

ESG analysis at company level

- Access to their company database and analysts
- Screening on product involvement
- Events (controversies)
- Alarm function on the portfolios every two weeks

Global standards screening - a quarterly overview that shows whether companies are or may be in breach of generally accepted norms. This is based on the UN Global Compact's ten principles, also related to the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights, and underlying conventions

Controversial weapons research - an overview of all companies that are in breach of the controversial weapons criterion defined on the basis of relevant conventions. This covers involvement in anti-personnel mines, cluster munitions, depleted uranium, nuclear weapons, white phosphorus, as well as biological and chemical weapons.

4.2 Active ownership

Our fund portfolios are mostly concentrated portfolios, and it is natural for us to be active owners in the companies we invest in. ODIN's active ownership includes:

Voting

We vote at general meetings and participate in nomination committees.

- To ensure that we exercise our voting rights in an efficient manner we use services from ISS Proxy Voting Service.
- We vote according to the Sustainability Proxy Guide Lines.
- See also our [guidelines](#) for exercising voting rights

Company dialogue

We are active owners and seek to meet the management of companies we own. We address various topics in company dialogues:

- Event-based dialogue - Company-specific events where it is uncertain whether the company is in breach of our guidelines. *See separate procedure for events >> (attached)*
- Reporting - We contact companies with the goal of improving reporting
- Topics - We contact companies about specific topics to map risks and opportunities, often as a consequence of sector affiliation and exposure in a specific country or region

Collaboration with other investors

- Company-specific or theme-based
- We make assessments of our ownership interest in the company in order to consider it most appropriate to conduct a company dialogue alone or which we collaborate on with other investors through, for example, the UNPRI Collaboration Platform

4.3 Exclusions and observation

As an active fund manager, we do not have the same need for reviews to determine what we can and cannot invest in. Each company we invest in undergoes a thorough analysis, which also takes into account ESG criteria. We expect the companies we invest in to act responsibly. 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 ESG criteria play an important role. 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 GPFG exclusion list and the companies excluded by the GPFG are automatically removed from our investment universe.

Product-based

We exclude companies that have more than:

- 0 per cent of revenue related to controversial weapons
 - Weapons that in their normal use violate human rights
- 5 per cent of revenue related to tobacco production
- 5 per cent of revenue related to pornography
- 5 per cent of revenue related to thermal coal extraction or which bases on a significant part of its operations on thermal coal
- 5 per cent of revenue related to oil sands

In addition to this, ODIN may choose to exclude sectors/industries from certain funds. This may mean that companies are excluded if they have more than:

- 5 per cent of revenue related to alcohol production
- 5 per cent of revenue related to gambling activities
- 5 per cent of revenue related to the production of fossil fuels
- 5 per cent of revenue related to conventional weapons

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:

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights, and
 - Principle 2: make sure that they are not complicit in human rights abuses.
- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining,
 - Principle 4: the elimination of all forms of forced and compulsory labour,
 - Principle 5: the effective abolition of child labour; and
 - Principle 6: the elimination of discrimination in respect of employment and occupation.
- Principle 7: Businesses should support a precautionary approach to environmental challenges,
 - Principle 8: undertake initiatives to promote greater environmental responsibility, and
 - Principle 9: encourage the development and diffusion of environmentally friendly technologies.
- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

In addition, we expect the companies we invest in to act in line with the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights, and underlying conventions. We receive quarterly reports from the analysis agency Sustainalytics with analysis on these points. In addition, we regularly review our product involvement portfolios.

Specification of expectations and criteria

We expect the companies we invest to act responsibly in their business activities. This means for example that we seek to avoid investing in companies that:

- contribute to serious environmental damage.
- contribute to actions or omissions that at an aggregate company level constitute unacceptable levels of greenhouse gases.
- operate palm oil production that is not sustainable.
- use timber from actors engaged in illegal logging, the sale of illegally harvested timber or deforestation, and/or that destroys tropical rainforests, removes primary forests or protected forests (High Conservation Value Forests).
- have significant negative consequences for local areas on the UNESCO World Heritage Site list, wetlands registered in the Ramsar Convention or vulnerable natural areas/protected areas registered by the International Union for Conservation of Nature (IUCN).

