Sustainable Investments Methodology

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To consider a company sustainable according to the Sustainable Financial Disclosure Regulation (SFDR), Odin as an asset manager must describe how we understand sustainable investments within the SFDR definition.

SFDR Definition of sustainable investments

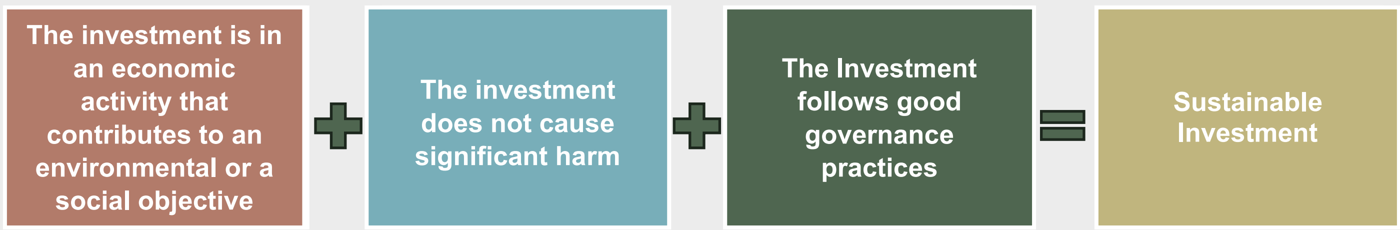
A sustainable investment is an investment in an economic activity that contributes to:

- **An environmental objective**, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or
- **A social objective**, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labor relations, or an investment in human capital or economically or socially disadvantaged communities

Provided that:

- Such investments **do not significantly harm (DNSH)** any of those objectives, and
- The investee companies **follow good governance practices**, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance

This implies three steps that the sustainable investment assessment must fulfill:



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Step 1: Investment in an economic activity that contributes to an environmental and/or social objective

The company/issuer must contribute to environmental and/or social objectives through its activities.

This contribution might come from:

- Sales of products and services (revenues)
    - For example, through revenues that promote one or more of the United Nations Sustainable Development Goals (UN SDGs), or revenues aligned with the EU taxonomy for sustainable activities
- Long- and short-term investments (CAPEX/OPEX),
    - For example, through capital and/or operational expenses aligned with the EU taxonomy for sustainable activities
- Transition of the company itself
    - This assessment is based on materiality analysis. If the company has set credible targets related to one or more material sustainability factors (such as carbon emissions), it will be considered that the company can be classified as a transition company/sustainable investment
- Issuance of sustainable bonds
    - Green, social, sustainable, and sustainability-linked bonds that were issued in compliance with internationally recognized frameworks and reviewed by independent second opinion providers (e.g., CICERO, Sustainalytics, ISS)

For a company to be deemed sustainable, it must derive a significant portion of its revenues, CAPEX, or OPEX from sustainable activities (greater than 20%) or have made investments or commitments that contribute to a substantial transition in the company's value chain or operations.

This assessment is conducted using data and information from external data providers, such as Sustainalytics, Bloomberg, FactSet as well as ESG research from counterparties or other sources, evaluating companies' contributions to the UN SDGs or EU Taxonomy.

Odin's portfolio managers perform an independent evaluation of the data and information received from third parties. In some instances, there may be insufficient data on the company, or the portfolio managers may disagree with the data provider's assessment of sustainable revenues, CAPEX, or OPEX. In such cases, portfolio managers can conduct their own assessments, overriding third-party evaluations, provided these are adequately documented.

Step 2: Assessment of whether the company causes significant harm to other environmental or social objectives

To conduct this assessment, the company/issuer is evaluated based on the "Principle Adverse Impact" (PAI) indicators. While some of the PAIs are universally applicable for all investments, others will be more specific for certain sectors. Each company must meet the threshold values established for the most significant indicators. For other indicators, the company's progress must be monitored over time, and corrective actions should be taken if the progress is unsatisfactory. These actions may include engagement, voting, or exclusions.

One challenge is the availability of data for the PAI indicators. Odin should encourage the companies within its funds to report on these indicators. In instances where PAI data is not available from an external data provider, the manager must independently assess the company against the most relevant PAI indicators for that company.

All companies must adhere to Odin's guidelines for responsible management of mutual funds.

