

SUSTAINABILITY WORK AT ODIN FORVALTNING

2023



ANNUAL REPORT



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THE YEAR IN SUMMARY

Active ownership is at the heart of active and sustainable management. The goal is 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.



DRIVER FOR CHANGE

A central part of ODINs sustainability work, is to ensure alignment with international initiatives and organizations.

As regulatory requirements and expectations for sustainability increases, it is important that our companies commit to international standards and cooperation.

167

companies committed to UNGC

77

companies validated and committed to SBTi



WOMEN IN MANAGEMENT

Diversity leads to better decision-making. At ODIN, diversity is an important factor when judging quality companies.

In less diverse companies, we engage with the nomination committees or the company directly to understand their diversity and inclusion strategies.

360

companies we invest in

36 %

average share of female board members in companies ODIN invest in



ACTIVE OWNERSHIP

We exercise active ownership through company dialogue and the use of voting rights at general assemblies.

Our goal is to increase awareness of, and encourage our companies to strengthen their work on, sustainability related topics.

316

participations in General Assemblies

92 %

share of participation in General Assemblies

SUSTAINABLE FINANCE

ESSENTIAL FOR CHANGE

Sustainability as part of our fund management

We have rounded another year with a gloomy backdrop. Every day, new reports covering ongoing conflicts and the horrors of war in Ukraine and the Middle East tick in. At the same time, extreme weather, both at home and abroad, keeps reminding us of the global climate changes we are facing. According to reports, 2023 is set to be the warmest year since systematic temperature measurements began around the mid-1800s. There is no exaggeration in saying that we are facing major global challenges.

Climate change, loss of nature, social inequalities and conflicts are all threats to a sustainable future. The Paris Agreement and the UN Sustainable Development Goals have established a common global direction for addressing these challenges and drive the necessary transition. No sector will be exempted from the changes that are coming. The financial sector is affected on many levels – through risks and opportunities for investment, through new regulations and through expectations to contribute to solutions. It is presumed, both from the EU and other authorities, that Sustainable Finance, including fund management, will play a particularly important role in driving the transition.

At ODIN Forvaltning, sustainability is an integrated part of our daily work, and has become an increasingly important aspect of our responsibility when managing assets on behalf of our customers. We firmly believe that investing in companies that operate responsibly in line with international standards will provide better long-term returns. A prerequisite for long-term value creation is to invest in sustainable business models that consider employees, affected local communities, climate change and the environmental and social consequences of economic activity. Going forward, one of our most important jobs will be to find companies that contribute to the transition we all want to see.

A successful societal transition requires all companies to become more sustainable, and cannot be achieved by only those that are already considered “green” or sustainable today. Credible transition companies will provide good long-term investment opportunities.

As a responsible fund manager, it is not enough for us just to understand how the companies we invest in affect the climate, the environment and communities. We must also be able to report on this so that you as our customer can better assess how we are doing in this area. The scope of reporting is based on the principle of double materiality – i.e. an assessment of the impact of the companies’ operations on the environment and the impact of various sustainability themes on the company’s financial results.

Until now, reporting on sustainability has largely been voluntary and qualitative in nature. The fact that sustainability is now regulated and required by law on a par with financial reporting means that claims made in a sustainability report must be verifiable. At ODIN we welcome this and believe it is the right way to go, even though it may be challenging to obtain good data in all areas for a transitional period. Everything has to start somewhere and this is no exception.

We are seeing increasing commitment from our customers when it comes to sustainability – both in terms of investing in funds that have clear sustainability goals and in understanding how we as a fund manager can make a difference. We hope 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



ODINS ROLE IN SUSTAINABLE TRANSITION

AMBITION: 2050 NET-ZERO

Strong ambitions for the future

At ODIN, sustainability is a fundamental part of the investment philosophy, with environmental, social and corporate governance integrated into all investment decisions. In order to be more open and clearer about the ambitions we have in this field, we have adopted a sustainability strategy at Group level. The strategy was drawn up to ensure a unified direction for our sustainability work. For ODIN, the strategy will further develop the way we work with sustainability and stipulate specific objectives for both our investments and our own operations.

Our duty as a responsible fund manager is twofold – contribute to the sustainable transition while safeguarding and creating value for our customers by integrating sustainability in everything we do. We assess not only the ESG risks of our portfolio companies, but also the opportunities provided by companies that solve sustainability challenges and have potential for change. Our ambition is to play a role in the transition by leveraging the power we have as an investor to make the best investments and encourage our companies to move in the right direction.

The work ahead

We have set ourselves an overarching goal – to achieve net-zero by 2050. To achieve this, we will spend 2024 mapping the climate footprints of our portfolios so we can set meaningful emissions targets for 2030 and 2040 in line with the Paris Agreement. Thanks to our investment philosophy and our chosen sustainability criteria, our portfolios already have low carbon footprints.

There is still room for improvement, however, and we want to work long-term to increase the share of portfolio companies with science-based climate targets, for example those approved by the *Science Based Targets initiative (SBTi)*. This is something we have already been working actively with for the past few years. While we recognise the necessity and usefulness of such targets, we also acknowledge the fact that not all companies will be able to put these in place in the short term. For us, the most important thing is to contribute to the transition that both society and the planet need, and we believe there are many ways to achieve this goal. We will therefore continue to work on and strengthen internal processes to assess companies' plans and potential for participating in the transition.



A crucial factor in this process will be identifying those companies with *credible* transition plans. It is no longer enough to say that we need to change, without making the necessary investments, assessments or actual changes that are needed to achieve our common goals.

Sustainability is about more than just the climate. As a responsible fund manager, we also focus on other key environmental, social and governance challenges relating to our investments. Although we have always applied a holistic ESG perspective in our assessments, we do see the benefit of performing more in-depth analyses for certain topics. Climate risk is one such topic, as mentioned above, but going forward we will also work to broaden our understanding of the portfolio's exposure to areas such as risks and opportunities relating to nature and biodiversity.

