

## ODINs expectations

As an active asset manager with concentrated portfolios, we are highly selective in the choice of companies we invest in. This entails that all the companies we are invested in are thoroughly analyzed and selected after a lengthy process. Sustainability criteria impact the companies' value creation over time, and assessments related to this are therefore a key element in investment decisions, and also gives the portfolio managers additional incentives to engage in active ownership.

ODIN joined the UN's Principles for Responsible Investment in 2012. This is based on our commitment to implement and report on how we include responsibility and sustainability criteria in our company and portfolio assessments. We expect the companies we invest in to act in accordance with generally accepted norms and base our assessments on the principles as captured in the UN Global Compact and OECDs guidelines for multinational companies. There are certain sectors and individual companies we avoid based on the product involvement and/or the company's behavior. Engagement, observation, and exclusion are among the means we use, and companies will be excluded or placed on the observation list in the event of serious and systematic violations of generally accepted norms. For more information of how this is operationalised, see our guidelines [here>>](#)

This document highlights our expectations towards our portfolio companies. This is not an exhaustive list, and expectations not mentioned in this document are not to be regarded as less important, but as this document will evolve over time it will include more topics. The purpose of this document is to mitigate risk in our portfolios as well as to act as a framework to positively influence companies through engagement. This also applies to our fixed interest funds. We may invest in green/sustainable bonds in companies transitioning.

<b><u>Themes</u></b>	<b><u>Sectors</u></b>
1. <u>Climate change</u>	1. <u>Controversial products &amp; industries</u>
2. <u>Corruption</u>	2. <u>Mining</u>
3. <u>Gender equality</u>	3. <u>Oil &amp; gas</u>
4. <u>Human rights</u>	4. <u>Fisheries and fish farming</u>
5. <u>Labour rights</u>	5. <u>Sustainable forestry and agriculture</u>
6. <u>Nature</u>	
7. <u>Animal welfare</u>	

## Themes:

### 1. Climate Change

Climate change will influence the global economy, and companies will be affected through transition and/or physical risks, but it also gives rise to opportunities. How well companies manage these risks and opportunities may drive long-term returns for us as a shareholder. Therefore, we believe companies should integrate relevant climate change risks and opportunities into their corporate strategy, risk management and reporting.

- We encourage our portfolio companies to switch from using fossil fuels to using renewable energy sources, and to phase out coal fired power generation over time.

We expect our portfolio companies to:

- disclose their direct and indirect greenhouse gas emissions, and to reduce their direct and indirect greenhouse gas emissions.
- not participate in lobbying aimed at weakening climate policy.
- that companies avoid conversion of peatland and high-carbon stocks for agricultural development.
- if involved in production of biomaterials, comply with the principles of the Roundtable on Sustainable Biomaterials (RSB).

### 2. Corruption

Corruption undermines economic efficiency. It also disadvantages the compliant companies and is damaging to shareholder value.

- Offering, promising, giving and requiring, either directly or indirectly, bribes and other undue advantages in order to acquire and to maintain assignments and other undue advantages, is unacceptable.

As principle 10 in the UNGC states; in addition to avoid bribery, extortion and other forms of corruption, companies should also develop policies and programs to address it. We expect our portfolio companies to:

- develop policies and concrete programs to address corruption risk.
- publicly disclose their ultimate beneficial owner or owners.
- have a management system which results in immediate actions if suspicions arise that employees or suppliers are guilty of corruption.
- report on their participation in the decision-making processes of international norms and legislation (lobby practices).

### 3. Gender equality

We expect our portfolio companies to:

- have a zero-tolerance policy for all forms of gender discrimination including verbal, physical and sexual harassment.
- have systems in place to manage pay equity, and to prevent and mitigate gender discrimination of its customers.
- promote equal access for women to senior level positions.

### 4. Human Rights

We expect our portfolio companies to:

- respect all human rights as described in the United Nations Guiding Principles on Business and Human Rights.
- to have a policy commitment to meet their responsibility to respect human rights, and to have processes that enable the remediation of any adverse human rights impact which they cause or to which they contribute.
- to establish or participate in effective operational-level grievance mechanisms for individuals and communities who may be adversely impacted.
- to prevent conflicts over land rights and acquire natural resources only by engaging in meaningful consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples and/or the land users involved.
- to have special attention for respecting the rights of children.
- to have special attention for respecting the rights of women, especially to prevent discrimination and to improve equal treatment of men and women.
- to avoid enabling settlements in occupied territories in respect of International Humanitarian Law.

### 5. Labour Rights

- All forms of forced and compulsory labour are unacceptable.
- Child labour is unacceptable.
- Discrimination in respect of employment and occupation is unacceptable.

We expect our portfolio companies to:

- respect the ILO Declaration on Fundamental Principles and Rights at work
- uphold the freedom of association and the effective recognition of the right to collective bargaining.
- to pay a living wage to their employees.
- to apply a maximum of working hours.
- to have a solid health and safety policy.

- to have a management system to monitor and correct compliance with norms on labour law.
- to establish procedures on how to deal with and process employee complaints and how to solve violations and conflicts.

## 6. Nature

We expect our portfolio companies to:

- prevent negative impacts on High Conservation Value (HCV) areas, protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN), UNESCO World Heritage sites, protected areas that fall under the Ramsar Convention on Wetlands within their business operations and the areas they manage.
- prevent negative impacts for the populations or the number of animal species that are on the IUCN Red List of Threatened Species.
- prevent the introduction of invasive alien species in ecosystems.
- conduct water scarcity impact assessments and prevent negative impacts in water scarce regions.

