

SUSTAINABILITY WORK
AT ODIN FORVALTNING

2022



ANNUAL REPORT



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A GOOD EYE FOR QUALITY COMPANIES

ODIN is an active fund manager that is always on the lookout for quality companies that can contribute to the sustainable transition and demonstrate profitable growth, and which are attractive in their markets. We monitor the companies in which we invest with constant vigilance and as active owners we influence companies to make more active choices.

Here at ODIN, we believe that investing in companies at the forefront of sustainable solutions will generate better returns for our clients. That is why sustainability is an important element of the analysis to understand both the risks and opportunities in the companies in which we invest.

It means looking where others close their eyes. It means using the power that we possess as owners to bring about change.

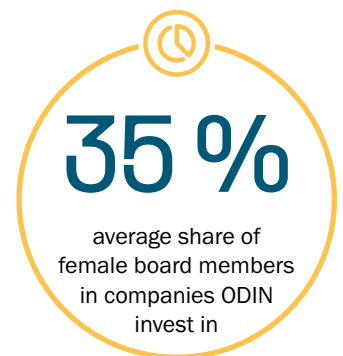
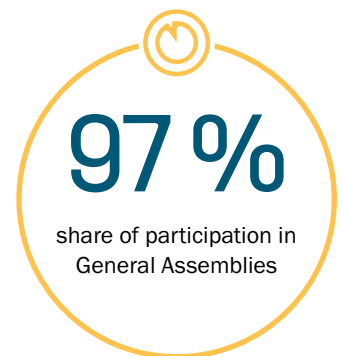
In this report, you can read more about how we are making better investment decisions by incorporating sustainability considerations.



THE YEAR IN SUMMARY

Active ownership is at the heart of active and sustainable management. The goal is to be able to deliver good returns and contribute to a sustainable transition. Three tasks are central to our work and our reporting:









- Analysis and selection of companies and securities that satisfy ESG requirements
- Monitoring and ongoing dialogue with Boards and management
- Participation in forums where policy is adopted and overall decisions are made



*Science Based Target Initiative – – the companies have committed to setting targets to reduce their emissions in line with the Paris Agreement target of 1.5 to 2 degrees.



Equity Funds

- B ODIN Aksje
- A  ODIN Bærekraft
- B  ODIN Eiendom
- B  ODIN Emerging Markets
- B  ODIN Europa
- B  ODIN Global
- B ODIN Norden
- B ODIN Norge
- B  ODIN Small Cap
- B  ODIN Sverige
- B  ODIN USA

Bond Funds

- B ODIN Europeisk Obligasjon
- B ODIN Kreditt
- B ODIN Likviditet
- B ODIN Norsk Obligasjon
- B ODIN Rente
- A ODIN Sustainable Corporate Bond



Sustainability score

Fund labelling work is carried out by a neutral third party: Position Green (formerly The Governance Group).

The labelling scheme has been developed for the funds offered by SpareBank 1 and is intended to show the sustainability grading of the funds, based on a points score.

A fund can achieve a total of five points across the three criteria: *negative screening*, *positive screening*, and *active ownership*.

Sustainability score A: Excellent (5 out of 5 points)

The fund gets a top score on active ownership and on the exclusion of sectors. The fund also gets points for investment in companies that benefit society.

Sustainability score B: Very good (4 out of 5 points)

The fund achieves a top score for active ownership and exclusion of sectors, but misses out on one point for social utility.



STRATEGIC SUSTAINABILITY

There is broad agreement on the need for a sustainable transition. The needs of the present must be met without compromising the ability of future generations to meet their own needs. This means that we must be able to make decisions based on thinking beyond their immediate consequences. We are constantly being reminded of the importance of this.

In the autumn, the climate summit in Egypt reminded us of the major climate challenges the world is facing. Many were disappointed that the final declaration did not go further in committing the world to moving away from what UN Secretary-General Antonio Guterres described as a “*highway to climate hell.*”

We have also been reminded that a lot of work remains to be done as regards human and labor rights highlighted by the controversial football World Cup in Qatar. Here, too, many are disappointed that in 2022 we have not come further

A current topic

Nevertheless, both events helped to put the topic of sustainability on the agenda. Today, hardly a conference is

held in the business sector or elsewhere in society where sustainability is not a key topic. Although many believe things are changing too slowly, there is little doubt that a lot is happening and that the plans for what will happen in the future are even bigger.

Many have argued that the problems the world is now facing have in part been caused by business, including banking and finance. However, it is now becoming ever clearer that this does not represent the full picture. Business, and especially banking and finance, is an important component of the solution to the problem.

The EU has developed its own action plan for sustainable finance where the aim is to facilitate sustainable activities. By creating a framework for sustainable finance, we can increase the financing available for sustainable solutions and manage financial risks due, for example, to climate change.

The framework can also counteract so-called ‘green-washing’ and make it easier to access information on which economic activities are sustainable. This is being followed up with new regulations for banking and finance that include strict reporting requirements.

The effect of business addressing this area must not be underestimated, at the same time as the impatience of the various pressure groups is a strength.



«Sustainability is an integral part of our strategy at ODIN. As an asset manager, this means that we take account of environmental considerations, social challenges and good governance in all of our investment decisions.»

The ODIN philosophy

Sustainability is an integral part of our strategy at ODIN. As an asset manager, this means that we take account of environmental considerations, social challenges and good governance in all of our investment decisions. Not because sustainability is on the tip of everyone's tongue, or a fashionable trend, or in response to initiatives from various pressure groups, but because we believe that investing in companies at the forefront of sustainable solutions will generate better returns for our clients. That is why sustainability is an important element of the analysis that illuminates both the risk and opportunities in the companies in which we invest.

Quite simply, we make better investment decisions by integrating sustainability considerations.

At ODIN, we want to find good companies that we can invest in over time. The time perspective for our investments thus stretches beyond the 'here and now'. As a manager, we also put together portfolios that contain a limited number of companies. This enables us to carry out good sustainability analyses of all the companies in which we invest.

Even though sustainability is an important element of the management philosophy for all of our funds, in the past year we have also launched two funds that are our

spearheads in our sustainability work, ODIN Bærekraft and ODIN Sustainable Corporate Bond. ODIN Bærekraft invests in companies around the world that contribute to a more sustainable future. As our investment philosophy specifies, we look for quality companies that are contributing to the necessary transition in our society. In the same way, ODIN Sustainable Corporate Bond also contributes to financing the transition. The fund only invests in bonds that meet specific sustainability criteria.

This report will provide you with even more insight into ODIN's approach to sustainability.

I hope you enjoy the read.

Bjørn E. Kristiansen
CEO

LONG-TERM OWNERSHIP

At ODIN, we want to be long-term owners of quality companies that are contributing to a sustainable transition. That is the promise we make to our unitholders. Sustainability and quality are equally important criteria that we take very seriously.

During the past year, we continued our efforts to incorporate sustainability into our analysis and investment decisions.

We note that new requirements are constantly being introduced for the companies we invest in and for us as asset managers. In September, Norges Bank Investment Management (NBIM) published its climate report. NBIM is going to ask all companies it invests in to draw up a plan to achieve the goal of net zero emissions by 2050.

In October, the Norwegian Government presented a list of requirements for companies in which the state is a major owner. The objective of state ownership has now been adjusted to achieving the highest possible return within a sustainable framework. The Minister of Trade and Industry was clear that if these requirements are not met then “some thought will have to be given to who governs these companies.” In addition, the government has also raised Norway’s official climate target from a 50 per cent to a 55 per cent reduction in greenhouse gas emissions by 2030 compared with 1990 levels.