It is important to us that all the sustainability work we do pull in the same direction, continuing to build on what has already been done. Much of our work in 2023 was related to the EU's Sustainable Finance Disclosure Regulation ("SFDR") and reporting on the portfolios' "Principle Adverse Impacts" ("PAI") on sustainability (See more on page 12).

At ODIN, we have chosen to report three voluntary PAIs for our portfolios. The PAIs were chosen because we believe compliance in these areas is fundamental to good corporate governance, and we have therefore used them as a basis for our target-setting. Our ambition is that by 2030, all our portfolio companies will:

- *Have a policy for compliance with human and worker rights in line with international standards for due diligence.*
- *Have an anti-corruption policy.*
- *Have set goals for gender balance, diversity of expertise and background for their board.*

It is our responsibility to contribute to the transition, not only because it is the right thing to do, but also because we believe that companies that work actively with sustainability will provide better long-term returns. We are humbled by the task, recognising that we as a fund manager, as well as the business community and society as a whole, still have a long way to go. It is therefore important that we work continuously to improve our approach to integrating sustainability in our investments, building on our long experience to achieve our goals.

ASSESSMENT OF ESG RISK

ODIN managers go back to school

In 2023, ODIN have focused on developing the ESG-competencies of its fund managers and analysts.

One of the requirements specified in Article 6 of the Sustainable Finance Disclosure Regulation concerns the integration of sustainability risks in asset management and investment advice. Fund managers must provide information on how sustainability risk considerations are integrated into investment decisions and how the assessment of these risks may affect the return on the financial products they offer. This requirement also applies to financial advisors in their investment advice.

At ODIN, we recognised that to comply with this legal requirement, we needed to enhance our internal competence regarding the assessment of company ESG risks as part of the investment process. Therefore, during 2023, everyone in ODIN's Fund Management Department (i.e. all managers and analysts, as well as the Investment

Director) completed a course on integrating sustainability risk into investment decisions. The key is to map the material ESG risks at company level and assess the associated financial risk. We engaged Dag Messelt of SustainAX, an experienced and competent external ESG resource, to facilitate the course. The course took place over several weeks and focused on strengthening our understanding of the potential adverse impacts that sustainability risks can have on a company's returns and development. It also helped ensure that we all 'speak the same language' when discussing the sustainability profile of companies.

In autumn 2023, we took another step to enhance our internal ESG expertise. Carolina Ahnemark, one of ODIN's portfolio managers in Sweden, has completed the CESGA certification course and can call herself an [EFFAS Certified ESG Analyst](#). ODIN plans to send more portfolio managers on CESGA courses in the coming year.



The CESGA course has been a great help in gaining a better understanding of a complex area. It was ‘hands on’, has helped me structure analyses and approaches and has also deepened my understanding of the risks that companies face. It has made sustainability-related risks a more natural and integrated part of my thinking.



Carolina Ahnemark

Portfolio manager
ODIN Micro Cap, ODIN Sverige
and ODIN Small Cap



The course from SustainAX was very useful, and deepened my understanding of how the integration of ESG-risk in decision-making is a natural part of financial risk assessments. Structuring ESG-risks through probability, timeline and potential financial impact clearly anchors the analysis in traditional financial risk analysis.



Robin Øvrebø

Portfolio manager
Responsible manager for ODIN USA
and co-manager for ODIN Europa

Alongside accredited training, we are also committed to keeping sustainability high on the agenda. We therefore invite experts in various fields to come and share their experiences and perspectives. This fall, an internal presentation focusing on the ‘S’ of ESG was given to the Fund Management Department by Pia Goyer, a human rights lawyer and former adviser to the Council on Ethics at NBIM. Her presentation covered the business sector’s responsibility for human rights, risk mapping and assessment of companies’ work in this field, as well as tools that can be used ODIN when exercising our ownership rights.

We also invited Lieutenant Colonel Geir Hågen Karlsen, principal instructor at the Staff College of the Norwegian Defence University College, to give a presentation focusing on geopolitical risk. His presentation included elements of E, S, and G risks and was entitled ‘*Geopolitical Threats: War, China, Cyber, Sabotage*’. Karlsen outlined various risks related to Russia’s war on Ukraine, the conflict in the Middle East, and the polarised relationship between the USA and China.

ODIN’s sustainability expertise

At ODIN, the portfolio managers and analysts are responsible for performing ESG-analyses of the companies they want to invest in. Sustainability is key for the companies’ long-term value creation. The focus on sustainability keeps increasing, and the field is continuously developing and changing. To ensure ODIN’s leading position on sustainability, we have increased both internal capacity and competences to develop this area in line with increased expectations both of us as a fund manager and of the companies we invest in.

During 2023, our Sustainability team has grown to 3 full-time resources, of which one supports our team in Stockholm. Reflecting the increased importance of sustainability in the organization, our Head of Sustainability now holds a seat in ODIN’s management team. There is still a lot of work to do in the field of sustainability, but we feel well prepared for the future.

STATUTORY REPORTING ON SUSTAINABILITY

During 2023, several new laws relating to sustainability reporting requirements have come into force in Norway. The EU's Sustainable Finance Disclosure Regulation and Taxonomy Regulation have been incorporated into Norwegian legislation through the "Act on sustainability-related disclosures in the financial services sector and a framework for sustainable investments". In addition, the "Transparency Act" has been introduced with a reporting obligation in 2023.

SFDR – "Sustainable Finance Disclosure Regulation"

The EU's regulations on sustainability-related disclosure and reporting obligations in the financial services sector have been incorporated into Norwegian law with effect from 1 January 2024. This EU Directive, referred to as the SFDR (*Sustainable Finance Disclosure Regulation*) stipulates requirements for the information to be provided regarding the sustainability of financial products. This disclosure requirement covers climate and environmental impact, social and employee-related issues, respect for human rights, and anti-corruption work.

