Environmental, Social and Governance (ESG)

Sustainable and Responsible Investment Policy for
ODIN FORVALTNING

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1. Introduction
This document provides an overview of ODIN’s approach to integrating environmental, social and corporate governance (ESG) factors into our investment processes. It has been prepared to give clients and prospective clients a general sense of how we consider ESG factors in the discharge of our fiduciary duties.

2. Objective
The objective of ODIN’s ESG-policy is to promote sustainable value creation by improving company governance and behavior.

Our approach to ESG integration is influenced by the characteristics of our investment strategy. We are a value investor and seek to identify companies that can be expected to create long term value. Our long time horizon and concentrated portfolio create material incentives for us to identify and integrate ESG into investment analysis and decisions; and to be active owners of the companies in our portfolio.

We have approached ESG integration from a perspective of potential value-creation rather than just market-driven client requirements.

3. Integrating ESG into our investment process
ODIN’s Chief Investment Officer has overall responsibility for the integration of ESG into our processes. Our approach has been developed to be consistent with the PRI Principles. We became a PRI signatory 29. June 2012 and will comply to the six principles:

1. We will incorporate ESG issues into investment analysis and decision-making processes
2. We will be active owners and incorporate ESG issues into our ownership policies and practices
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest
4. We will promote acceptance and implementation of the Principles within the investment industry
5. We will work together to enhance our effectiveness in implementing the Principles
6. We will each report on our activities and progress towards implementing the Principles

All of our portfolio managers have responsibility for ESG integration, and we provide them with training and support as necessary.

A key component of effective ESG integration is the quality of data and analysis. The ESG information that we integrate into our investment decisions comes from three sources:

- publicly available information (e.g. company report & accounts; sustainability reports)
- regular discussions between our portfolio managers and company management
- Sustainalytics, who provide us with
  - Company ESG research

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Our investment strategy means that we have a material interest in understanding the fundamental value drivers and risks facing actual and potential portfolio companies. This manifests in two ways:

1. Integrating ESG information into our regular company analysis process to inform buy or sell decisions. This occurs both prior to investment and at regular intervals during
the life of the investment. ESG research is compulsory in our Investment Proposal presentation.
2. Excluding companies from our investible universe based on an analysis of both "what" they do and "how" they operate.

3.4 Engagement and voting

Our investment strategy means that we have a material interest in being effective stewards of the companies in which we invest on behalf of our clients. This includes monitoring the company's progress, engaging in regular discussions with management and, where required, seeking to positively influence aspects of strategy, performance, risk, remuneration and corporate governance. We see stewardship as a process of ongoing engagement that includes, but is not limited to, the exercise of voting rights.

While we treat equally all material concerns, be they related to ESG or other factors, we also recognise that material risks related to environmental and/or social factors are generally a symptom of a broader governance failure. Ensuring that portfolio companies have an effective Board and governance systems is therefore a key objective of our stewardship activities.

Engagement

We engage selectively across our portfolios. Our engagement activity is undertaken by our portfolio managers, where appropriate in collaboration with like-minded investors. Our approach to engagement includes the following 4 steps:

1. Identifying material risks to sustainable corporate success
2. Identifying risks to our exclusion thresholds
3. Consider whether engagement is likely to be effective at influencing change
   a. if not, then sell
   b. if so, then set engagement objectives and develop an engagement plan
4. Regularly review progress on engagement to reassess the likelihood of change.

Voting

We vote our holdings. We use ISS Proxy Voting Services to execute our votes. Our voting policy is based on proxy voting guidelines created by ISS Proxy Voting Services. These guidelines, called Sustainability Proxy Voting Guidelines are consistent with the objectives of sustainability-minded investors and fiduciaries. On matters of ESG, ISS' Sustainability Policy seeks to promote support for recognized global governing bodies promoting sustainable business practices advocating for stewardship of environment, fair labour practices, non-discrimination, and the protection of human rights. Generally, ISS' Sustainability Policy will take as its frame of reference internationally recognized sustainability-related initiatives such as the United Nations Environment Programme Finance Initiative (UNEP FI), United Nations Principles for Responsible Investment (UNPRI), United Nations Global Compact, Global Reporting Initiative (GRI), Carbon Principles, International Labour Organization Conventions (ILO), CERES Principles, Global Sullivan Principles,
MacBride Principles, and environmental and social European Union Directives. Each of these efforts promote a fair, unified and productive reporting and compliance environment which advances positive corporate ESG actions that promote practices that present new opportunities or that mitigate related financial and reputational risks.

On matters of corporate governance, executive compensation, and corporate structure, the Sustainability Policy guidelines are based on a commitment to create and preserve economic value and to advance principles of good corporate governance.

