Sustainability work at Odin Fonder

2024

We create value
for the future

ODIN

Content

Odin Fonder
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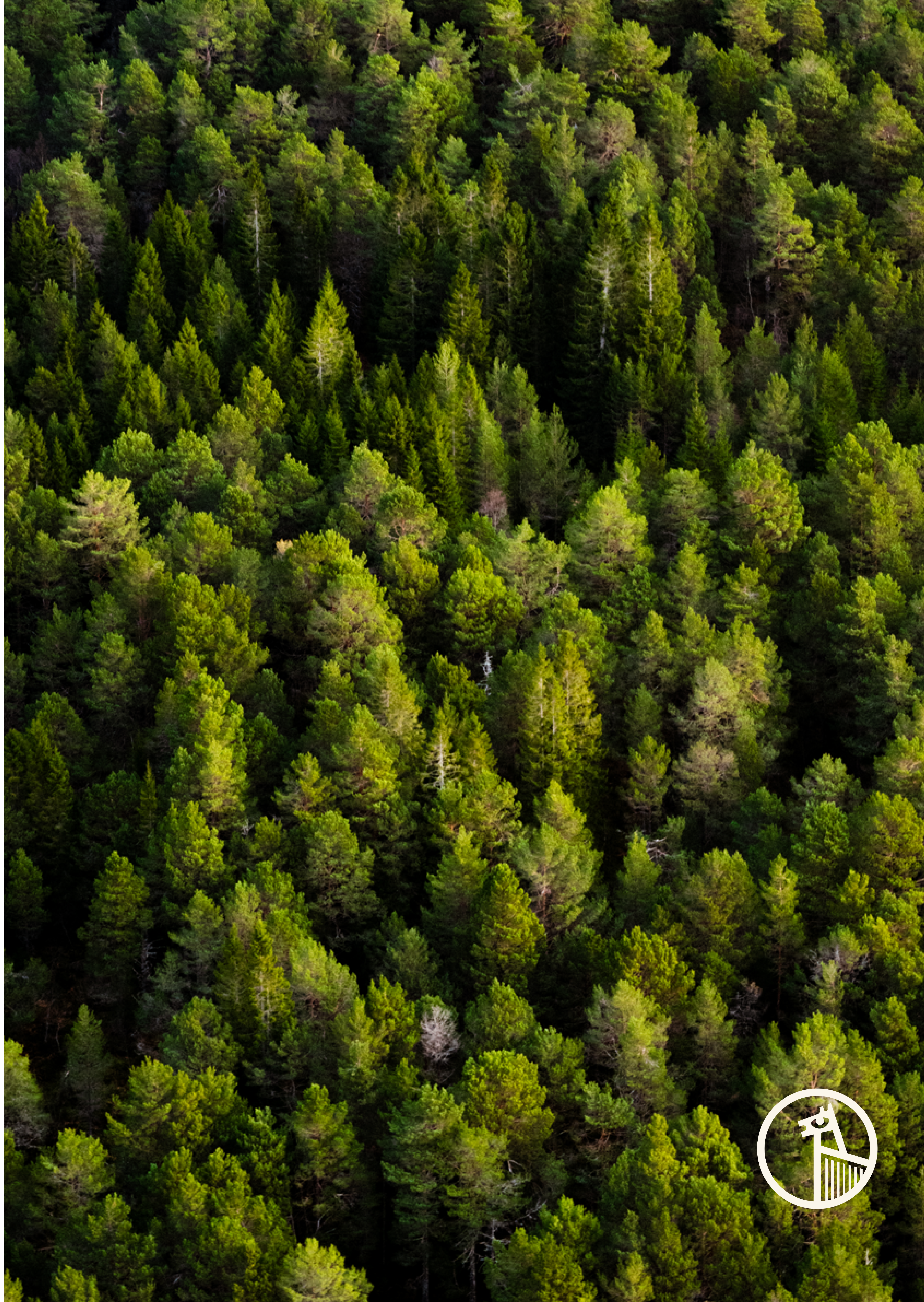
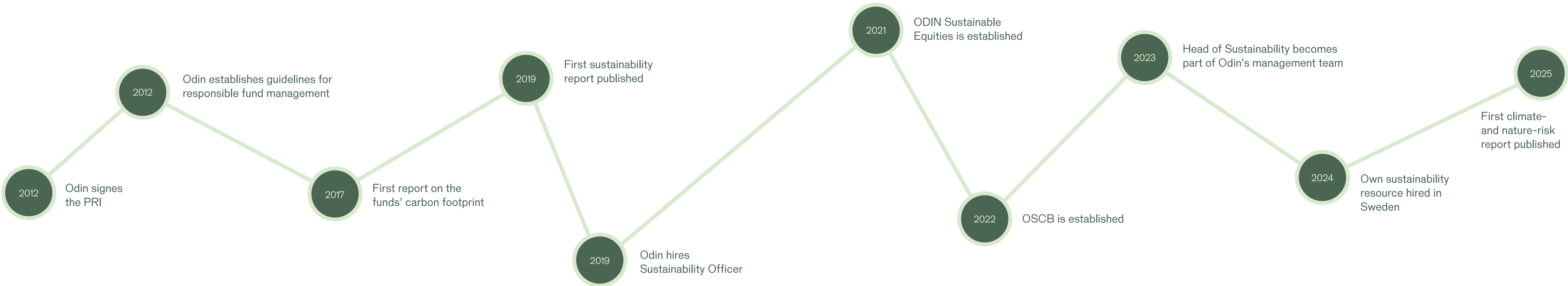


Active ownership and responsible investments

Odin's role as an active owner allows us to drive sustainability across our portfolio. By engaging in dialogue with company management, voting at general meetings, and encouraging ambitious sustainability commitments, we strive to influence companies in advancing their environmental and social practices while strengthening governance.