Under the SFDR, fund managers must report the following for Article 8 and Article 9 funds:

- *Information on how sustainability is integrated into the investment decision.*
- *Pre-contractual information on the environmental and/or social objectives of the fund.*
- *Periodic reporting on the extent to which these purposes have been fulfilled.*

As part of the periodic reporting, an account must be provided of the most important negative impacts on sustainability, referred to as "Principle Adverse Impact indicators" ("PAIs"). ODIN published its first PAI statement on 15 June 2023. The statement relates to ODIN Forvaltning AS and shows that we will follow up on 14 mandatory and 3 voluntary PAI indicators. The list of PAI indicators will be reviewed annually and updated as access to, and quality of, data improves. We assess the principal adverse impacts on sustainability at entity level and apply the PAI indicators to ESG analysis at fund and mandate level.

A link to ODIN's PAI statement can be found [here](#).



EU Taxonomy – “Classification Regulation” or “Taxonomy Regulation”

The EU Taxonomy has been incorporated into Norwegian legislation through the “*Act on sustainability-related disclosures in the financial services sector*”, which entered into force on 1 January 2023. The legislation establishes a classification system that will make it possible to identify economic activities that are considered sustainable in a selected range of sectors. For the activities to be considered sustainable, they must meet three criteria.

- *The activity must make a substantial contribution to at least one of the EU’s six environmental objectives by complying with technical screening criteria specific to each economic activity and to each environmental objective for which the activity is relevant.*
- *The activity must do no significant harm to any of the other environmental objectives.*
- *The company must comply with certain minimum safeguards for social and governance issues.*

In addition, the Regulation requires undertakings outside the financial sector to disclose information on the sustainable proportion of their activities, i.e. the proportion of turnover, capital expenditure (*CapEx*) and operating expenditure (*OpEx*) that is considered sustainable. Through this information, as required by the SFDR, asset managers will provide information on the percentage of investments at fund level that are Taxonomy-aligned.

The Transparency Act – social sustainability is enshrined in law

The purpose of the Transparency Act is to promote enterprises’ respect for fundamental human rights and decent working conditions in connection with the production of goods and the provision of services and ensure the public access to information regarding how enterprises address their adverse impacts in these areas.

The companies’ due diligence involves investigating and managing the risk of adverse impacts on human rights and decent working conditions. The assessment must include the potential impact of the enterprise’s own operations as well as its supply chains and business partners.

The Transparency Act targets larger Norwegian enterprises that offers their products and services in Norway or abroad. ODIN is covered by the Transparency Act and is obliged to produce an annual report describing how we work to promote respect for human rights and decent working conditions in our roles as employer, purchaser, and responsible fund manager.

Read our due diligence report on human rights and decent working conditions [here](#).

SUSTAINABILITY AND QUALITY GO HAND IN HAND

THE ODIN MODEL

At ODIN, we aim to be long-term owners in quality companies that contribute to a sustainable transition. This is the promise we make our customers.

We believe that you cannot find real quality without taking sustainability into account. Sustainability assessments are essential when analysing companies to understand both financial risks and opportunities. This is nothing new and is a fundamental element of our investment philosophy.

We look for companies with good performance over time, strong competitive positions, that are traded at an attractive price. Companies with good performance, are those with skilled management, that are well-run and demonstrate the ability to combine profitable growth with a healthy balance sheet. A strong competitive position is also vital to create lasting value. We believe it is paramount that companies have a sustainable business model and a management with the vision and ability to implement the measures needed to create long-term competitiveness. For us, sustainability is not something that is analysed “in addition” to these other factors, but is a natural part of the analysis of performance and position.

Quality companies are companies that have the desire and ability to adapt, change and seize the opportunities presented to them. Those unable to do this will, sooner or later, become irrelevant. We want to be long-term owners in companies that do the right things, and we

see that sustainability increasingly is changing the operating conditions for all companies. It is no longer possible to engage in any economic activity without taking sustainability into account. Today, it is more important than ever to invest in companies with the ability to adapt, just as we have always done at ODIN.

We work actively to identify risks in our investments, and a defining feature of quality companies is that they are able to manage their material risks. In the past, risk was largely related to traditional commercial and accounting factors. Now, sustainability is a new “source” of financial risk. Customer preferences can change rapidly in response to products perceived as not being sustainable. Companies that do not take sustainability seriously will also be more exposed to risk stemming from authorities and legislation. This can have a decisive impact on the profitability of the company and increase the potential for a legal breach. Risks that are both likely and substantial are what we are most concerned with avoiding in our investments.

Sustainability and quality go hand in hand. For us, it is both necessary and entirely natural to integrate sustainability in our analyses. Quality companies take sustainability seriously and have the ability and desire to make the changes necessary for sustainable adaptation. We are convinced that companies which promote sustainability will be more profitable and less risky than companies that are weak in this area. Our investment philosophy is to find these companies and hold them for a long time.



A MISUNDERSTOOD YARDSTICK?

ESG ratings do not provide a complete picture of the ESG risks a company faces. At ODIN Forvaltning, therefore, everyone is trained in performing their own ESG analyses and conducting these as a natural part of the overall analysis work.

Companies with a high ESG rating often demonstrate considerable commitment to environmental, social and corporate governance work. This can help to reduce risk and can improve financial performance over time. The ESG rating therefore provides an initial impression of a company's ESG risk.

It goes without saying, however, that an initial impression cannot, on its own, be used as the basis for an investment decision. To really gain an overview of the ESG risk, you need to go in-depth and do your own analysis.

“Conducting our own, independent ESG analyses is therefore an important part of our investment strategy,” says ODIN Forvaltning's Chief Investment Officer Alexander Miller.

ESG-ratings – not a sufficient basis for investment decisions

ESG ratings are largely based on the self-reporting of companies. They report on a range of sustainability

goals, which are then collated and analysed by independent analysis firms. The companies are then assigned an ESG rating based on this information.

