

Guidelines for responsible management of mutual funds in ODIN Forvaltning



Adopted by the Board of Directors of ODIN Forvaltning AS on February 15th 2023

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1. Introduction

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

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

2. Scope

The guidelines provide the basis for responsible investment in all funds managed by ODIN.

3. Purpose

The purpose of the guidelines is to ensure that ODIN is a responsible investor and owner. Responsible investment is important to ODIN for a number of reasons:

- ODIN has a responsibility for the impact that the business has on society. ODIN has acknowledged this responsibility by committing to the UN Principles for Responsible Investment.
- ODIN is a long-term fund manager. It is in ODIN's interests to promote long-term and sustainable value generation in the companies in which ODIN invests.
- Unitholders expect ODIN to act responsibly and to make sure that they are provided with information on ODIN's work to integrate sustainability risks and factors.
- Ensure that the company lives up to the current expectations of our owners and customers and thereby ensure that the guidelines are in line with the *Sustainability Policy of Sparebank 1 Forvaltning* and guidelines specified by SpareBank 1 for its securities distribution.

4. Principles and guidelines

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

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

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

The UN Principles for Responsible Investment were established through cooperation between the UN Environment Programme Finance Initiative (UNEP FI) and the UN Global Compact (UNGC).

The responsible investment work of the ODIN funds is anchored in international norms. These include:

- The ten principles of the UN Global Compact, which are based on

- The United Nations Universal Declaration of Human Rights
- The ILO Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention against Corruption.
- The United Nations Guiding Principles on Business and Human Rights
- The UN Sustainable Development Goals (UN SDGs)
- The Paris Agreement
- The Task Force on Climate-related Financial Disclosures (TCFD)
- The OECD Guidelines for Multinational Enterprises
- The OECD Principles of Corporate Governance
- The Norwegian Code of Practice for Corporate Governance (NUES)
- The Swedish Corporate Governance Code (the Code)

5. Methods

There are several tools that can be used to act as a responsible manager:

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

4.1 Integration

ODIN shall integrate sustainability risks and factors into its analysis of companies before and during investments.

A sustainability risk is an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of investments.

Sustainability factors include environmental, social and personnel issues, as well as issues relating to respect for human rights and the fight against corruption.

To ensure that ESG considerations are integrated, all investments must be:

- assessed for sustainability risk (ESG analysis)
- assessed for the principal adverse impacts on sustainability factors (PAI indicators)
- screened quarterly against information about sustainability factors

At ODIN, each individual manager and analyst is responsible for taking ESG criteria into account in the investment process. In order to make good assessments, access to information is essential and we use information from several sources. We use publicly available information such as annual reports, NGO reports and the like, but also information from meetings with company management representatives from relevant companies and from analysts. We also use external research firms for objective assessments of companies.

4.2 Active ownership

ODIN funds are concentrated and it is natural for us to be active owners in the companies in which we invest. ODIN's active ownership includes:

Voting

The ODIN funds vote at general meetings and participate in nomination committees.

- See our [guidelines](#) for exercising voting rights
- See our [guidelines](#) for voting

Company dialogue

The ODIN funds are active owners and seek to meet the management of companies the funds own.

ODIN addresses various topics in company dialogues:

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

Collaboration with other investors

- Company-specific or theme-based
- The ODIN funds make an assessment on a case-by-case basis of whether it is most appropriate to conduct a company dialogue alone or whether we collaborate with other investors through, for example, the UN PRI Collaboration Platform

4.3 Exclusions and observation

The ODIN funds expect the companies in which the funds invest to act responsibly. A number of companies will be excluded as a result of a comprehensive assessment of the company's risk profile and future prospects where relevant ESG criteria play an important role. There are certain sectors and individual companies that we avoid based on ethical considerations, based on the product they offer and/or the company's behaviour.

Product-based exclusion criteria

The ODIN funds must not be invested in companies that have more than:

- 0 per cent of revenue related to controversial weapons
 - This means a company that develops or manufactures 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 bases a significant part of its operations on thermal coal

- 5 per cent of revenue related to oil sands

For those companies with revenue from coal and/or oil sands, a forward-looking assessment is made that also places emphasis on building new capacity and having plans that will reduce the proportion of coal or oil sands or to increase the share of revenue from renewable energy sources.

Some of the funds have adopted even stricter exclusion criteria. These criteria include:

- 5 per cent of revenue related to weapons
- 5 per cent of revenue related to fossil energy extraction
- 5 per cent of revenue related to alcohol production
- 5 per cent of revenue related to uranium extraction
- 5 per cent of revenue related to genetically modified organisms (GMOs)

Please see the fund's prospectus for fund-specific exclusion criteria.

ODIN funds can invest in green or social bonds issued by companies that are in breach of the above criteria, provided that the bond complies with recognised principles for green/social bonds and has undergone independent assessment.

Behaviour-based exclusion criteria

The ODIN funds must not be invested in companies where there is an unacceptable risk of the company contributing to or being responsible for:

- gross or systematic human rights violations
- gross or systematic violations of workers' rights
- serious violations of the rights of individuals in war or conflict situations
- the sale of weapons to states
 - in armed conflicts that use the weapons in ways that constitute serious and systematic violations of the rules of international law relating to conflicts, or
 - which are covered by the sovereign bond exemption scheme referred to in the mandate for the management of Government Pension Fund Global
- serious environmental damage
- actions or omissions that at an aggregate company level lead to unacceptable greenhouse gas emissions
- gross corruption or other gross economic crime or other particularly gross violation of fundamental ethical norms

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

All the companies we are invested in must be screened against the exclusion and observation criteria in this guideline. ODIN must comply with exclusions adopted by Government Pension Fund Global in accordance with *the Guidelines for Observation and Exclusion from Government Pension Fund Global*.

Companies in which we are invested that are flagged as being in violation of these guidelines will be investigated further to determine whether it would be appropriate to engage in dialogue with the company, either alone or in conjunction with other investors. If this does not have the desired effect, the next step will be exclusion.

6. Collaboration and development

Work on sustainability and responsible investment is a continuous process, and it is often useful to work with other investors in order to expand our knowledge base. That is why we participate in various forums for knowledge exchange. We are a member of the Norwegian Forum for Responsible and Sustainable Investments (Norsif), Sweden's Sustainable Investment Forum (Swesif) and Eierforum, which is part of NUES.

7. Approval and responsibility

The Board of Directors is responsible for the overall guidelines for the investments of the ODIN funds. The document must be revised and approved by the Board of Directors at least annually or in the event of significant changes. The CEO is responsible for appropriate organisation to ensure compliance with the guidelines and for recommending changes.

8. Documentation and reporting

ODIN must maintain documentation on an ongoing basis and report annually on the work relating to active ownership and sustainability at ODIN. This reporting shall be made available on the company's websites. We also report annually on PRI.

Appendix 1

Guideline for company dialogue

Introduction

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

Event-based dialogue

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

1. Event takes place

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

2. Assessment

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

3. Dialogue

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

4. Decision

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

5. Monitoring and documentation

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

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

Reporting

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

Topic

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

Documentation

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