In 2022, it became increasingly clear that you cannot operate any kind of business without addressing how it impacts the climate. Nor should we forget the increasing attention being paid to the other UN Sustainable Development Goals that focus on the relationship between society and the owners of companies, even though climate issues are currently receiving most of the attention.

For ODIN, this means that we also must set requirements for our companies. This is primarily done via dialogue with companies and participation in general meetings. We also need to increase our focus on assessing sustainability risks and opportunities in our analyses.

We include sustainability considerations in our investment decisions because it makes economic sense. At ODIN, we want to invest in companies that understand what drives the ambition of net zero greenhouse gas emissions. We believe these companies are better equipped to tackle the major transition we are facing. It is all about adjusting business models to the transitional risk associated with the necessary transition. We are convinced that companies that adapt successfully will provide their owners with far higher returns than those that do not.

Alexander Miller
Chief Investment Officer



ACTION BACKED BY GOOD JUDGEMENT

We invest in companies with skilled management that are well-run and have a strong competitive position when the market offers such companies at an attractive price.

Well-run

By well-run, we mean companies that demonstrate the ability over time to combine profitable growth with a healthy balance sheet.

Profitable growth is important because competitive companies are dependent on being able to retain skilled and highly motivated staff. Only companies that demonstrate a capacity for profitable growth can provide skilled employees with stimulating challenges over time. Profitable growth is also important because the value creation it generates forms the basis of our ROI (Return On Investment) as a long-term investor.

A healthy balance sheet is important because access to

financing varies over time. When the market is booming, financing is plentiful. When the markets are weak, financing is less widely available. At the same time, weak markets offer the best opportunities for profitable growth. That is why we believe it is vital that companies have freedom of action even when the market is weak. Only those companies with a healthy balance sheet enjoy such freedom of action.

Strong competitive position

We invest in companies that create value over time and we take a long-term approach to investment. Strong competitive positions are vital for creating lasting value. That is why we believe it is paramount that companies have a sustainable business model where management has the vision and capability to implement the measures needed to create long-term competitiveness.

Strong brands can provide the foundation for a good competitive position. Companies with strong brands have good customer insight. They establish a bond



between the brand and the customer that is so strong it means the price of the product is no longer the most important factor in customer decisions.

Strong competitive positions are also achieved when the value of the product to each customer increases the more customers who use it. Such network effects can be self-reinforcing and create significant barriers to entry for new entrants.

Strong competitive positions can also be built on cost leadership. This kind of competitive position is usually volume-driven. The larger the volume charged to fixed costs, the better.

Attractive price

By attractive price, we mean that the price we pay is favourable relative to the companies' profit performance and ability to pay dividends. Attractive price is important because the price we pay determines whether we realise a good return on our investments.

We have learned that good risk assessment is necessary to achieve a good ROI. That is why we have a good idea of which risks we should take, and which we can avoid. As a long-term investor, we do not worry about the general fluctuations in the capital markets. As long as the companies we invest in create value over time, we perceive such fluctuations as an opportunity for better ROI through astute buying and selling.

The real risk is that the companies we invest in do not perform as well as expected, causing a permanent loss in value for our investors. This is the kind of investment we want to avoid. That is why we invest in companies with skilled management that are well-run and have a strong competitive position.

Good investment decisions depend on good judgement. Good judgement is only possible with the relevant knowledge and experience. We have in-depth knowledge of the companies we invest in, and a well-grounded basis for why they are selected. These are companies that we believe will create value over time.

RESPONSIBLE INVESTMENTS


At ODIN, we are stock pickers, which means we are selective when it comes to choosing which companies we want to invest in. We believe companies that understand the importance of sustainability will have a competitive advantage in the years to come. We see a lack of willingness and/or ability in management to consider environmental and social factors, such as labour rights, as a symptom of poor corporate governance.

We are therefore committed to ensuring that the companies we invest in practice good management and corporate governance. This is because this will contribute to better long-term returns for our customers. Consequently, sustainability assessments are key elements of all investment decisions.


This is why our fund managers work closely with the management of our companies, set out requirements and ask questions about the companies' work on sustainability. In practice, we exercise active ownership, and we use our voice to have an influence and ensure that


sustainability considerations are higher on the agenda.

We signed up to the UN's Principles for Responsible Investments in 2012. The principles reflect our commitment to implement and report on how we include accountability and sustainability in our company and portfolio assessments. This commitment also applies to our fixed-income funds.

 **Our work on sustainability can be summarised using three main categories:**

 **Integration** – sustainability considerations are integrated into ODIN's investment decisions.

 **Active ownership** – through dialogue with company management and exercising our voting rights at general meetings, we are an active owner of the companies we invest in.

 **Exclusions and observation** – reject certain companies based on behaviour and/or the products/services they offer. If behaviour/products change in companies we own, the company is put on an observation list.

Integration

Means, among other things, that we carry out sustainability analyses of the companies we invest in. Every company we invest in is presented to the fund management team and this process includes a thorough sustainability assessment.

In other words, we consider the risks and opportunities associated with sustainability, as well as how the board and management are equipped to deal with it. We also regularly review our portfolios. Good assessments require access to good information, and we make use of information from multiple sources. These include publicly available information, such as annual reports and NGO reports, as well as 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 provides us access to its extensive 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 continuous dialogue with the companies we invest in. We also participate in nomination committees. The goal is to create awareness and encourage companies to improve their work on sustainability. In this way, the companies can become even better equipped to tackle the various issues they face, which also benefits their shareholders.

We try to vote in all of the general meetings of the companies we invest in. To do this as effectively as possible, we make use of the services of ISS Proxy Voting Service from which we receive voting suggestions based on sustainability considerations. In our dialogue with the companies we invest in, active ownership is typically linked to specific events, reporting or themes that we focus on. If anything happens in the companies we invest in, we will immediately initiate a dialogue. If we see no 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, majority owners of the companies we invest

in. Our voice is heard, and we make sure to use it. In the companies in which we are minority owners, we often benefit from collaborating with other investors.

Exclusions and observation

Are the means we use if something occurs in our companies that may be in violation of our guidelines.

As an active fund manager, we take a company-focused approach to the composition of our portfolios. This is why we do not have as much need for lists of companies we wish to exclude from our portfolios. Simply put, this means that all the companies we invest 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. Sustainability criteria have an important part to play here. At the same time, there are certain sectors and individual companies that we avoid, based the products they offer and/or the company's behaviour.

We make assessments on the basis of our own criteria and the Government Pension Fund Global (GPF) criteria. We also follow the GPF exclusion list and companies excluded by the GPF are removed from our investment universe.

We exclude companies with more than:

- **0% of revenue related to controversial weapons (weapons whose normal use breaches human rights)**
- **5% of revenue related to tobacco production**
- **5% of revenue related to pornography**
- **5% of revenue related to thermal coal extraction or which bases on a significant part of its operations on thermal coal**
- **5% of revenue related to oil sands**

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 relate to human rights, labour rights, the environment and anti-corruption. We have also drawn up documents describing our own expectations for the companies we invest in.

VIGILANCE AND MONITORING

ODIN Forvaltning is an active, responsible, and long-term fund manager. We work hard on behalf of our investors every single day to generate value for the future.