“There is no single, internationally recognised standard. So not all companies report the same figures in the same quantity and with the same quality of information. There can therefore be variations in how different companies are assessed and rated,” says Alexander Miller.

“Nor is it the case that analysis firms use the same methods when converting the collated information into an ESG rating. They assign different weightings to the various topics. So, it is possible for a company to be given different ESG ratings from different analysis firms based on the same information,” he says.

Another challenge when using ESG ratings to assess risk is that they only give you an overall snapshot in the form of a quantified summary of how the company is working with ESG today. The rating itself tells us little about what specific ESG risks the company is facing in the future – or how the company is positioned to manage these. As a fund manager, it is necessary to perform thorough analyses of a company's prospects when faced with an investment decision. Such understanding must be established using the underlying analysis of the ratings, as well as the manager's own assessments.

These are just some of the reasons why we do not use ESG ratings alone to make our investment decisions.



ODIN managers are trained in performing ESG analyses

“Our managers are trained in ESG analyses and they conduct these for each individual company as part of the overall investment decision,” says Alexander Miller.

The main points of the ESG analysis can be summed up as follows:

1. *Identify which ESG risks a company faces – this work involves both ESG analysis and data from external providers.*
2. *Assess how likely these risks are to occur.*
3. *Estimate what the consequences for the company will be if the risks occur.*
4. *Assess whether the company has a dedicated and active approach to its ESG risks and whether the work they do may mitigate some of the risk.*

In the example of a fish farm in Western Norway, the consequences of climate change, such as higher sea temperatures, can be an ESG risk. How likely is it that sea temperatures in that area will rise significantly? If we deem it likely that this risk will occur, we must consider what impact this may have on the company. Significantly higher temperatures can affect fish health and growth, which in turn can lead to reduced productivity and financial losses. If the company does not have adequate measures in place to manage this risk, it could affect the company’s sustainability and long-term profitability.

In the ESG analysis, we will also assess how the fish farm is preparing for this potential risk. Do they have a plan for adapting to changes in sea temperatures? Have they invested in research and development to find solutions that can help them deal with this challenge? If the answer is yes, this could indicate that the company is well-positioned to manage this ESG risk – which could mitigate some of it.

ESG analyses provide thorough identification and assessment of environmental, social and corporate governance risks. These analyses are not isolated exercises but form an integral part of the broader analysis work carried out at ODIN Forvaltning.

“ODIN’s investment philosophy is to be a long-term owner, and ESG analyses are therefore a natural and important part of our analysis work. The snapshot provided by an ESG rating is not enough. We need analyses that give us a deeper understanding of the potential risks and opportunities inherent in each investment – which can help provide us with better returns over time,” says Alexander Miller.

RESPONSIBLE INVESTMENTS

We are responsible asset managers, and sustainability is a natural part of everything we do. Our sustainability work is described in [ODIN's Guidelines for Responsible Management of Mutual Funds](#), and is carried out in multiple ways.

Integration

At ODIN, we are stock pickers, meaning we are selective when it comes to choosing which companies we want to invest in. As mentioned above, sustainability is a fundamental part of our investment philosophy and is integrated in our investment decisions in several ways.

Firstly, we apply overarching ethical criteria in our selection of companies through negative selection or exclusion (see more about these criteria under "Exclusions and observation").

The criteria, such as not investing in controversial weapons or companies that violate human rights, set the parameters for our investment universe.

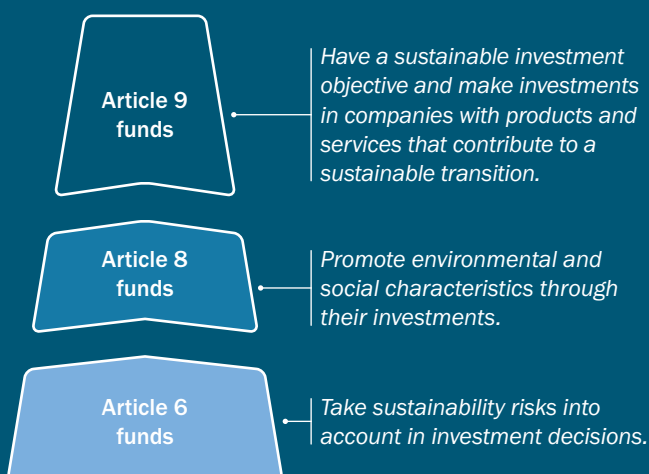
Secondly, sustainability assessments are integrated in the analysis of companies we are interested in investing in. We assess both sustainability risks and opportunities for the companies, as well as how the board and management are equipped to handle these.

The aim is to ensure that all companies we invest in are well run and manage their risks. Over time, we believe that companies with the desire and ability to make a sustainable transition will generate better returns.

Finally, we work to identify and increase the proportion of sustainable investments in our portfolios. These are investments that have sustainability as an objective and where the companies selected have a positive impact on society, nature and/or the environment.

i Minimum proportion of sustainable investments in our funds

All ODIN funds report under either Article 8 or Article 9 of the Sustainable Finance Disclosure Regulation.



In our two Article 9 funds, ODIN Bærekraft and ODIN Sustainable Corporate Bond, all investments must be sustainable in line with our internal methodology. Our other funds promote environmental and social characteristics through their investments, but do not have sustainable investments as an objective.

These funds consider a wide range of environmental and social characteristics through the integration of ESG information in analyses, active ownership and exclusions. The funds take into account the Principal Adverse Impacts (PAIs) on sustainability factors, assess the companies' performance on these factors and report on the development of their PAIs. The goal is to minimise the adverse impacts from our investments over time.