## 7. Animal welfare

We expect our portfolio companies to:

- respect the Five Freedoms of animals.
- have set requirements for the use of laboratory animals for manufacturing medical products in order to limit animal suffering and the number of animals used as much as possible and look for alternatives to animal testing.
- To apply a prudent use of antimicrobial medicines (antibiotics) in food-producing animals in order to minimize antimicrobial resistance.

## **Sectors & products**

We expect our portfolio companies to follow principle stated in the themes section, however certain issues are more material in certain sectors. We expect our companies to disclose proper policies and report.

### **1. Controversial products and industries**

We perceive legal lines of business such as the porn industry, tobacco industry, parts of the arms industry, along with employment conditions that conflict with international principles, to be in breach of ethical norms. In the case of the arms industry this applies to companies that produce arms which in normal use violate fundamental human principles. This means:

- production of and trade in anti-personal landmines, cluster munitions, nuclear weapons, chemical weapons, biological weapons, including key components, is unacceptable.
- we expect companies to have a policy to ensure that no export of arms takes place to areas where human rights violations are known to occur, or to countries where owing to widespread corruption or civil war there is a large likelihood of arms ending up in such areas.
- Further, that the company does not profit from arms sales to countries where arms investments are at the expense of covering the population's primary needs. Such areas and countries shall at minimum be defined as countries coming under the arms embargo adopted by the UN, EU or USA.

### **2. Mining:**

A guiding principle for mining operations is to minimize encroachments on the environment, and, irrespective of local legislation, to have in place plans for cleaning emissions and for restoring the topography and repairing interference with nature after closure of a mine.

We expect companies to;

- prevent negative impacts as mentioned under the theme nature related to the IUCN, UNESCO World Heritage sites, areas that fall under the Ramsar Convention on Wetlands within their business operations and the areas they manage.
- mitigate the chance of accidents by having a contingency plan and to not operate in locations where the consequences of an accident for the environment are unmanageable.
- reduce extractive waste and manage and process this in a responsible way.
- conduct water scarcity impact assessments and prevent negative impacts in water scarce regions and to not start new operations in areas where water scarcity is pre-existing and operations would compete with the needs of communities.
- respect the ILO Declaration on Fundamental Principles and Rights at work, and have processes to enable the remediation of any adverse human rights impact which they cause or to which they contribute.

Encroachments on the environment must also be carried out in such a way as to ensure that indigenous people's rights and opportunities to continue their traditional way of life are not obstructed unnecessarily.

### 3. Oil & gas

We expect our portfolio companies to:

- mitigate the chance of accidents by having a contingency plan and to not operate in locations where the consequences of an accident for the environment are unmanageable
- to reduce waste from oil and gas extraction and mining, especially the flaring of natural gas, and manage and process this in a responsible way.
- include the environmental and health effects of the dismantling of production facilities in plans for the development of new projects.
- conduct water scarcity impact assessments and prevent negative impacts in water scarce regions, and to not start new operations in areas where water scarcity is pre-existing and operations would compete with the needs of communities.
- prevent conflicts over land rights and acquire natural resources only by engaging in meaningful consultation with local communities or land users involved.
- respect the ILO Declaration on Fundamental Principles and Rights at work, and have processes to enable the remediation of any adverse human rights impact which they cause or to which they contribute.

### 4. Fisheries & fish farming

Responsibly operated fisheries are among our most important resources. We expect our companies to:

- not to profit from fishing techniques that hurt threatened species and fish stocks.
- comply with requirements set in quotas and licences to ensure sustainable management.
- apply for certification and to participate in collaborations on joint management of fish stocks, and to abide by such regulation.
- We also expect the fish processing industry to endeavour to purchase raw materials from responsibly minded suppliers, and to contribute to collaborations on environmental certification.

For the fish farming industry, we expect the

- fish food producers to work to increase the proportion of sustainable plant-based raw material in fish food, and that fish food from marine resources should be from sustainable sources.
- fish food producers to do their utmost to minimise the carbon footprint of their operations and transportation of raw materials, and to impose requirements as to emission-reducing measures on their suppliers.

- The fish farming industry also has a responsibility for its impact on local biotopes and pollution of surrounding areas through discharges of organic waste and its influence on the density of parasites and occurrence of fish diseases.
- Furthermore, irresponsible fish farming may lead to the escape of fish which in turn could threaten local fish stocks through interbreeding or through destruction of spawning grounds. Responsible fish farming companies take an active position on their impact on local biotopes, spread of contagion to local fish stocks, use of medicinal products and escape of fish.
- We expect the companies to work actively to reduce such negative secondary effects on their local environment, and not to exploit weaknesses in local legislation in their quest for higher profits at the expense of their responsibilities. We expect the companies to air these issues and to describe their active endeavours to achieve improvement in their annual reports.

## 5. Sustainable agriculture & forestry

We expect operations to be set up so that land and water resources are not depleted. People's rights to coexist with organised agriculture should also be safeguarded. It is important to secure access to grazing land, relocation of livestock and access to water sources.

Deforestation and the associated impacts on biodiversity and climate change give rise major risks. The reduction of deforestation is a key solution to managing these risks and contributing to efficient and sustainable financial markets in the longer term. We encourage companies to demonstrate clear commitment to eliminating deforestation within their operations and supply chains by:

- publicly disclosing and implementing a no-deforestation policy.
- assessing operations and supply chains for deforestation risk and reduce this risk.
- establishing a transparent monitoring and verification system for supplier compliance with the company's no deforestation policy.
- reporting on deforestation risk exposure and management, including progress towards the company's no-deforestation policy.