Sustainability is about how companies address the environment and social aspects in their operations, as well as how they are managed, organised and supervised. Sustainability is therefore a natural and important part of the work to find the best investments for all ODIN's funds.

In our company analyses, we assess the negative impact a company can have. It is about what companies do and how they do it. These analyses lead us to exclude certain companies and sectors. We exercise active ownership to influence companies to make improvements.

We also review the portfolios on a regular basis to identify any breaches in relation to our expectations and requirements. If a breach is found, as active owners we will try to influence the company to take corrective action, as demonstrated in the cases of Atlas Copco and Embracer on the following pages.



The management team at ODIN Sverige that handled the Atlas Copco and Embracer cases

From left: Peter Nygren, Philip Mesch, Jonathan Schönbäck, Carolina Ahnemark and Hans Christian Bratterud



CASE STUDY

ATLAS COPCO

What has happened?

In March this year, it emerged that one of our holdings, Atlas Copco, is one of four Swedish industrial groups whose equipment has been sold and delivered to organisations in the Russian nuclear weapons programme. The products concerned are standard products that are used in all kinds of manufacturing industry, not custom-made ones. Atlas Copco confirmed the accuracy of this information and launched an investigation, where it identified more than 50 transactions that had been made in violation of the company's internal rules. Their Russian companies have acted in violation of their internal regulations and Atlas has failed to apply its controls correctly, as it has a duty to ensure before sale that deliveries are made only for non-military purposes if the customer operates within both military and non-military industry. It emerged that Russian state manufacturers of nuclear weapons have been using Swedish technology for several years.

How did we follow this up?

On the same day that the news broke, we contacted Atlas Copco and put several questions to the management about their products, their internal rules, measures and sanctions and the requirements that they place on their customers. We also asked for their assessment of the risk of the scale of the breach in Russia potentially being significantly greater than 50 transactions, as well as which other countries may be subject to similar risks, what government sanctions could be imposed and how they intend to communicate this in the future. Their IR manager answered all our questions, and it appears an unintentional mistake was made relating to small volumes and isolated to one Russian sales company. Atlas takes this kind of incident extremely seriously and accepts full responsibility for what happened. The IR manager put their full effort into investigating exactly what had happened and who was involved, and an internal investigation was launched immediately.

We stayed in close contact with the company during the spring to obtain updates on when the internal investigation would be complete, whether they had considered

having an external investigation, which authorities they had been in contact with and in which countries. The answer we received was that the internal investigation would not be completed in the spring as they were examining a large number of accounts between 2014 and 2022 to check whether there were any other procedures that had not been followed. They brought in external investigators and also allocated resources and changed their processes to better ensure that this will not happen again. Among other measures, they have transferred screening away from Russia and this is now performed centrally. They have contacted ISP in Sweden as well as the Belgian authorities.

How do we move forward/ what happens now?

During the autumn, Atlas Copco completed its investigation into sales to Russia between 2014 and February 2022. Together with a third party, they conducted a thorough investigation of all their business relationships in Russia during this eight-year period, which involved auditing over 17,000 customers, including those companies previously named by the media. The investigation that was completed identified SEK 16 million in sales where the written documentation was insufficient to determine retrospectively the precise customer application, which is in contravention of the internal guidelines and policies of the Atlas Copco group. Based on the information they were able to collect, no sales for military applications were confirmed or identified.

The CEO stressed that trade compliance is vital for their business, and they have therefore enhanced their processes and invested in automation tools to improve the screening process for the various customers and businesses. They have also been transparent in their dealings with the relevant authorities. With regard to their current operations in Russia, they have put all new orders for equipment on hold, except those that are for humanitarian purposes.

We have not changed our opinion that Atlas Copco is a responsible company that is keen to do the right thing and thoroughly investigates incidents such as the one described and we have retained our entire holding.

CASE STUDY

EMBRACER

What has happened?

The Saudi Arabian state, which has been criticised repeatedly for human rights violations, became the third-largest shareholder in our holding Embracer in June through its company *Savvy Gaming Group*.

How did we follow this up?

The first thing we did when the deal with Savvy was announced was to contact the company immediately and schedule a meeting. We have had 6 or 7 meetings in total with the CEO (who is also the founder and principal owner), the Chair of the company's Board of Directors and sustainability managers. All three have been extremely clear that Savvy's investment will have no impact on Embracer's values or on how the company is run. On the contrary, they hope to be able to influence Savvy and the rapidly growing Saudi Arabian gaming industry in the right direction. We appreciate their candour but have nevertheless taken the following steps:

- *We have made it very clear that we do not like the fact that this deal was done and we have expressed this to the company both orally and in writing*
- *We voted against authorising the share issue at the Extraordinary General Meeting (we do not know of any other party that did so, despite taking soundings), and*
- *We reduced our position by selling around 3 million shares (approximately 15 per cent of our position*

We had two meetings with Savvy's CEO during the summer and autumn – one at our office in Stockholm

and one at Gamescom in Cologne. In Cologne, we also met Prince Faisal of Saudi Arabia, who is the Vice Chair of Savvy and is the person to whom the CEO reports directly. These meetings have not changed our opinion. We have made it clear that we do not want Savvy to be given a seat on the Board of Embracer – for both ethical and commercial reasons.

**How do we move forward/
what happens now?**

At the Annual General Meeting in September, it was proposed that Savvy should not be given a seat on the Board for the coming year. We see this as a positive step, and we intend to continue to attempt to influence the company and its principal owner in the future to ensure that Savvy is not proposed to the Board in a year's time either. Otherwise, we are continuing to monitor developments closely.

The deal with Savvy is the first step that Embracer has taken in the wrong direction and is an obvious negative when assessing all the factors that influence our investment. Should they take further steps in that direction, we will take appropriate action. If we lose confidence in our belief that Embracer is driven by strong values with a clear moral compass and aims to improve the future for all stakeholders, we are prepared to exit our equity position in the company. This is not where we are today but following the Savvy deal there is unfortunately a greater probability of us arriving at this conclusion in the future. We will continue to monitor the situation carefully, stay close to the company and exert as much influence as we can. Our holding in Embracer remains unchanged.

QUALITY COMPANIES CONTRIBUTE TO SUSTAINABLE TRANSITION

ODIN BÆREKRAFT

First and foremost, the ODIN Bærekraft equity fund should provide you with a good return on your money. Seeking out quality companies has always been at the heart of ODIN's investment philosophy. The quality companies of tomorrow are highly likely to help make the world a better place and are therefore particularly attractive for investment purposes.

ODIN Bærekraft, which was launched in November 2021, has been through a demanding year.

“Rising interest rates, the energy and supply chain crises and war in Europe have all led to the repricing of large sections of the stock market, including what we at ODIN define as quality companies,” says portfolio manager Harald Nissen, who manages the fund together with Alexander Nilsson. “Despite the companies delivering good results, the market has priced them down.”

Sustainability is an important element of ODIN's management philosophy. ODIN's three Ps – Position, Performance, Price – are the key to successfully managing a sustainable equity fund.

“Sustainable investing requires a clear and disciplined approach. First of all, there will almost always be a debate about our investments – are they sustainable enough? Furthermore, there are stringent requirements

for reporting and documentation and you have to be able to see through companies' greenwashing of their business. Finally, although the fund has sustainability as its purpose, it is equally important that we are able to generate a good return for our unitholders,” says Nissen.

“This is where we come to the crux of the matter. We believe that those companies which place ESG and sustainability high on their agenda will be the winners of the future,” Nilsson adds.