Although not a requirement under the Sustainable Finance Disclosure Regulation, ODIN has chosen to commit to a minimum proportion of sustainable investments in most of our Article 8 funds. This applies to all ODIN-branded funds with the exception of ODIN Emerging Markets. This is because it is currently challenging to collect reliable data for several of the sustainability indicators due to the lack of availability of this data for companies listed on stock exchanges in emerging markets.

i Thematic cooperation on biodiversity

At the end of 2022, the *Kunming-Montreal Global Biodiversity Framework* was adopted. The mission of this framework is to halt and reverse the loss of nature and ecosystems and it calls for national biodiversity action plans to be defined before the next Conference of the Parties in 2024. The economic values associated with a rich and healthy biodiversity are enormous and in 2021, the World Economic Forum reported that more than half of the world’s total gross domestic product was generated by industries that are strongly or moderately dependent on nature.

As with climate change, biodiversity is an important source of both risk and opportunity and is something that we as responsible fund managers must consider when fulfilling our mandates. In 2023, we therefore joined forces with other Norwegian fund managers to hold dialogue with several portfolio companies on their work on nature and biodiversity. Many of the companies are in the early stages of this work but have begun mapping the risks and opportunities and assessing the basis for objectives and reporting.

We encourage all our companies to follow the reporting template of the *Taskforce on Nature-Related Financial Disclosures (“TNFD”)*, which promotes a common reporting framework. As set out in the new corporate strategy for sustainability, we will work to map nature-related risks in our portfolios and further strengthen our work in this area.



Active ownership

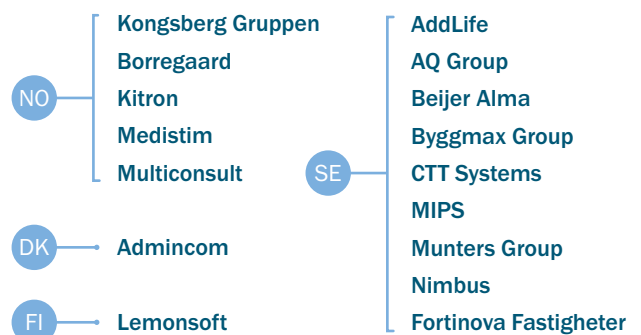
At ODIN, we are active owners. This means that we use our voice as shareholders to raise awareness of sustainability topics and to influence our portfolio companies to strengthen their work in this area. This helps equip the companies for future challenges and benefits both companies and their shareholders. We vote at general meetings, participate in nomination committees in the Nordic region and maintain dialogue with the companies in which we invest.

General meetings

We aim to vote at all the general meetings of our companies. To help us do so, we have partnered with ISS Proxy Voting Service, which provides a platform where fund managers can cast their votes. In addition, ISS suggests how to vote based on a pre-agreed strategy. In most cases, we will follow ISS’s recommendation, but in situations where the fund manager disagrees, they will have the opportunity to change their vote. In 2023, we had 231 (4,30 %) such cases at ODIN.

Nomination committees

Our portfolios are limited in size and usually contain around 30–35 companies. Because of this, we are often significant owners in the companies in which we are invested. Together with other large owners in the companies, we can therefore participate in nomination committees and help ensure that people with the right expertise, including on sustainability, are elected to the companies’ boards. In 2023, representatives of the ODIN Funds sat on 16 nomination committees.



Company dialogue

Our concentrated portfolios often allow ODIN's fund managers to maintain close dialogue with the companies they are invested in, particularly in smaller companies. In larger, often global, companies in which we are smaller shareholders, it is often in our interests to collaborate with other investors to increase our influence. We make an assessment on a case-by-case basis of whether it is appropriate to conduct the company dialogue alone or whether we should collaborate with other investors through, for example, the UN PRI Collaboration Platform.

Sustainability dialogue can be initiated with companies for various reasons, and we have recently seen a shift from reactive to proactive sustainability dialogues.

At ODIN, sustainability will in most cases be included as a natural part of the ongoing dialogue with the company and will take the form of an exchange of information. We find that many of the companies we own appreciate

discussions on sustainability topics and are keen to hear our take on developments in their sectors or potential areas for improvement. As active owners, it is important to us that we act as a sparring partner for our portfolio companies.

In other cases, we will hold targeted dialogues, focusing on specific topics and/or sectors, with the aim of helping to improve the company's ESG performance. For example, during 2023 we have entered dialogue with several companies regarding their work on biodiversity and the possible risks and opportunities associated with this topic.

There will still be situations where we have to enter dialogue with companies due to specific incidents and therefore take a reactive role. For example, it may be flagged that companies are in breach of our guidelines. In such situations, we will immediately initiate dialogue and in those cases where we do not see the ability or willingness to change, we will sell our position in the company.

Teleperformance

Towards the end of 2022, the share price of Teleperformance, a holding in both ODIN EM and ODIN Europa, fell by 35%. The French company is a leader in CRM outsourcing, with operations in various customer service and support services across different channels. The price drop was triggered when Colombia's newly inaugurated labour minister announced an investigation into the company due to possible labour rights violations.

In recent years, the company has been accused by the international trade union federation UNI Global Union, of not respecting workers' rights to unionise in Colombia and Albania, and has also been accused of failing to safeguard the working conditions of content moderation employees. Even though content moderation is mainly carried out using artificial intelligence, in grey areas (around 3% of cases) human assessments are needed. This can expose employees to mentally demanding content. The company was placed on ODIN's observation list and the portfolio managers initiated a dialogue on the issues surrounding both content moderation and workers' organisation.

In December 2022, Teleperformance signed a global social responsibility agreement with UNI Global Union.

Dialogue with the company continued into 2023, with portfolio managers meeting the company management, middle management and employees who work on content moderation. Since then, several external audits have confirmed that the company complies with labour rights regulations in the countries in which it operates, and in April 2023, the company signed new agreements with Colombia's largest trade union.

Teleperformance is no longer on our ESG observation list, but the case goes to show that even companies that appear to perform well on ESG (Teleperformance is listed as one of Fortune's "World's 25 Best Workplaces") can find themselves in unforeseen situations. When this happens, it is important to initiate dialogue and monitor the company over time. Teleperformance quickly showed a willingness to make the necessary changes and, after several months that also demonstrated their ability to change, we were able to close the book on this one.