Low emissions and transition:

The Odin funds have maintained relatively low emissions and achieved a reduction in carbon intensity over recent years. However, significant progress is still needed to reach our net-zero goal by 2050. We are working to encourage more portfolio companies to set ambitious emission targets, fostering a transition where growth is decoupled from increased emissions.

Out of the 285 companies in our Equity portfolios:

93

Number of companies with SBTi validated climate targets

30

Number of companies committed to setting targets with SBTi

Social responsibility at the companies:

A core aspect of Odin's responsibility is to ensure compliance with international norms and regulations. For example, we expect the companies we invest in act in accordance with the principles of the UN Global Compact, upholding human- and labour-rights, among other commitments

Additionally, we strive to invest in companies that promote diversity and inclusion, recognizing these as key drivers for better decision-making and effective corporate governance.

185

Number of companies committed to the UNGC

38 %

Average proportion of women on the board

Active ownership

We are active owners in the companies we invest in, exercising our shareholder rights through regular dialogue with management, and by voting at general meetings. Our goal is to raise awareness and influence companies to strengthen their efforts on sustainability, ensuring they are better prepared for future challenges while driving long-term value creation.

336/98 %

Attendance at general meetings

Sustainability in the (head)wind

In recent years, we have observed a trend of large investors increasingly prioritizing sustainability in their investment decisions. However, current signals indicate that this trend has started to reverse.

A recent survey cited in the Financial Times points out that only 20% of shareholders in the largest US-listed companies consider sustainability as a very important factor in their investment decisions. In addition, the newly elected president of the United States is far from prioritizing sustainability and is reversing subsidies and targets. In Europe, a similar sentiment has emerged, with critics claiming that sustainability regulations have gone too far, contributing to Europe lagging the US in productivity, competitiveness and the establishment of new businesses.

At the same time, 2024 has been confirmed as the warmest year since systematic temperature measurements began around the mid-1800s, joining the last decade's series of record-breaking years. Each year in this period has ranked among ten warmest on record. 2024 is the first calendar year in which average global temperatures exceeded 1.5 degrees Celsius above pre-industrial levels. We are now teetering on the edge of exceeding the Paris Agreement's goal to limit global warming to a maximum of 1.5 degrees. In addition to record temperatures, 2024 is another year marked by extreme weather worldwide, including severe storms, floods, heat waves, droughts and forest fires. The year 2025 has started in the same vein, with major wildfires raging in California. Meanwhile, the conflicts that concerned us in 2023 are still ongoing, both in Ukraine and the Middle East.

The need for sustainable solutions has never been greater, yet the willingness to promote them seems to be diminishing. We may be facing a reality where it is harder to put sustainability on the agenda, unless individual companies see a direct benefit in doing so. In this reality profitable sustainability initiatives will be prioritized, and sustainability risks will be treated as any other risks.

Companies always aim to ensure predictability, avoid reputational damage, attract capital at favourable terms, be cost-effective and increase sales. Sustainability initiatives that do not clearly improve the bottom line, whether through increased sales, reduced costs or lower risk, are unlikely to be prioritized.

At Odin, we believe that those who want to excel must integrate sustainability risks and opportunities into their business strategies. Or, as we like to put it: “They must move sustainability out of the communications department and into the core business”. By understanding and managing sustainability risks, companies can create lasting and profitable results while contributing to a better world. We firmly maintain this belief, even in the face of current opposition to sustainability.

Investing in companies that operate responsibly is a core part of Odin's fiduciary duty and responsibility towards our clients. A prerequisite for long-term value creation is precisely to invest in sustainable business models that consider employees, local communities, climate change, and the environmental and social consequences of economic activity.

At Odin, we continue to see strong commitment to sustainability from our clients. We are increasingly allocating resources to the topic, both in our investment decisions and in reporting and communication of our activities. Over the past year, we hired a dedicated sustainability resource for our Swedish operations. While sustainability thinking is often similar between our two neighboring countries, there are also differences. We therefore believe it is important and right to stay even closer to developments in the Swedish market.

In 2024, Odin Forvaltning became a significant manager of pension funds, a development set to continue in the future. This places greater demands on us in terms of sustainability. Management of pension funds involves handling of very “long money”, which gives sustainable investments an added dimension.

We hope this report provides greater insight into how we at ODIN integrate sustainability into our work.

Bjørn E. Kristiansen
Managing director

At Odin, we believe that those who want to excel must integrate sustainability risks and opportunities into their business strategies.

Action Plan for Sustainability 2024-2027

At the start of 2024 Odin established a strategy and action plan for our sustainability efforts from 2024 to 2027. The action plan establishes a unified approach to embedding sustainability across the company and is rooted in Odin's corporate strategy.

THE OVERARCHING AMBITION FOR OUR SUSTAINABILITY WORK:

«use our position as a long-term, active manager and responsible owner to create value for our clients in line with principles of sustainability and social responsibility».

To support this ambition, we have outlined clear strategic goals within four main themes:

1

Active ownership with clear expectations and requirements

We expect the companies Odin invests in to comply with international norms and standards for responsible and sustainable business and establish relevant guidelines and targets. Our overall goal is to vote at all general meetings of the companies we own, and to engage in active dialogue with them. See more on p. 15.