3.5 Exclusion
This policy outlines ODIN’s approach to exclusions. It includes two types of exclusions:

1. Ethical exclusions: groups of companies that we exclude from our investable universe on the basis of "what" they do.
2. Risk-based exclusions: individual companies whose securities we decide to exclude (or to sell) on the basis of "how" they operate.

Our Chief Investment Officer is responsible for the implementation of this policy, which includes the following:

✓ ensuring the quality of the information on which we base exclusion decisions. We currently base our exclusion decisions on research and analysis provided by our service provider, Sustainalytics. In addition, we follow the exclusion list produced by The Ministry of Finance for the Government Pension Fund Global. The decisions are based on recommendations from the Council of Ethics established by Royal Decree.
✓ overseeing and supporting, where required, the implementation of the policy by portfolio managers
✓ assessing the impact on the risk-return profile
✓ reporting on the implementation of this policy to the Board
✓ reporting on the implementation of this policy to clients on an annual basis
✓ addressing any questions or concerns from clients or other stakeholders on an ongoing basis

We owe a fiduciary duty to our clients, whose assets are entrusted to us on the basis that we will invest according to our investment strategy and in order to maximise risk-adjusted returns. Our active, concentrated investment style means that our ethical exclusions do not have a material impact on our ability to create an appropriately diversified portfolio. Our risk-based exclusions are designed to limit exposure to companies that operate in a manner that jeopardises the long-term earnings potential (a key component of our core investment thesis) and therefore contributes positively to our risk-return profile.

We recognize that ethics and sustainability are dynamic and complex concepts, influenced by social, economic, scientific and technological change. We anticipate the need to both address new issues and to revise how we address existing issues. This policy will therefore be reviewed and, where
necessary, revised on an annual basis. We will seek input from interested clients during this review process.

1. **Ethical exclusions:** groups of companies that we exclude from our investable universe on the basis of "what" they do. That is, companies that produce goods and/or services that are fundamentally inconsistent with our, or our client's, ethical values. We will not include in our portfolio companies, or financial instruments issued by companies, that earn revenues or profits from products and/or services directly related to:

   a. controversial weapons (including nuclear, chemical and biological weapons; anti-personnel landmines, cluster bombs and depleted uranium ammunition)

We will use best endeavours to discourage any company included in the Portfolio from making acquisitions which might or would result in a breach of the exclusion threshold. Where an existing investment comes to breach the exclusion threshold, we will seek to exit the investment as rapidly as is appropriate to preserving investment performance.

**Risk-based exclusions:** individual companies whose securities we decide to exclude (or to sell) on the basis of "how" they operate. That is, companies whose behaviour poses a significant risk to the sustainability of the company's business model or earning potential.

We believe that legal and regulatory compliance is a necessary but insufficient benchmark against which to define risk-based exclusions. We base our analysis on the universally accepted norms contained in International Treaties and Conventions, and as captured in the UN Global Compact Principles.

We will implement risk-based exclusions only where we consider it unlikely that we will be able to exert a positive influence to contribute towards meaningful change in the relevant behaviours. This influence may be both at the company level, or through engagement with policy-makers and regulators.

Where an existing investment is added to the risk-based exclusion list, we will seek to exit the investment as rapidly as is appropriate to preserving investment performance. In large cap markets, we expect that this can be delivered within 2 weeks and in smaller cap markets 3 months; if we believe that in particular circumstances this timetable cannot be delivered, we will report to our clients the reasons for a different timeframe, taking to account the nature and extent of the breach and the value implications.

4. **Cooperation**

ODIN intends to work closely with other investors to promote sustainability by improving company behavior. Portfolio managers are being motivated to cooperate with other portfolio managers and thereby increase influence by bundling ownership from different investors.
ODIN is member of different organisations that have the purpose of promoting sustainability and corporate governance, such as Norsk Eierforum.

5. Promotion
We recognise our responsibility to influence positively the effectiveness of capital markets in supporting sustainable, long-term economic growth. This includes reactive responses to key consultations and requests for comments, as well as a proactive approach to promoting four key objectives:

1. Empowering owners: fiduciary duty, stewardship codes, investor collaboration, voting
2. Investor protections: market rules, minority rights, related party transactions, Boards
3. Lengthening timeframes: strategy, risk registers, incentive structures, externalities
4. Honest reporting: report quality, accounting standards, auditor independence

6. Reporting
We believe that reporting can serve two important purposes: a) reporting to our clients is an important part of helping them to hold us accountable for our approach to ESG integration; and b) reporting publicly can help both the general public and other investors to better understand the benefits of ESG integration. We will report as required by the PRI reporting framework and will upon request also provide clients with our assessment scores.