For a more targeted and efficient investment approach, the portfolio management team has defined five investment themes which they believe have the potential to provide good future returns. Having a thematic focus also makes it easier to communicate how the fund is invested and what unitholders can expect from the fund.

- **Renewable energy and energy transition**
- **Sustainable buildings and infrastructure**
- **Circular economy and efficient resource utilisation**
- **Sustainable transport**
- **Health, quality of life and social inclusion**

“Within these themes, we are generally looking for two types of companies. Solution companies and transition companies. We rely on both to achieve a balanced portfolio with an acceptable level of risk. Just as the world relies on both the transition of existing companies and new solutions to overcome the challenges,” says Nilsson.

“It is also important for transition companies to be



i ODIN Bærekraft

The fund in brief: Actively managed equity fund with sustainable investment as its objective as defined in SFDR Article 9.

The fund invest in companies globally that make a significant contribution to a more sustainable future.

Investment mandate	Global
Established	29 november 2021
Portfolio managers	Alexander Løes Nilsson Harald Nissen
Benchmark index	Morningstar Developed Markets Mid Large Cap Index
Risk	6 out of 7
Management fee	0,75% - 1,05%

included when sustainability is one of the fund's objectives. It can be difficult, however, to distinguish between those who are heading in a sustainable direction and those who make commitments or set targets that are not backed up by any real action."

Definition of a quality company

DiscoverIE is one of the key investments in ODIN Bærekraft and has been part of the portfolio since the fund launched.

The company is an international group of businesses that design and manufacture electronic components for use in industrial applications such as chargers, wind turbines and electric motors. The company is different from other electronics companies in that it has defined sustainability as being at the heart of its purpose. DiscoverIE operates in four main areas: renewable energy, electrification of transport, health and quality of life, and energy efficiency.

"We were looking for a unique company that was perhaps not too well known," says Nilsson. "What is exciting about DiscoverIE is that they have an ambitious plan for their own ESG work while at the heart of the company's business model is also an aim to develop technology for solutions to many of the climate and environmental challenges facing the world."

"DiscoverIE is in many ways the very definition of a quality company. The company has performed well over

a long period of time, has long-serving management and holds a forward-thinking position as an operator that helps solve the challenges to society through the smart use of technology," says Nissen.

Good track record and long-term plan essential

ODIN Bærekraft is aimed at ordinary savers and larger investors. Everyone from people looking for a good return at an acceptable risk level to those who want to invest only in companies that contribute to a sustainable transition.

"We are highly conscious of our mandate and our investment philosophy. So, we do not invest in start-ups and companies that do not satisfy the ODIN model. We think we make a greater contribution to a more sustainable future when we invest in companies that have a good track record and a good long-term plan," says Nissen, who adds that these companies are also well equipped to compete for sharp minds. "We are finding that graduates have far stricter requirements for their employer to take a sustainable approach."

"We find many well-established companies that are in a strong position to contribute to the transition to more sustainable economic development," concludes Nissen.

"These companies have excellent prospects for continued strong profitable growth that will help achieve a good return for our unitholders."

ODIN SUSTAINABLE CORPORATE BOND

FUNDS SUPPORTING THE GREEN TRANSITION

ODIN Sustainable Corporate Bond is a bond fund that has sustainability as its purpose, alongside good returns for unitholders. The fund was launched in May 2022 and in just a short space of time has achieved assets under management of NOK 1 billion.

The green transition must be funded. One of the ways this is happening is through companies issuing bonds to fund projects that aim to make a positive contribution to transition and development.

“The fund aims to contribute to the transition to a more sustainable world by investing in bonds that live up to the fund’s guidelines for responsible investment. This means that through bonds, you are helping to finance this important transition,” explains portfolio manager Nils Hast, who manages the fund together with Mariann Stoltenberg Lind.

The fund was established at the request of institutional clients to create a sustainable investment option that can provide stable returns and good liquidity.

A European investment mandate ensures access to solid fixed income securities, while higher interest rates have once again made bond funds an attractive alternative to bank deposits.

Two focus areas

The fund is actively managed and has two focus areas, alongside achieving a good return. Firstly, the fund must adhere to strict guidelines for responsible investment. Secondly, the fund managers are focused on providing a highly liquid investment alternative.

“Liquidity here means that we can easily manage the flow of money into and out of the fund. We achieve this by investing small amounts in large bond issues, which we are able to do because of the fund’s European mandate,” says Hast.

Positive contribution required

ODIN Sustainable Corporate Bond is an Article 9 fund. In practice, this means that it is not enough for the issuer or bond loan to make a positive contribution to the UN’s Sustainable Development Goals. It must also be possible to provide evidence that the company’s activities cannot be harmful to any of the other SDGs and do not violate international norms and conventions.

Although the ESG guidelines are clearly described and well documented, there is still no completely definitive answer to the question of what counts as a sustainable investment. Managers in this segment can be faced with a range of dilemmas, while at the same time the norms and regulations can change rapidly.



i ODIN Sustainable Corporate Bond

The fund in brief	Actively managed bond fund with sustainability as its purpose in accordance with Article 9. The fund invests in companies/bonds that contribute to at least one of seven defined sustainability goals.
Investment mandate	European
Credit rating	Investment Grade (IG)
Established	31 May 2022
Portfolio managers	Nils Hast Mariann Stoltenberg Lind
Benchmark index	Morningstar Eurozone 1-5 Yr Corporate Bond TR
Risk	2 out of 7
Management fee	0,15% - 0,40%
Domiciled in	Sweden, registered in Norway
Currency	Unit class currency hedged in NOK

“We have chosen to take a cautious approach to our investment decisions, based on our customers again stipulating strict requirements. We place great emphasis on openness and transparency, precisely because this is such an extensive and continuously developing area.”

Demanding management

It is not enough to use the ratings of external providers to assess the sustainability of companies.

“We also have to perform our own analyses and assessments. That is why, over the past couple of years, we have added two full-time employees to strengthen the sustainability team. This enables us to further develop ODIN’s framework for responsible investment and to analyse the companies we are evaluating from a sustainability perspective,” says Mariann Stoltenberg Lind.

Most of the fund’s investments are currently in green bonds issued by robust companies, where the money may be used for generating renewable energy, for example, or for improving the energy efficiency of buildings. The rest is in bonds issued by companies which, through their operations, contribute to one or more of the fund’s sustainability themes.

“At the same time, we avoid companies that are involved in violations of international norms and conventions (UN Global Compact and the OECD Guidelines for

Multinational Enterprises) related to the environment, human rights, working conditions and business ethics,” says Stoltenberg Lind.

The fund invests in bonds issued by European companies with a high credit quality, known as ‘investment grade’ or ‘IG’. The minimum credit rating required is BBB-. This means there is little chance of any company that issues a bond owned by the fund going bankrupt.

Commercial idealism

“As trained engineers, we are probably more engaged than the average person with how the world should handle the environmental challenges we are facing. We are interested both in how technology can help to overcome these challenges and, as managers, in how good companies and projects should be financed to bring about change. In particular, the price at which the companies borrow money. If we and other green investors are successful, money will be directed to these investments, meaning funding for more sustainable projects,” conclude Mariann and Nils.



ACTIVE OWNERSHIP

Active ownership means that we use our voice as a shareholder, both by voting at general meetings and in dialogue with the companies in which we invest.