2

Meeting client expectations for sustainability and social responsibility

The Odin funds are responsible and sustainable products that integrate sustainability into investment decisions and transparently communicate the impact this has on our investments.

To safeguard this promise, we must ensure that our house is in order, and that we maintain a solid understanding of the portfolio's exposure to various risks.

In 2024, we began mapping the portfolio's exposure to climate and nature-related risks in line with the guidance from the Task Force on Climate-related Financial Reporting (TCFD) and the Task Force on Nature-related Financial Reporting (TNFD). See more on s 10. Additionally, we took the next steps in our climate work and started development of a roadmap to achieve our net-zero emissions ambition by 2050.

3

Transparency in responsible investments practices

To meet our clients' expectations, as set out in goal 2 above, it is essential that we maintain transparency about our processes and initiatives. In the summer of 2024, Odin launched new websites featuring expanded and updated sustainability pages. All information related to sustainability work is collected in our newly established sustainability library, located here, which includes, among others, our methods and guidelines as along with regular progress reporting on our sustainability efforts.

In 2024, we also published our first impact report for our sustainable fixed income fund - Odin Sustainable Corporate Bond. The report highlights the fund's investment strategy and showcases how our investments contributing to solving global challenges.

As active owners, we are committed to greater transparency in how we engage with our companies. Toward the end of 2024, we began enhancing our current approach to tracking and reporting on company dialogues and updated the associated guidelines to strengthen this important work. The updated guidelines can be found in our Responsible Investment guidelines here.

4

Building internal sustainability expertise

Sustainability is a constantly evolving field, making it essential to prioritise ongoing expertise development to keep up with changing expectations, methodologies and regulations. As sustainability is a cornerstone of Odin's fund management, it is equally important that all employees have a clear understanding of our approach and practices in this area and are regularly updated on these. See more on our competence work on p. 30.

Climate- and nature- related risks and opportunities

One of Odin's strategic sustainability targets is for our funds to be responsible products, which integrate sustainability in investment decisions and transparently communicate how this impacts our investments. This requires understanding of ESG-risks, both for individual companies and for the portfolio as a whole. Therefore, in 2024, we began a targeted review of the portfolio's overall risk-exposure, initially focussed on climate- and nature-related risks.

To guide this work, we decided to follow the recommendations put forth in the frameworks from well-known Task Force on Climate-related Financial Disclosures ("TCFD"), and the more recently established Task Force on Nature-related Financial Disclosures ("TNFD"). The frameworks provide a structured approach to identifying, assessing and handing risks and opportunities related to climate and nature in our portfolio. The TCFD framework aids our understanding of how climate change might impact our investments, while the newer TNFD-framework expands the focus from climate to also include nature-related risks and opportunities. In combination, the two frameworks provide a holistic understanding of environmental risks and opportunities, which will help guide us when choosing relevant investments to ensure long-term value creation.

Global changes in climate and biodiversity represents significant financial risks. On the climate side, extreme weather, rising sea-levels and other climate changes entail increased physical risks through i.e. asset destructions and disruptions of economic activity. Simultaneously, the transition to a low-carbon society is followed by increasing risks though stricter regulations, political actions to reduce emissions and new technologies.

2024 was another record-breaking warm year, and the fires raging in California was just one example showcasing the reality and consequences of climate change. Similarly, on the nature-side, the finance industry is exposed to risks related to the loss of essential ecosystem-services and increasing regulations for the restoration and protection of natural resources. According to the World Economic Forum (WEF), more than half of the world's total GDP is moderately or highly dependant on nature . The speed with which nature is destroyed, and species go extinct, therefore represents significant financial risks for large parts of the global economy.

The recognition of the financial risks posed by changes in climate and nature has led to increased expectations from investors and society that asset managers channel funds to secure a sustainable future. This includes investing in companies that acknowledge and handle their own footprint and contribute to the transition towards a resource-efficient low-carbon society. By integrating climate- and nature-assessment in the investment decisions the portfolio managers not only reduce risks but can also identify new opportunities for growth and innovation.

[1] https://www.weforum.org/press/2020/01/half-of-world-s-gdp-moderately-or-highly-dependent-on-nature-says-new-report/

Risks

In Odin, we consider the integration of ESG-risks in the investment process as a natural part of upholding our fiduciary duty and securing strong, risk-based, returns for our customers.
Our portfolios have relatively low carbon footprints, and hold a significant amount of companies that have set science-based targets for reducing their emissions (read more on p. X). Whereas we have worked with climate-related risks with for some years, nature-related risks are a newer topic for Odin. We expect our companies to not part-take in large-scale destruction of nature, to take caution when operating in areas with high biodiversity density, and to establish strong processes for waste management and procurement. By using the mapping-tool ENCORE we have now established an overview of the actual dependencies and impacts our portfolio has on nature. The initial mapping has been performed on sector-level, and the next step is to undertake qualitative assessments of our portfolio companies, prioritized by sector and portfolio weight.

Recirculation can contribute to reduce waste ending up in nature

Fires in LA in 2024

Opportunities

The better our understanding of global mega-trends, including climate change, global warming and regulatory changes, the better investment decisions we can make for the future. Understanding of risk management is a natural first step, but the opportunities related to global changes are equally important.