EM completely out of Russia

Since the Russian invasion of Ukraine in February 2022, the market has been characterised by increasingly strong sanctions and expectations of reducing Russian exposure. At the beginning of 2023, **according to Morningstar**, investments in Russian equity funds had fallen by 98.5% compared with the previous year.

At ODIN, we do not have a Russia fund, but had a small investment in a Russian company in our ODIN Emerging Markets fund (“EM”). The investment was in the Cypriot company FixPrice, which operates mainly in Russia and neighbouring countries. Neither the company nor any key personnel such as directors or management were ever on any sanctions lists. However, we decided to sell this holding when an opportunity arose, given that the main end market was the Russian economy.

There were no opportunities to sell during 2022, but in the summer of 2023 we seized the opportunity. Following the process to ensure that any sale was in line with both internal and international guidelines and sanctions, the position was divested from the fund in November 2023.

ODIN EM is, consequently, one of the few EM funds without Russian exposure in frozen positions. The team has worked actively to divest from FixPrice over the past six months, focusing on compliance with international sanctions, balanced against our management responsibility: ensuring good returns for our customers in line with our guidelines for responsible investment in accordance with international norms.

Exclusions and Observation

Our role as an active fund manager starts with the company selection and we are very thorough when choosing which companies to invest in. This is why we do not have as much need for lists of companies we wish to exclude from the portfolio. Many companies will be excluded from our investment universe automatically, based on a thorough analysis of their risk profile and prospects. We also exclude companies with exposure to certain sectors and products, as well as companies whose conduct does not comply with our guidelines and international norms, rules, and conventions. This helps us find strong, quality companies, while also reducing the likelihood that companies we have selected end up in controversial ESG situations where exclusion must be considered. Unforeseen events and situations may nevertheless occur, and these must be followed up and dealt with on a continuous basis.

We apply the exclusion criteria of Government Pension Fund Global (SPU), and companies that do not comply with these criteria will be excluded from our investment universe. In addition, none of our funds will be invested in companies that have more than:

- **0 per cent of revenue related to controversial weapons.**
 - *This means companies that develop or manufacture weapons, or key components of weapons, which, in their normal use, violate fundamental humanitarian principles, including biological weapons, chemical weapons, nuclear weapons, non-detectable fragments, incendiary weapons, blinding laser weapons, anti-personnel mines and cluster munitions.*
- **0 per cent of revenue related to tobacco production.**
- **0 per cent of revenue related to the production of cannabis for the purposes of intoxication.**
- **5 per cent of revenue related to pornography.**
- **5 per cent of revenue related to gambling.**
- **5 per cent of revenue related to thermal coal extraction or which base a significant part of their operations on thermal coal.**
- **5 per cent of revenue related to oil sands.**

We also expect the companies we are invested in to act in line with the ten principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and their underlying conventions.

If a company in the portfolio breaches any of these criteria, it will be placed on an observation list, and we will engage in targeted dialogue with them to see if the situation can be resolved. If, over time, we do not observe a desire or willingness to change, we will divest from the company.

MORE THAN SUN, SEA AND WIND

ODIN SUSTAINABLE EQUITIES

ODIN Sustainable Equities is a sustainable fund. This means that the fund invests solely in companies that contribute to a more sustainable world. The fund was established in November 2021 and is, like all ODIN funds, founded on our investment philosophy which focuses on identifying quality companies.

Many investors want to combine investing and sustainability, but finding good options can be difficult. Sustainable investments, particularly in renewable energy and new, unproven, technology have often been associated with high risk, while many of the companies have short histories and low profitability. In ODIN Sustainable Equities we want to find established companies with high profitability that offer products and services that contribute to sustainable transition.

Focus on transition solutions

“A targeted renewable energy fund is too concentrated,” says portfolio manager Alexander Nilsson.

“Such funds involve high risk and does not necessarily present the best way to contribute to sustainable transition. Sustainable investments are more than just sun, sea and wind, and there are several routes to reaching our goals. There are many quality companies that provide technologies and solutions for the future, and these are the ones we are looking for. We find that many of the solutions,

and thus the profitability for investors, lie in established companies,” says Nilsson.

This includes, for example, suppliers to companies operating within renewables and companies that facilitate the development of renewable energy.

Schneider Electric is an example of a solutions company for the energy efficiency of buildings. The company aims to reduce its customers’ emissions by 800 million tonnes of CO2 by 2025. This is an example of the kind of company we want to own in ODIN Sustainable Equities. Another example is American water technology company Xylem, which helps to achieve more efficient use of water, for example through advanced technology for water purification and better measurement and management of water consumption.

Quality is key

ODIN Sustainable Equities is managed in line with what has always been the core of ODIN’s overall investment philosophy: a focus on quality companies with strong market positions and profitable growth, that are trading at a reasonable price.

“The main difference between ODIN Sustainable Equities and our other equity funds is that it invests across five selected investment themes.”

The investment themes draw inspiration from the UN Sustainable Development Goals and the EU Taxonomy and are based on how we see the landscape of

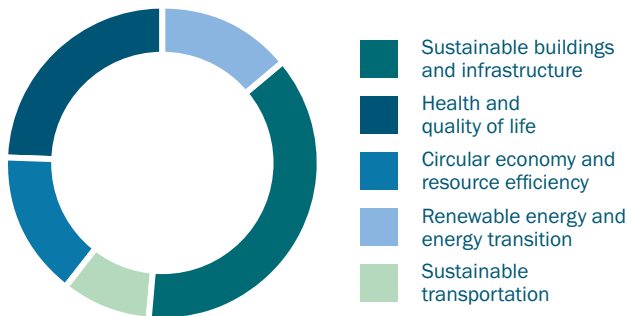


i ODIN Sustainable Equities

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

A diversified fund covering five sustainability topics:



sustainable companies. The breadth of these themes ensure a well-diversified fund.