Our goal is to vote at all general meetings of the companies in which we are invested. We also participate in nomination committees, where we help to bring the right expertise onto the companies' Boards. In this way we want to create awareness about sustainability and influence the companies to set more ambitious targets.

Through active ownership, we make the companies even better equipped to cope with the challenges they may face, and this also benefits shareholders. Following is a summary of ODIN's active ownership in 2022.

General meetings

In 2022, there were 360 general meetings held in the companies in which we have a holding. ODIN exercised

its voting rights at 349 of these meetings. In other words, ODIN voted at 97% of the general meetings held in 2022. ODIN voted against the Board on 181 motions submitted by company management.

To read more about ODIN's principles of corporate governance please see: odinfundmanagement.com

The trend for an increasing number of shareholder proposals at the general meetings of US companies continued in 2022. Among the companies in which ODIN has a holding, 98 shareholder proposals were submitted and ODIN chose to vote in favour of 62 of these.

Generally speaking, we have a positive view of proposals that encourage the company to be more open about topics that are important for society. Having more information about the company's work is important for our overall assessment of the company.

On the next page are some examples of the shareholder proposals which ODIN chose to support in 2022.

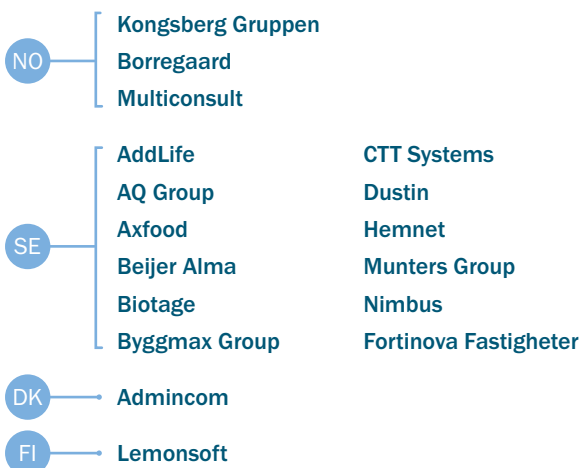
Company	Proposer	Proposal	Topic*
Amazon.com, Inc.	Shareholder	Commission Third Party Report Assessing Company's Human Rights Due Diligence Process	S
Amazon.com, Inc.	Shareholder	Publish a Tax Transparency Report	S
Amazon.com, Inc.	Shareholder	Report on Lobbying Payments and Policy	S
Amazon.com, Inc.	Shareholder	Commission a Third Party Audit on Working Conditions	S
Berkshire Hathaway Inc.	Shareholder	Report on Climate-Related Risks and Opportunities	E
Berkshire Hathaway Inc.	Shareholder	Report on GHG Emissions Reduction Targets	E
Booking Holdings Inc.	Shareholder	Report on Climate Change Performance Metrics Into Executive Compensation Program	E, S
Dollar General Corporation	Shareholder	Report on Political Contributions and Expenditures	S
Mastercard Incorporated	Shareholder	Report on Political Contributions	S
Meta Platforms, Inc.	Shareholder	Require Independent Board Chair	G
Meta Platforms, Inc.	Shareholder	Publish Third Party Human Rights Impact Assessment	S
Meta Platforms, Inc.	Shareholder	Report on Lobbying Payments and Policy	S
Microsoft Corporation	Shareholder	Report on Tax Transparency	S

Table 1: Committee-supported shareholder proposals in 2022

* E - Environmental (Environment and Climate)
 S - Social
 G - Governance

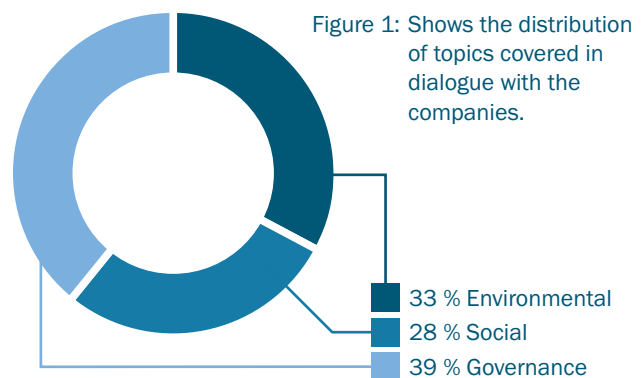
Nomination committees

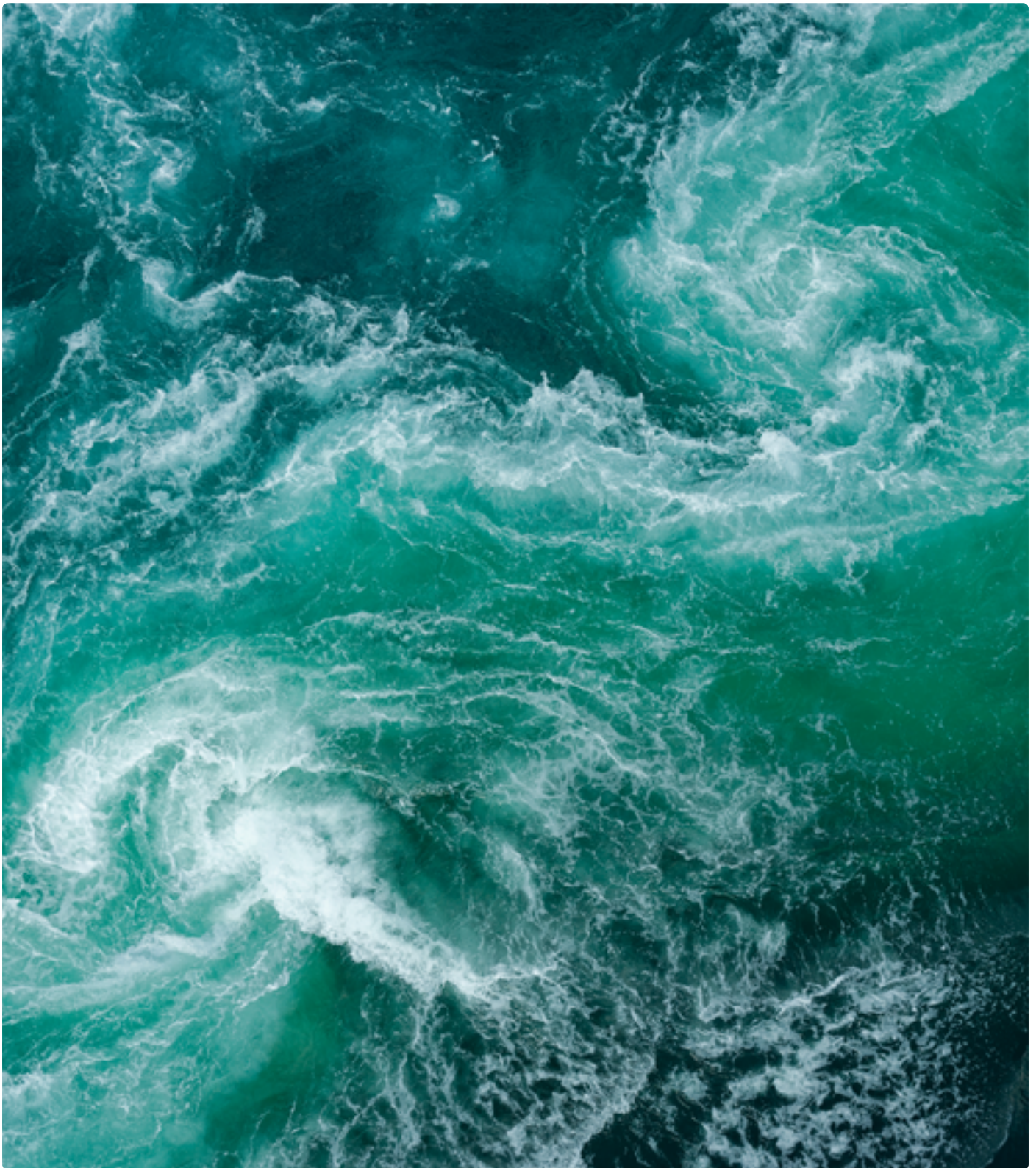
The task of a nomination committee is to propose candidates for the company’s Board of Directors. The Board is elected at the annual general meeting and are the shareholders' representatives. The Board of Directors is the chief body of the company and oversees its day-to-day management and operations. This is an important task that we undertake together with other major shareholders in the companies. Representatives of the ODIN Funds sit on 17 nomination committees:



Dialogue

As of 31/12/2022, ODIN had holdings in 267 companies. In 2022, we conducted 379 dialogues with 175 companies on ESG topics. These dialogues are defined as instances where we contact a company to discuss or request more information about various sustainability topics. We can conduct several dialogues with the same company over the course of the year. Below follows an overview of the topics that have been discussed at these meetings.





The carbon footprint of the funds

The carbon footprint, measured here in terms of carbon intensity at the fund level, provides a picture of the scale of the emissions from the companies in a given portfolio, measured against revenues. The lower the number, the better. Not all companies report their carbon footprint and, in these instances we must estimate it based on comparable companies.

We report the carbon footprints of our funds in order to encourage companies to measure their own emissions and set clear targets for cutting them from current levels. The key figure being assessed is the fund's carbon intensity, based on calculations made using the latest available data as of 31 December 2021.

Read more about how we calculate our carbon footprint here: [odinfundmanagement.com](https://www.odinfundmanagement.com)

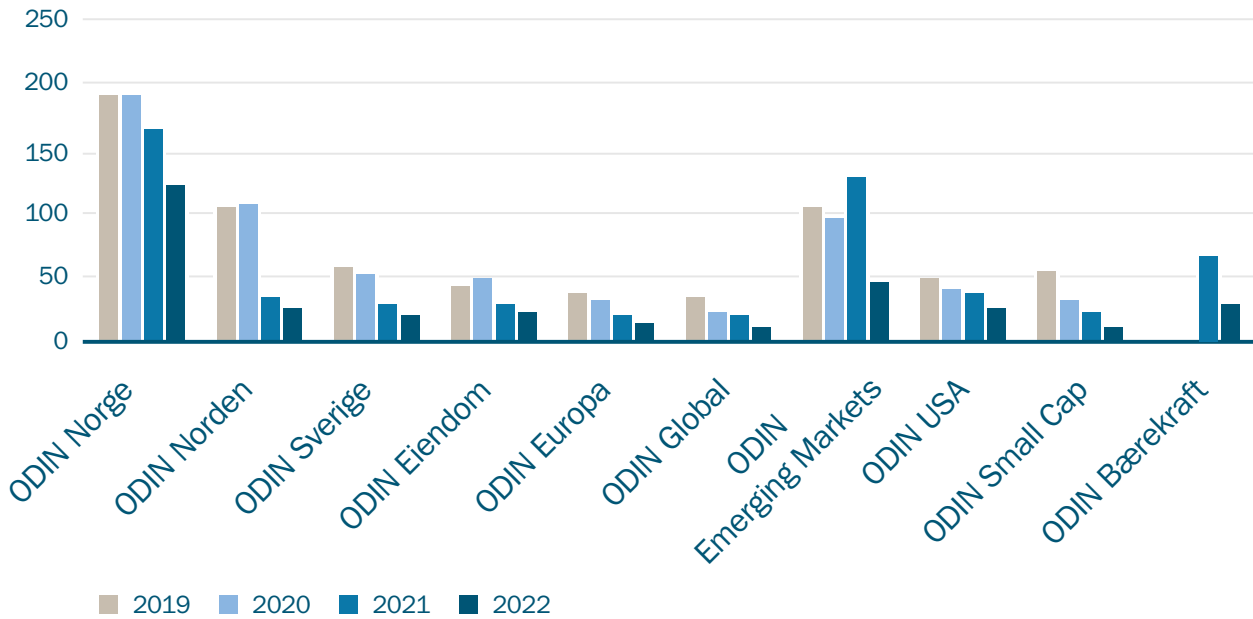


Figure 2: Carbon intensity (tCO₂e/mEUR) - historical trend

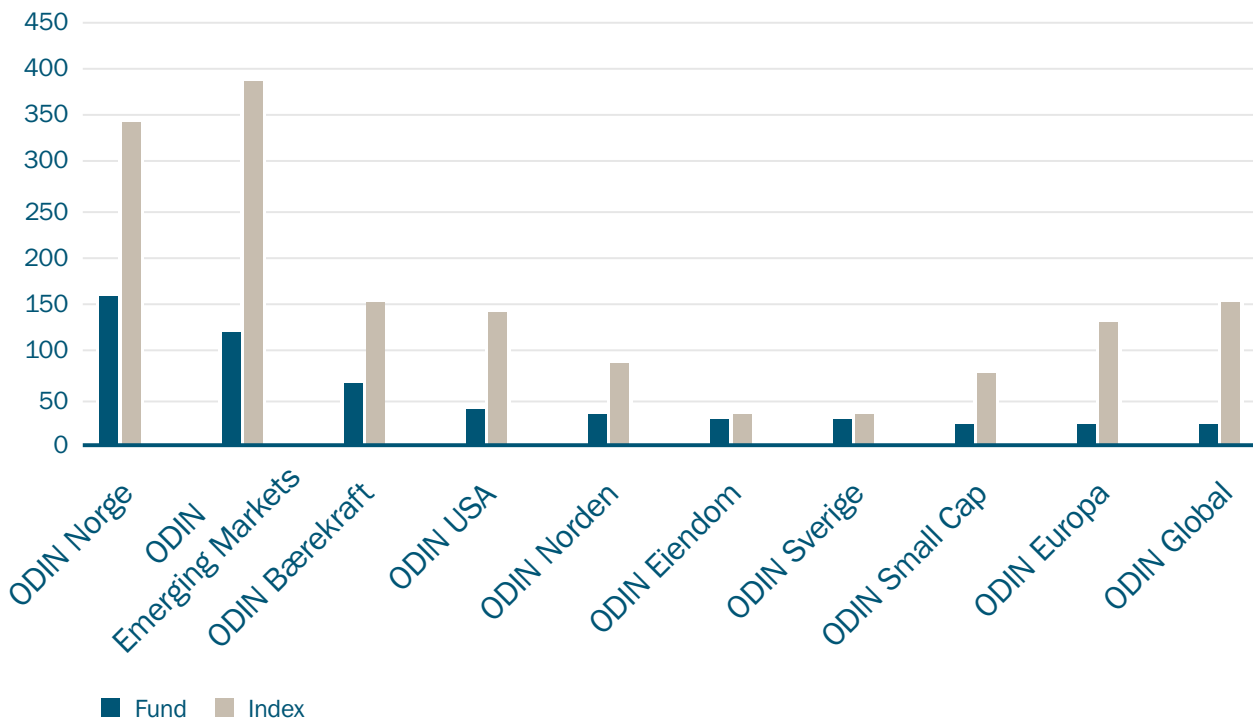


Figure 3: Carbon intensity (tCO₂e/mEUR) - relative to index

i Overview of carbon intensity

In 2017, ODIN began measuring the carbon intensity in the funds. This helps to put carbon emissions on the agenda, both for us as investors/fund managers and for the companies in which we are invested. This creates awareness, which is the first step towards change.