Both TCFD and TNFD underscores the importance of identifying and analysing opportunities related to the global changes facing the world. When a challenge arises, such as rising prices of fossil energy as a result of stricter emissions regulations, someone is most likely already working on a solution. As investors, our job is not to come up with the solutions, but rather to identify relevant trends promoting certain products or technologies and to monitor developments in these markets. In the Odin-model, a company's opportunities are assessed as part of their "position".

We have already been working on finding companies well-placed to take advantage of the ongoing climate changes, not only those with strong risk management practices, but also those with the opportunity to grow within new technologies or technologies with increased relevance. As an example, many of the Odin-funds are invested in companies supplying low-carbon or energy-efficiency technologies for the building and construction sectors, such as Volution which we hold in ODIN Global, or Munters Group which we hold in ODIN Sweden. These companies' climate-related products support the transition to a low-carbon society and positively contribute to their financial results, thus positively impacting our funds' returns while reducing overall risks by diversifying exposure to sustainable and future-proof industries.

Nature-related opportunities can be harder to identify, especially when not related to pure impact investments such as nature restoration and protection, but they come in many shapes and sizes. Companies such as Tomra, well-known for their recycling and waste management solutions, contribute to sustainable resource use, while others such as Yara develops fertilizers that reduce the environmental footprint from agriculture and preserve biodiversity.

Odins' first climate- and nature-risk report

Read more about the work we have done using the TCFD and TNFD frameworks in Odin's first Climate- and Nature-risk report, published in our sustainability library on Odinfond.no