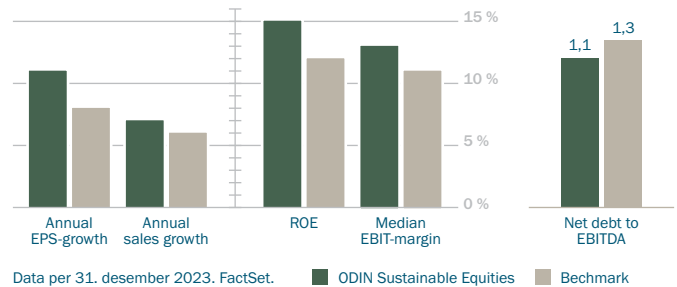
“The companies we invest in are not only required to make a positive contribution to achieving sustainability goals within the themes we have selected. We must also feel confident that the companies’ operations do not have a significant negative impact on other sustainability goals,” says Nilsson.

The long-term trends are clear

ODIN Sustainable Equities was launched during a demanding period for investments in several sustainable sectors, including renewable energy. Global unrest, inflation and high interest rates have dominated equity markets over the past two years. Higher financing costs are slowing investment in new projects in the short term, but we expect long-term demand for sustainable solutions to be high.

Higher growth Better quality Lower debt ratio

10 year, median 10 year, median Last FY, median



We believe the underlying trends that support our sustainability goals are strong. This is clear to see when we look at key financial indicators for the fund’s investments. As the graphs below show, the portfolio companies have historically delivered higher growth and better profitability than their benchmark index.

ODIN has a structured approach to sustainable investments. This means, among other things, that ESG analyses must form the basis for all investments and that the funds exercise active ownership through voting and active company dialogue.

“We are active owners, and we strive to choose companies with strong fundamental values. This helps minimise the risk of negative ESG-related situations that, in the worst-case scenario, lead to divestment. We look for companies of such quality that they don’t require hand-holding from us,” concludes Nilsson.

CONTINUED STRONG FOCUS ON SUSTAINABLE BONDS

ODIN SUSTAINABLE CORPORATE BOND

ODIN Sustainable Corporate Bond (OSCB) has seen solid growth in assets under management over the past year in a bond market characterised by interest rate hikes. The fund has seen is now invested in more than 50 bonds, and an average duration well below the benchmark index has contributed to highly competitive returns in 2023.

OSCB is an Article 9 fund and was launched in May 2022 at the request of ODIN’s institutional customers. The fund’s investments contribute to seven defined sustainability themes:

- Renewable energy and energy efficiency.
- Low carbon footprint.
- Innovation in circular economy, climate adaptation, etc.
- Sustainable transport and infrastructure.
- Water management.
- Protection and restoration of diversity and ecosystems.
- Health, quality of life and social inclusion.

All of the fund’s investments must make a significant contribution to at least one of the defined sustainability themes, while at the same time not having any negative impact on others.

Increased interest in green bonds

After a cautious start, the fund has seen significant growth, helped by rising interest rates and greater interest in green and sustainable investments. During 2023, the fund grew its assets under management by more than 67% to NOK 1.65 billion at the end of December.

“Rising interest rates and increased current yields have made fixed income funds an even more attractive investment alternative to equities and other assets,” says portfolio manager Nils Hast, who, together with Mariann Stoltenberg Lind, has managed the fund since its inception.

“In addition, there is high volume growth in the market for green, social and sustainability-linked bonds. This provides

a larger investment universe and better opportunities to compose a broadly diversified portfolio with good prospective returns,” says Stoltenberg Lind.

The banking sector dominates the fund’s investments, accounting for more than 50% of the portfolio. Banks play an important role in sustainable development through their financing activities. Investing in green bonds issued by banks or large companies with an investment grade rating achieves several things. For one, the funds are earmarked for lending to green companies and/or green projects. In addition, it provides lower credit risk, good diversification and better liquidity than investing directly in smaller, newly established green companies.

Actively managed and as predictable as possible

The fund aims to contribute to the green transition and at the same time generate good returns, have low risk and, not least, be liquid.

“We have a focus on low credit risk. Many environmental companies are highly vulnerable. We make our selection differently and prioritise the stable and predictable,” says Hast. *“At the same time, we set the bar high. Satisfying the minimum requirements is not enough to be a relevant investment for us. As an actively managed fund, we are committed to finding the best companies. It is not enough just to filter out the worst.”*

OSCB is also currency hedged. The reason for this is simple. Currency fluctuations can be considerably larger than the fluctuations in the price value of a fixed income fund.



3 examples of investments and the SDGs they contribute to:

Norske Tog – Sustainable transport and infrastructure.

RWE – Transition company within energy supply where we help to finance the company’s transition to renewable energy.

KBC – one of Belgium’s largest banks, which has issued its first sustainable social bond.



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

Developing green market

OSCB was established once the framework for this type of fund was in place. Mariann and Nils believe this has been a clear advantage, because regulatory developments have made it easier to pick forward-looking investments.

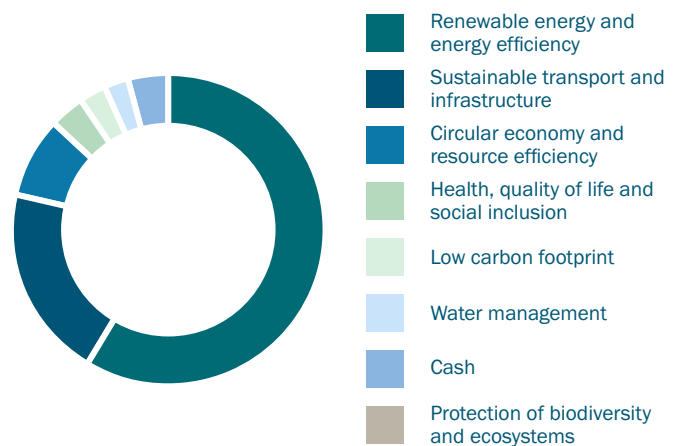
“The definition of what is green and sustainable is not set in stone, but is continuously developing,” says Stoltenberg Lind. “A major advantage of being invested in bonds is that the companies have to go back and refinance. This means that the company has to keep up and develop in order to obtain new loans. We believe this reinforces the contribution that this type of investment makes to the green transition.”