The carbon footprint provides a historical snapshot of the emissions from the companies in a fund's equity portfolio. As a fund manager, ODIN has its greatest impact on carbon emissions by encouraging the companies in which we are invested to set targets for reducing their emissions. This is something that we actively work on and there are now 59 companies in our portfolios that have set targets through the Science Based Targets Initiative.



PURPOSE AND EXECUTION

Sustainability is a natural part of everything we do as an active owner. Here we describe some of the important elements for the integration of sustainability at all stages of our process when seeking out the best investments for the funds.

1: Long-term approach

The world is entering a green transition and sustainability will be a vital factor in identifying those companies that are best equipped to generate future value. This includes how the companies consider environmental and social aspects in their business, as well as how they are managed, organised and supervised. Companies that do not operate in a responsible manner will eventually meet with opposition from government authorities and consumers. Companies that do not treat their workforce properly will be unable to attract the best employees. Companies that do not treat their shareholders well will lose the confidence of the capital markets over time. Long-term sustainability means long-term profitability.

2: Corporate culture

Our managers focus on identifying companies that have exceptional leadership and a strong and clear corporate culture. The power of these “soft” factors over time is important for driving value and can be underestimated by the stock market. It is the combination of hard figures and softer human factors that helps us pick out the winners. Corporate culture is even more important in turbulent times. With our strong focus on corporate culture, we devote a great deal of time to identifying sustainable, well-managed, high-quality companies for our funds. A corporate culture that embeds sustainability creates a future-proof business model that can deliver stable growth and returns.

3: Risk assessments and responsibility

Investing other people’s money carries with it a great responsibility. Performing well-balanced risk assessments is vital if we are to deliver a good return to our investors over time. We have a clear idea of the risk we are willing to take and, as long-term investors, we do not worry about short-term market fluctuations,



provided that the high-quality companies in which we invest generate value in the long term. The real risk lies in a weakening of the companies' business model, significantly affecting initial assumptions at the time of investment and increasing the risk of long-term losses. This is the kind of risk we want to avoid. Integrating sustainability into our investment decisions enables us to identify sustainable business models and reduce corporate risk.

4: Genuine active management

As active managers, our work lies in making decisions about which companies to invest in. It is not the job of the portfolio managers to buy and sell shares at a furious pace, but instead to visit factories, meet with company management and read annual reports and company analyses. This is what ODIN defines as activity – assessing and analysing companies, the corporate culture, the industry and the people who run the companies. Our portfolio managers always ask themselves if the company is one they would want to own for the next 10 years. All investments made are the active choices of our portfolio managers, entirely independent of indices.

5: Quality rather than quantity

Our equity funds contain around 25 to 35 holdings. By concentrating the holdings in our fund portfolios,

we provide our managers with a better opportunity to acquire in-depth knowledge of each individual investment. Every single investment then has a major impact on the portfolio's overall return. Having an upper limit for the number of holdings disciplines the portfolio managers in the stock selection of companies in their portfolio. Consequently, our portfolio managers always make thorough evaluations of both the opportunities for returns and the risk factors before making new investments. Concentrated fund portfolios keep the quality of each investment at a high and consistent level.

6: Visible and active owners

As active owners, we represent all our unitholders on all matters relating to the holdings in our funds. Active ownership includes participating in several nomination committees so that, among other things, we can place people with sustainability expertise on the companies' boards. We also exercise our shareholder voting rights at general meetings and we maintain a dialogue with the companies in which we invest. Our investors show an increased interest in sustainability issues, which also puts greater pressure on the companies from that direction. We aim to vote at all general meetings of the companies in which we invest.

EU FRAMEWORK FOR SUSTAINABLE INVESTMENT

A LONG WAY TO GO

“There are many who believe that the EU’s regulations on sustainability in the financial sector are fully formulated and just need a little fine tuning. The reality of the matter is that we have only just begun,” says Marte Storaker, Head of ESG at ODIN Forvaltning.

According to Marte, understanding of the regulations is continuously evolving, with the EU constantly providing clarifications.

What is currently the most important thing that is happening on the regulatory front?

The Sustainable Finance Disclosure Regulation (SFDR) was incorporated into Norwegian law in the ‘Act on Sustainable Finance’ in December 2022. It has been in force in Sweden and Finland since 2021. As of 1 January 2023, it is a requirement within the EU to report on the sustainability of funds using templates drawn up by the EU. The timeline for reporting in Norway is still unclear. The SFDR regulates the duty of disclosure and the sustainability reporting requirements of financial institutions and managers at company and product level.

“This involves a requirement for managers to provide information about how sustainability considerations are incorporated in their investment decisions. The information must follow a specific template and must be included in fund prospectuses and on websites. In addition, annual reports must be published on the development of sustainability considerations over time, based on a set of standardised sustainability indicators,” says Storaker.

By regulating sustainability information, the EU is aiming to increase the proportion of investments that contribute to a sustainable transition. By standardising sustainability information, the EU wants to make it easier for fund customers to compare the sustainability information they receive from their managers and to help avoid greenwashing.

“This is an aim that ODIN supports. We are working hard to provide more information about how ODIN integrates sustainability into its investment process in the prospectuses, on the website and in the annual report for the funds,” says Marte.

Easier to understand

As a fund manager, ODIN strongly believes in the greater regulation of sustainability information within the financial sector and for listed companies.

“Standardised sustainability information will clearly provide us with a better basis for comparison and give fund customers better information about the contribution made by the companies in which they are invested,” says Storaker. Delivering on these regulations is not straightforward, however. We are at an early stage, with much still to be clarified, as Storaker points out.

“For example, currently only two of the EU’s six environmental goals have defined technical requirements that companies must meet before they can call themselves environmentally sustainable. Requirements for the other four environmental goals are being developed and companies will not have to report on these until 2024 at the earliest.”



What exactly is sustainability?

Sustainability is a widely used term, but it is not entirely clear what you need to do to call yourself sustainable.

According to the SFDR definition, a sustainable investment is *“an investment in an economic activity that contributes to an environmental objective, or an investment in an economic activity that contributes to a social objective, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices.”*

“At first glance, this all looks fine, but what exactly does it mean to contribute to an environmental objective? The EU has not made this clear. Unlike the taxonomy, there are no clear stipulations on what is required for an investment to be called sustainable,” says Storaker. In other words, this definition allows fund managers to exercise their discretion when deciding what counts and what does not count as a sustainable investment.

Difficult for the customer

Under the SFDR, all Article 8 and Article 9 funds must commit to containing a minimum proportion of sustain-

able investments. They can commit to a minimum proportion that is aligned with the definitions in the taxonomy or to one that is aligned with the definition in the SFDR. So far, the taxonomy only covers the first two environmental goals and only those activities that can contribute most to the transition. This means that only a relatively small section of the economy is currently aligned with the taxonomy. It is also the case that listed companies are only required to report the proportion of their activities that is aligned with the taxonomy as of this year.

“This means that the data we will use to calculate the fund’s taxonomy percentage does not exist yet. It is for this reason that most fund managers avoid committing to having a minimum proportion of investments that are aligned with the taxonomy,” says Storaker.