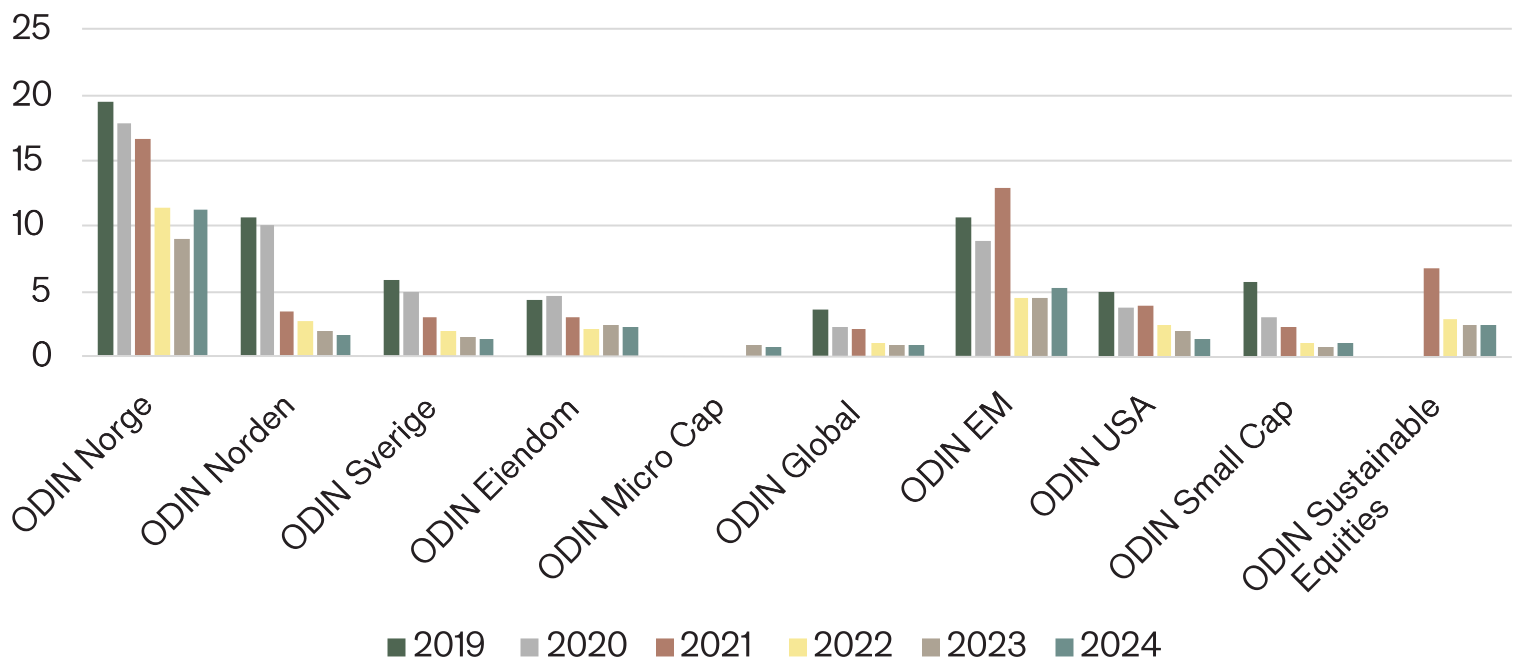
Portfolio footprint

Carbon intensity

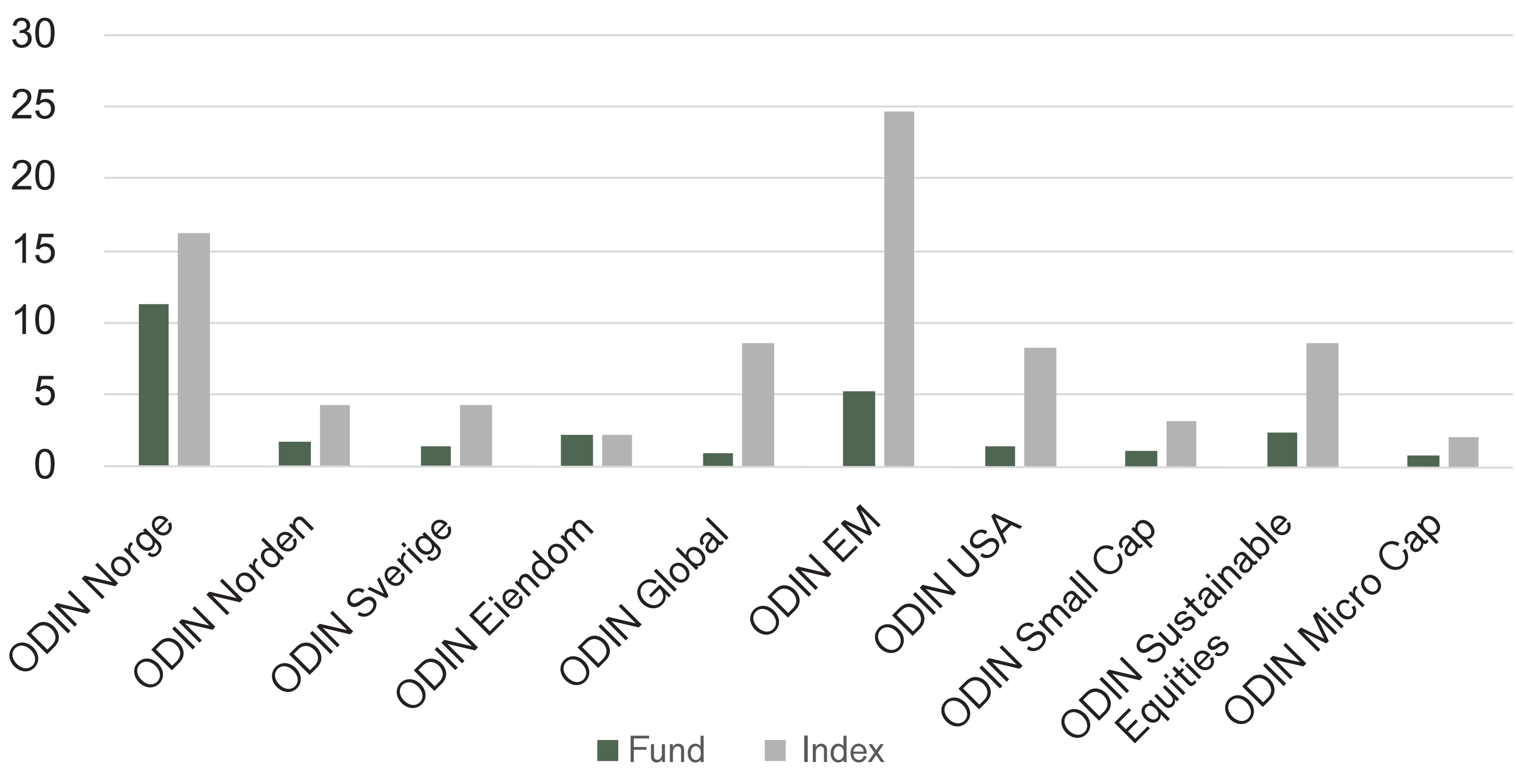
Odin acknowledges the need for transition to a low-carbon society and has set a goal of achieving net-zero emissions from our portfolio by 2050. The Odin funds have a proven track-record of lower emission compared to their benchmark indices, with a consistent trend of declining emission in recent years. We have been measuring carbon intensity for the portfolios since 2017, and believe this helps prioritize emissions reductions, both for our portfolio companies and for us as investors.

The key metrics assessed is the fund's carbon intensity, based on the latest available data as of December 31st, 2024. Read more about how we calculate carbon footprint here: odinfond.no

Carbon intensity (tCO2e / mNOK) – historic development



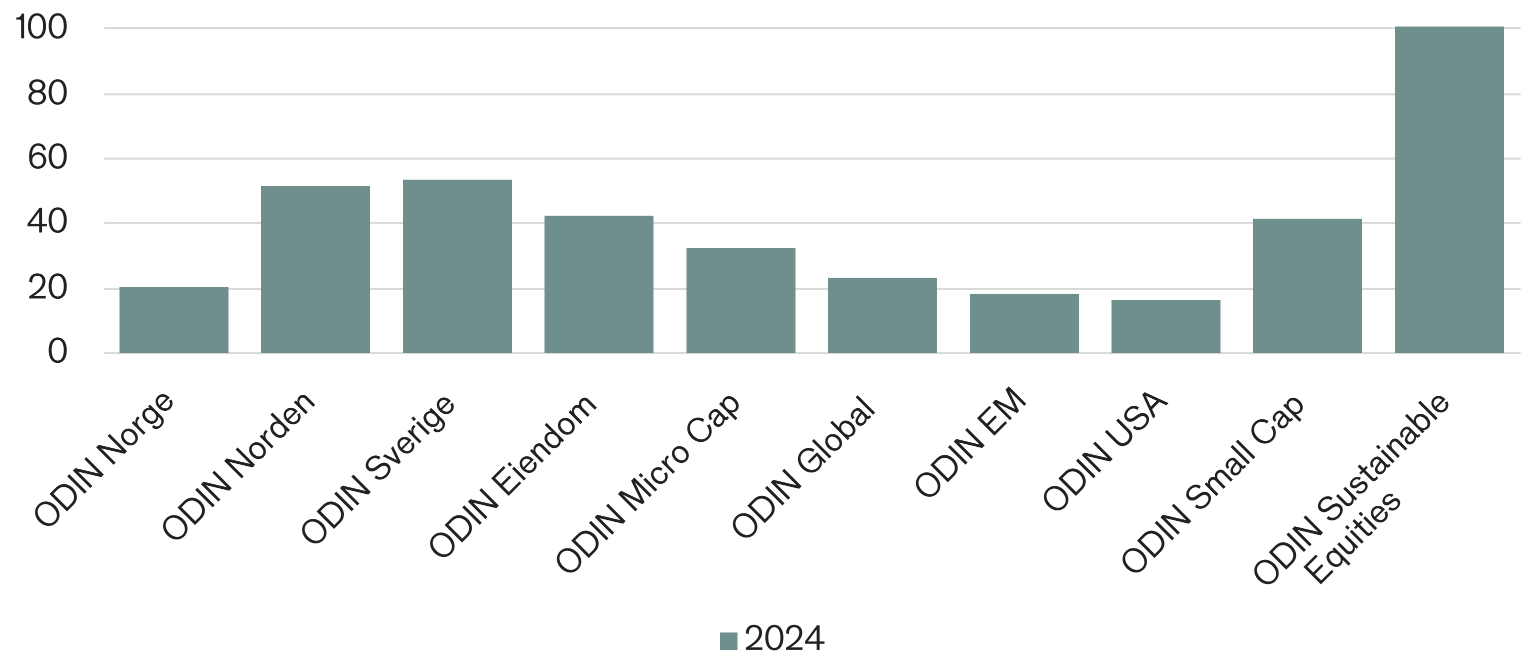
Carbon intensity (tCO2e / mNOK) – funds vs. index 2024