- damage endangered plant and animal species, including animal species listed on the IUCN Red List of Endangered Species, or fail to take them into account and minimise encroachment on nature.
- violate international guidelines on biological diversity and genetic engineering.

Companies we are invested in that are flagged as being in breach of these guidelines will initially be placed on our internal observation list. We will then investigate further and assess whether it would be appropriate to conduct a dialogue with the company, either alone or with other investors. If this does not work, the next step will be exclusion.

5. Collaboration and development

Work on sustainability and responsible investment is a continuous process, and it is often useful to work with other investors in order to expand our knowledge base. That is why we participate in various forums for knowledge exchange. We are a member of Norsif, Swesif and Nues, among others.

It is also important to renew knowledge and ensure the training of employees internally in the company. All employees must know how we work on sustainability, and the sustainability manager must present this work to any new employees. From time to time, we will bring in external actors who can give us deeper insight into relevant topics.

We will also support further development of the sustainability area, and at the same time be conscious of the expectations we set for our companies.

6. Roles and responsibilities

In ODIN, each portfolio manager and analyst is responsible for taking ESG criteria into account in the investment process. We believe that such organisation creates better practice than if a separate department manages this. In order to anchor the concept throughout the entire company, an ESG committee has been established, composed of people from various departments within ODIN, who meet regularly with sustainability on the agenda. Within the administration department, a sustainability manager has been appointed who is responsible for keeping the fund management department up to date, contributing with reporting and acting as a sparring partner for the fund managers. Compliance maintains an overview of companies excluded by NBIM and these companies are blocked for trading. The Investment Director has the overall responsibility.

7. Documentation and reporting

ODIN must document on an ongoing basis and report semi-annually on sustainability work. This reporting shall be made available on the company's websites at the same time as the annual and half-yearly reports. We also report annually on PRI.

Annex 1

Guideline for company dialogue

Introduction

We are active owners and seek to meet the management of companies we own. We address various topics in company dialogues, including reporting, sustainability issues and dialogue in response to an event.

Event-based dialogue

We will act when events occur where there is a particular risk if the company operates in violation of our guidelines. Event-based dialogue is conducted, alone or with others, if deemed appropriate. The process is as follows;

1. Event takes place

First report of the event either internally, externally or via Sustainalytics. If the incident is believed to be in breach of our guidelines, the company will be placed on the observation list and notification sent to the Investment Director.

2. Assessment

We spend time analysing the situation using publicly available information. We use Sustainalytics analysts to obtain more data.

3. Dialogue

We assess whether dialogue is appropriate. If so, contact the company and start a dialogue. This may be in collaboration with other investors. If not, request information or proceed to decision.

4. Decision

Once we have collected sufficient information, we decide on what to do in consultation with the Investment Director. If the company is placed on the exclusion list, we will sell the share within a reasonable time. Notification is sent out to the fund managers and compliance when companies are removed or added to lists.

5. Monitoring and documentation

Observation and exclusion lists must be kept up to date. Documentation of dialogue is stored.

If events occur in a company we are invested in, and the event is not 'cleared' in the investigation phase, the fund managers are notified. Notification must also be carried out when companies are added to and removed from observation lists and exclusion lists.

Reporting

We will also contact companies with the goal of improving reporting. This dialogue will take place via email, letter, telephone or company meeting with representatives of the management. We document requests and follow up.

Topic

We contact companies on specific topics to identify risks and opportunities, often as a consequence of sector affiliation and exposure in a specific country or region.

Documentation

Company dialogue must be documented in internal systems that enable external reporting.