The definition of sustainable investments in the SFDR is unclear. As a result, fund managers define sustainable investments differently and calculate their proportion of sustainable investments using different methods. It is very difficult for an investor (i.e. the customer) to review the information provided and be able to compare the funds the investor wants to invest in.

“It will therefore be important for ODIN to communicate properly to our customers concerning the ambiguities in the regulations and about how the funds invest. It is precisely because of this unclear definition that here at ODIN we have decided to wait before committing to a minimum proportion of sustainable investments. We expect the EU to provide clarifications and we want to wait for these first. At ODIN, we believe that it is the most honest approach to take with our customers. Once there is greater clarity about how sustainable investments under the SFDR should be interpreted, we will commit to a minimum proportion of such investments for a fund,” says Storaker.

A long way to go – this is just the beginning

For a business to be sustainable, it must have a net-positive impact on people and the environment.

There is no common standard for measuring this but currently there are few companies that can justifiably make that claim. The world is a long way from achieving the goals set out in the Paris Agreement, as an example.

The reporting requirements stipulated in the Taxonomy and the SFDR represent an important step towards establishing common standards. It has had a bit of a wobbly start, mainly because the necessary company data is not yet available.

“For us, it means performing proper analyses of the companies based on the information at our disposal. ESG analyses are used to assess the company’s management of its impact on people and the environment. We use this information to assess whether the companies have suitable processes in place to minimise any negative impact. Ideally, we identify companies that have products and processes with a positive impact on people and the environment,” says Storaker.

i Explainer: This is the EU’s framework for sustainable investment

On 7 March 2018, the European Commission launched an action plan on financing sustainable growth. The regulations of greatest importance to fund managers are the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy.

Taxonomy

The EU taxonomy is a classification system for sustainable economic activities. The taxonomy contains a set of technical criteria that help to provide investors, companies and issuers with a standardised classification of what qualifies as sustainable economic activity.

“It is important to understand that the taxonomy does not define which companies are considered sustainable, but instead which economic activities are sustainable. This means, for instance, that a company referred to as ‘green’ in the financial press may in fact have a relatively small proportion of its turnover classified as sustainable according to the taxonomy,” says Storaker.

The taxonomy contains 6 very specific environmental objectives:

1. *Climate change mitigation*
2. *Climate change adaptation*
3. *The sustainable use and protection of water and marine resources*
4. *The transition to a circular economy*
5. *Pollution prevention and control*
6. *The protection and restoration of biodiversity and ecosystems*

The EU is also working on a social taxonomy that has three social objectives:

1. *Decent work (including employees in the value chain)*
2. *Decent living standards for end users/consumers*
3. *Inclusive and sustainable communities*

These social objectives aim to improve conditions for a group of business stakeholders comprising employees, consumers, and local communities – with 10 sub-goals.



What are the differences between Article 8 funds and Article 9 funds?

Apart from two Article 9 funds, all of ODIN's funds are classified as Article 8 funds. This is because all the funds incorporate ESG assessments into their analysis of companies and then follow up the companies on ESG. In addition, ODIN's Article 9 funds must also identify companies that have a positive impact for people and the environment:

- **Article 8 funds** promote environmental or social characteristics but do not have sustainability as an objective.
- **Article 9 funds** have sustainable investment as an objective. Such funds must actively invest in solutions and businesses that make a significant contribution to a sustainable economic transition.

SFDR – the Sustainable Finance Disclosure Regulation

SFDR (Sustainable Finance Disclosure Regulation) governs sustainability-related disclosure and reporting requirements for financial institutions and for managers at both company and product level, i.e., the individual fund/mandate.

The following must be published for Article 8 and Article 9 funds:

- **Sustainability information on websites**
- **Sustainability information in prospectuses**
- **Annual Sustainability Report**

This information must include how the fund integrates ESG and the extent to which the fund makes sustainable investments in line with the requirements of the taxonomy and the definition in the SFDR.

ODIN's CONTRIBUTION

SOCIAL SUSTAINABILITY

Every year, ODIN gives Christmas gifts to a charitable cause. From among the many fantastic initiatives and good causes that are out there, in 2022 the employees chose to give Christmas gifts in the form of donations to the following organisations:

Doctors Without Borders

Operates all over the world, providing emergency medical care to those who need it most. They help people affected by war, conflict, and disasters.

Eco-Agents

Agents is the environmental organisation for children. They neither support nor are supported by any particular political party but are instead trying to get all the political parties to take better care of the planet. Nor do Eco-Agents favour any particular worldview or religion, but they think everyone should become better at respecting each other's beliefs and outlook on life. Eco-Agents want the Earth to be a place where we know what nature can tolerate and act and live accordingly. They are working for a cleaner environment and a more secure future.

The Norwegian Childhood Cancer Society

Exists to help children and young people who have cancer and their families. They are there for the whole family, not just the child, but their siblings and parents too. Some of the children have recovered, some have suffered late effects, some are undergoing treatment, while others have passed away.

The Norwegian Childhood Cancer Society aims to be a support partner and a source of information for families that are affected by childhood cancer so that they never feel alone. At the same time, they want to be the biggest driving force in getting the media and society in Norway to focus on childhood cancer. We want to contribute to research and education to combat childhood cancer.

Fattighuset

Is an Oslo-based organisation that aims, with a degree of self-help and mutual assistance, to improve the conditions of those who have very little and who need help to meet their most vital needs.

Fattighuset distributes free food, clothing, furniture, etc. They also provide access to self-help discussion groups, doctors, and a range of courses. The aim is to help people overcome the challenges that they face.



UNHCR – United Nations High Commissioner for Refugees

Given the crisis in Ukraine, where people are fleeing for their lives, children are separated from their parents, and relatives from their loved ones, every penny counts for those families who find themselves in a life-threatening situation. Employees of ODIN Fonder – the branch of ODIN in Stockholm – wanted to take the money that had been set aside for Christmas gifts for the employees and donate it to the UN Refugee Agency. ODIN Fonder then chose to double this amount before sending off the donation.

Hand in Hand

Eradicating world poverty is one of the sustainability goals of the United Nations. This is Hand in Hand's vision. The challenge is enormous, and the question concerns all of us - no matter how and where we live. But how are people going to make a living and lift themselves out of poverty if they don't have a job that provides an income?

ODIN Fonder has been a sponsor of Hand in Hand for many years. On a day-to-day basis, we work to find the best companies, with good management, in which to invest in our funds. It is not unusual for us to follow a

company from its small beginnings until it grows into a large company. By investing in Hand in Hand, we do much the same – especially in the poorest areas, we help by investing in women starting companies that can ultimately support an entire family.

Help for self-help is a fantastic investment that makes communities and people grow – and if there's one thing we like at ODIN, it's fantastic investments.

ODIN & Næringslivet Møter Østkanten

Næringslivet Møter Østkanten (Business Meets the East End) is a social initiative that focuses on integration and networking using chess as a bridge-building activity. In 2022, ODIN sponsored this event for the first time. Here's how Næringslivet Møter Østkanten describes itself: *«To make chess a bridge-building activity, a business-person is paired with a young person from the East End of Oslo. They are now a team who will play together in a pairs chess tournament. Pairs chess is a social and entertaining format where the players make moves alternately without communicating with their partner. This fosters a mutual understanding and improves the players' ability to work together.»*

The aim of this activity is to contribute to an integrated Norway where everyone feels included.



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