Sustainable investments

We integrate sustainability risk into the assessment of all companies we invest in as a natural part of our risk management approach. In addition, work to increase the proportion of sustainable investments in the portfolios. These investment aim not only to address sustainability risk, but also to make a positive contribution to the global transition and to address global challenges, tackling climate, environmental and social issues.

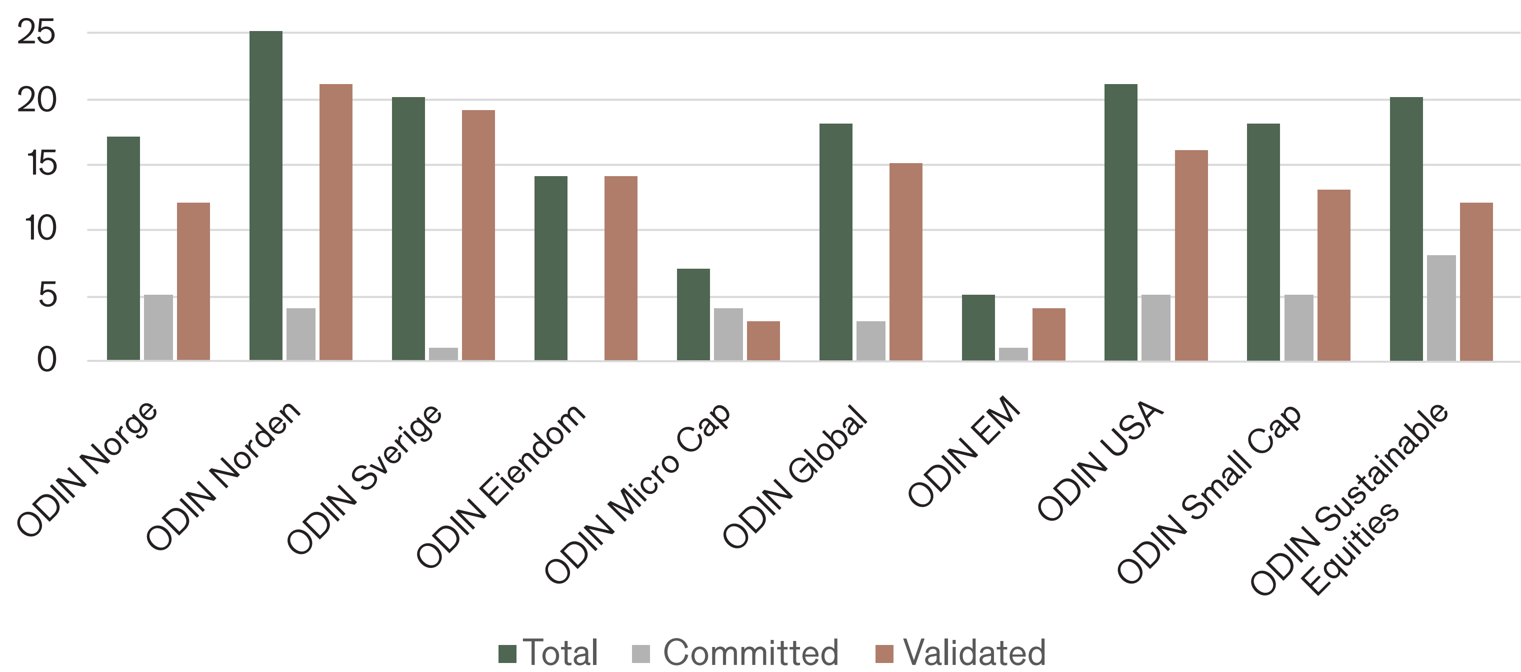
Share of sustainable investments (%)



Science-based emission targets

While carbon intensity offers a snapshot of the portfolio's current footprint, we are also focussed on future improvements. Odin's impact on carbon emissions is most significant through our efforts to encourage the companies we invest in to set emission reduction targets. To track progress, we monitor the number of companies in our portfolio that commit to setting climate targets through the Science Based Target Initiative (SBTi), or similar organisations.