“Companies are getting better at reporting. Data is easier to obtain and reporting requirements are more precise. This makes it easier to identify and follow up green investments.”

Sustainable investments are not just those made in green bonds, however. The fund also looks to invest in ordinary bonds issued by companies that are considered to have a responsible business profile and to contribute to the fund’s selected sustainability themes.

At the end of 2023, 12.6 per cent of the fund was invested in ordinary bonds. The fund’s ordinary bonds include investments in banks and telecom companies.

Fund portfolio distribution by sustainability themes



i Sustainability-linked bonds

In short, sustainability-linked bonds are debt securities whose terms vary as the issuer achieves predetermined, sustainability-related goals.

Achievement is assessed by measuring predefined key performance indicators (KPIs) against Sustainability Performance Targets (SPTs).



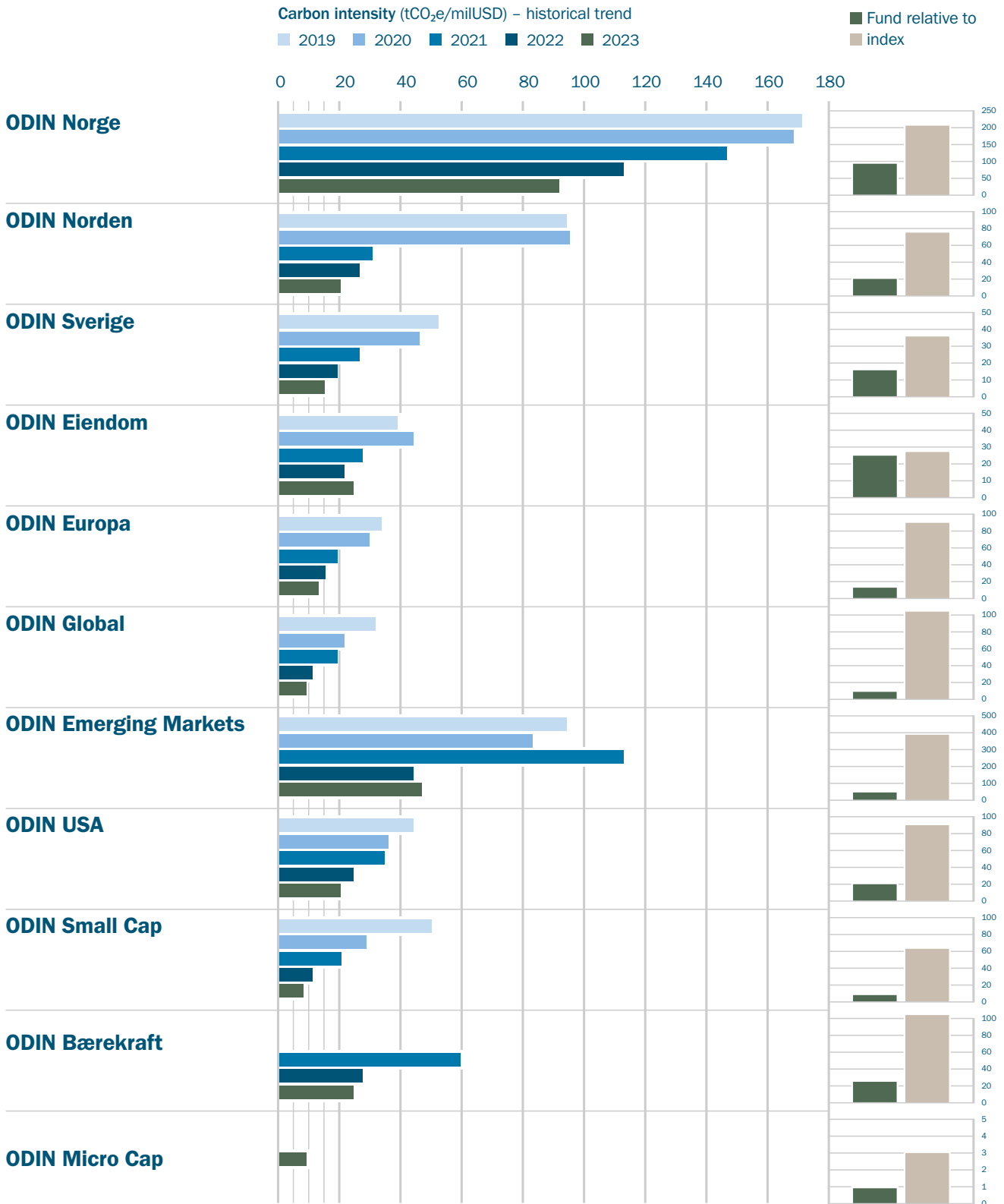
FOOTPRINT

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)



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 77 companies in our portfolios that have set targets through the Science Based Targets Initiative.

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 2023 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

Is an environmental organisation for children. They neither support nor are supported by any political party but are trying to get all the political parties to take better care of the planet. Nor do Eco-Agents favour any life stance or religion, but try to promote mutual respect 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.

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 classes. The aim is to help people overcome the challenges 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 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

This year's Christmas gift goes to provide hope and faith in the future for Hand in Hand entrepreneurs. A start-up package for an entrepreneur contains training in business acumen, accounting, savings, value chains and marketing, combined with enhanced soft skills in the form of improved self-confidence, faith in the future, networks, independence and the ability to think and act like an entrepreneur. Participants also learn about their human rights and how their companies can be made sustainable for both people and the planet.

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, to invest in. 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 to 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 2023, ODIN sponsored this event for the second time. Here's how [Næringslivet Møter Østkanten](#) describes itself:

“To make chess a bridge-building activity, a business-person is paired with a youth 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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