The most significant Principal Adverse Impacts on sustainability factors (PAI indicators):

- Greenhouse gas emissions (GHG), carbon footprint, and GHG intensity of investee companies
    - These are general indicators relevant for all companies. There is no specific threshold value that companies must meet, as this is highly sector dependent. The key factor is progress over time.
    - If a company has high emissions, it should be verified whether the company has committed to reducing emissions in alignment with the Paris Agreement (e.g., Science Based Targets initiative - SBTi)
- Involvement in fossil fuel sectors[1]
    - **For companies involved in fossil fuel sectors, we have established the following threshold values for the investment to be considered sustainable:**
        - Production: Companies with any revenue from production activities (more than 0%) cannot be considered sustainable
        - Service: Companies with more than 5% revenue from fossil fuel service industries (e.g., transport and distribution) cannot be considered sustainable
- Share of consumption and production of non-renewable energy
    - This is a general indicator relevant for all companies. There is no specific threshold value, as this is highly sector dependent. The key factor is the progress over time
- Energy consumption intensity per sector with high climate impact
    - This indicator is only relevant for specific sectors. There is no specific threshold value, and the progress over time is the most important factor
        - *Agriculture, Forestry & Fishing*
        - *Construction*
        - *Electricity, Gas, Steam and Air Conditioning Supply*
        - *Manufacturing*
        - *Mining & Quarrying*
        - *Real Estate*
        - *Transportation & Storage*
        - *Water Supply, Sewerage, Waste Management & Remediation*

[1] 'Companies active in the fossil fuel sector' means companies that derive any revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and of the Council.

        - *Wholesale and Retail Trade and Repair of Motor Vehicles and Motorcycles*
- Activities with negative impacts on areas sensitive to biodiversity
    - These include particularly protected areas, such as those on the UNESCO World Heritage List. **If a company is involved in activities that negatively affect areas sensitive to biodiversity, it does not meet the DNSH criterion and cannot be considered sustainable**
- Emissions to water
    - This is a general indicator relevant for most companies. There is no specific threshold value, as this is highly sector dependent. The key factor is progress over time.
    - If a company has high emissions, it should be verified whether the company has a policy for emissions to water and if it has set goals to reduce these emissions for the company to be considered sustainable
- Share of hazardous waste and radioactive waste
    - This is a general indicator relevant for most companies. There is no specific threshold value, as this is highly sector dependent. The key factor is progress over time.
    - If a company has high levels of hazardous waste production, it should be verified whether the company has a policy for hazardous waste and if it has set goals to reduce its waste production for the company to be considered sustainable
- Violations of UN Global Compact (UNGC) principles and OECD Guidelines for multinational enterprises
    - Odin's guidelines for responsible management of mutual funds clearly state that the companies Odin invests in must act in accordance with the UNGC principles. **If a company violates these principles, it does not meet the DNSH criterion and cannot be considered sustainable**
- Lack of processes and arrangements to monitor compliance with the UNGC principles and OECD guidelines for multinational enterprises
    - Under this point an evaluation is conducted whether the company has internal guidelines to ensure compliance with these principles. If such guidelines are lacking, we take this into account and where necessary monitor the company's progress over time, aiming to increase the proportion that has these processes in place
- Unadjusted gender pay gap
    - This is a general indicator relevant for all companies. There is no specific threshold value, and the progress over time is the most important factor
- Board gender diversity
    - This is a general indicator relevant for all companies. **If a company has 0% of female board members, it does not meet the DNSH criterion and cannot be considered sustainable.**
    - Lack of gender diversity on the company's board should be followed up with the company and/or the nomination committee
- Exposure to controversial weapons
    - Odin's guidelines for responsible management of mutual funds do not permit investments in controversial weapons. **If a company is involved in such activities, it does not meet the DNSH criterion and cannot be considered sustainable**
- Investment in companies without measures to reduce CO2 emissions

    - This is a general indicator relevant for all companies. We will monitor the progress of the companies over time with the aim of increasing the proportion that has such processes in place
- Lack of human rights policies
    - This is a general indicator relevant for all companies. We will monitor the progress of the companies over time with the aim of increasing the proportion that has such policies in place
- Lack of policies to combat corruption and bribery
    - This is a general indicator relevant for all companies. We will monitor the progress of the companies over time with the aim of increasing the proportion that has such policies in place

Step 3: Must follow good governance practices

Good governance is a crucial criterion in the analysis of companies within the Odin funds, and all companies must exhibit strong governance practices.

As a quality assurance measure, we utilize a risk assessment from an external data provider. If a company is assessed as high risk, the portfolio manager must provide justification for any disagreement with this assessment to classify the company as sustainable.

All investments must adhere to Odin's guidelines for responsible management of mutual funds:

- Odin expects the companies we invest in to act in accordance with:
    - OECD Guidelines for Multinational Enterprises
    - UN Guiding Principles on Business and Human Rights
    - OECD Principles of Corporate Governance

Calculation of the proportion of sustainable investments in a fund

If an investment in an economic activity contributes to economic and/or social objective, while the company does not significantly harm other environmental and social objectives and follows good governance practices**, the entire company is considered sustainable**. This means that the aggregate weighting of the companies classified as sustainable constitutes the fund's sustainable investments proportion.