Number of companies with targets from SBTi



Responsible investment

Sustainability is a natural part of the Odin model. We consistently seek high-quality companies that are well-managed and effectively handle their key risks. Environmental, social and governance ("ESG") factors serve as long-term value drivers for investments and analysing them is a crucial part of our fiduciary duty. We consider these factors both before and after an investment has been made. For us, this is what responsible investment is all about – finding future-oriented companies that that safeguard our clients' interests while delivering long-term value creation

Integration

Sustainability and ESG principles are integrated into our work in several ways:

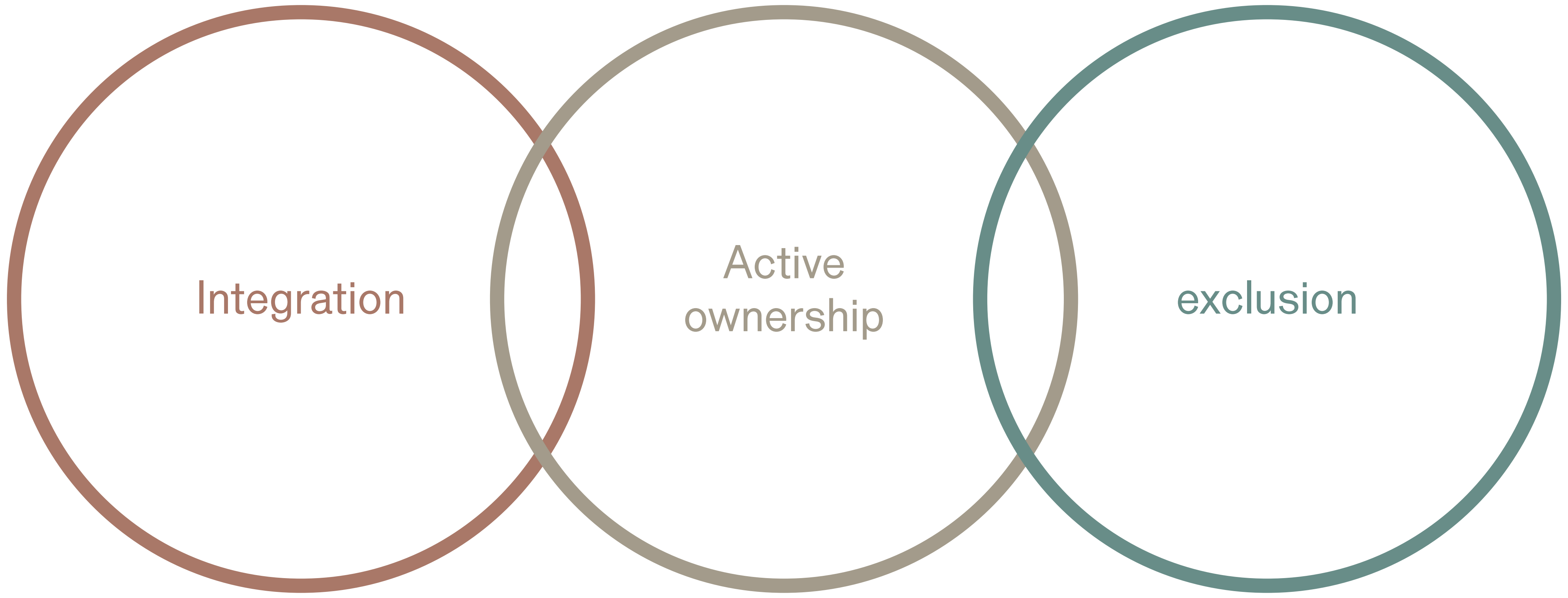
Firstly, we apply clear exclusion criteria that specify which companies the Odin funds should not invest in (see more about these criteria under "Exclusion and Observation"). These criteria, such as not investing in companies involved in controversial weapons or those violating human rights, define the parameters for our investment universe.

Secondly, sustainability assessments are integrated in the analysis of companies we consider for investment. Odin funds have concentrated portfolios typically comprising 30-35 companies. This makes it possible to conduct in-depth analysis and follow up on the companies we choose to include in the funds. Our goal is to ensure these companies are well-managed and effectively handle their key risks. Over time, we believe that companies with the commitment and ability to take part in sustainable transition reduce risks and deliver better returns.

Finally, we actively work to identify and increase the proportion of sustainable investments in our portfolios. These investments adhere to Odin's methodology for sustainable investments which is aligned with the Sustainable Finance Disclosure Regulation ("SFDR"). Sustainable investments are defined as companies with good governance that positively impact society, nature and/or the environment while avoiding doing significant harm to other sustainability objectives

Active ownership

In Odin, we are active owners. This means we use our voice as shareholders to raise awareness of sustainability issues and guide our portfolio companies in strengthening their efforts in this area. By doing so, we help companies prepare for future challenges, benefiting both the companies and shareholders. We vote at general meetings, participate in nomination committees across the Nordic region, and maintain ongoing dialogue with our portfolio companies.



1

General assembly

The general assembly is the highest decision-making body in a company. It provides shareholders with the opportunity to influence company's decision through voting and ensure good corporate governance by electing board members. The Odin funds aim to vote at all general assemblies of our portfolio companies.

2

Nomination committees

The board represents shareholders and is responsible for ensuring the company's strategy creates value for them. As significant owners in some of our portfolio companies we participate in nomination committees and, together with other major shareholder in the company, help ensure that board members with the right expertise, including on sustainability, are elected.
In 2024, representatives from the Odin funds sat on 14 nomination committees:

- NO: Borregaard, Kitron, Multiconsult, Medisim, Kongsberg Gruppen
- SE: Addlife, AQ, Axfood, Beijer Alma, Byggmax, CTT Systems, Munters, Nimbus, Fortinova Fastigheter

3

Company dialogue

Odin's portfolio managers actively engage with the companies in which we invest, including through company dialogues. Particularly in smaller companies in our home markets in the Nordics, we maintain close and proactive dialogues. In larger, often global, companies where we hold smaller stakes, we can collaborate with other investors to amplify our influence. We assess on a case-by-case basis whether to engage with a company independently or to partner with other investors through, for example, the UN PRI Collaboration Platform.

Company dialogues are initiated for multiple reasons. We often engage in risk-based dialogues with the goal of understanding the companies and their risk profiles better and provide feedback on their work on addressing ESG risks. At other times, we conduct targeted thematic dialogues, focused on specific topics and/or sectors, where the main purpose is to contribute to improving the companies' sustainability performance and impact. Additionally, we can initiate dialogues with companies in response to specific incidents or situations that could be in breach of our responsible investment policy.
In such incident-driven dialogues we seek to gain a deeper understanding the issues and assess the potential risk of breaches with Odin's guidelines.

Exclusion and Observation

We avoid investments in certain sectors and individual companies due to ethical considerations, based on the products they offer and/or their behaviour. Our exclusion criteria define the boundaries of our investment universe and are designed to provide our clients with confidence in knowing which activities are not financed through the Odin funds.

The Odin funds will not invest in companies where there is an unacceptable risk that the company contributes to or is directly responsible for:

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

For us, this is what responsible investment is all about – finding future-oriented companies that that safeguard our clients' interests while delivering long-term value creation.

The Odin funds must not be invested in companies that have more than:
- 0 per cent of revenue related to controversial weapons, tobacco or cannabis for recreational purposes
- 5 per cent of revenue related to pornography, gambling, oil sands, extraction of thermal coal or companies that base a significant part of their activities on thermal coal

Some of the funds also use additional exclusion criteria that are described in the fund's prospectus.

We expect our portfolio companies to act in accordance 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.

Comprehensive analyses of companies' risk profiles and long-term prospects enable us to find high-quality companies while minimizing the likelihood of involvement in controversies where exclusion must be considered. However, unforeseen events and situations may occur, and these must be addressed promptly and effectively.

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

Responsible investments in practice

Odin's exclusion criteria, which apply to both undesirable activities and undesirable corporate behaviour, determine the boundaries for our investment universe.

The exclusion criteria define the minimum standards for what we choose not to invest in, but they are not the only consideration when deciding on investments. For example, there may be situations where a company does not directly violate the exclusion criteria but may still fall into a "grey area". In such instances, it is the responsibility of each portfolio manager, often in collaboration with the ESG department, to assess the company's exposure to such risks and determine potential implications.

At ODIN Nordisk Kreditt, we recently had such a case, where the portfolio manager refrained from investing in an otherwise attractive bond due to concerns over the company's ownership structure, which he felt conflicted with the intent of Odin's exclusion criteria. Ithaca Energy, an oil and gas producer operating in the North Sea, issued a bond that ticked many of the boxes for a good investment: profitable, favorable debt ratio, strong underlying values and attractive price. However, the company's majority owner (>50%), Israeli Delek Group, raised some red flags. Delek Group has been excluded from the Norwegian Government Pension Fund for gross violation of fundamental ethical norms through its petroleum exploration offshore Western Sahara. In addition, the company is flagged on the UN's list of companies with significant contributions to the maintenance of illegal Israeli occupation of Palestinian territories. Odin's exclusion criteria apply to the companies we invest in and their majority-owned subsidiaries, not to their parent companies. However, it was Odin's decision that this investment would contribute cash flows to, and indirectly benefit, Delek Group, conflicting with the intention of Odin's guidelines and values, despite not directly breaching the exclusion criteria.


Foto: Getty Images

Active Ownership in Practice:

Spotlight on Odin Portfolio Managers in Sweden

At Odin Fund Management, we are active owners. We vote at general meetings, participate in nomination committees, and engage with our portfolio companies to ensure good governance. In Sweden, where portfolio managers of ODIN Sverige, ODIN Small Cap, and ODIN Micro Cap are based, this work is an essential component of day-to-day routines.

A Unified Approach to Active Ownership

In 2024, we focused on aligning investments with the goals of the Paris Agreement, ensuring companies transition to a low-carbon economy. This included advocating for climate goals as one of the main objectives, while also focusing on the integration of ESG factors into business practices and promoting transparency in reporting.

Across ODIN Sverige, ODIN Small Cap, and ODIN Micro Cap, our portfolio managers worked in 2024 to encourage sustainability transitions. We engaged in dozens of dialogues with companies, addressing climate-related targets, business strategies, governance, and corporate culture. The goal is to ensure the companies we invest in meet today's expectations and are equipped for long-term, sustainable success.

Active Ownership in ODIN Sverige

In ODIN Sverige, we are advancing our sustainability strategy, working to align the portfolio with the Paris Agreement's targets towards 2030. A core focus has been encouraging companies to set and validate targets through the Science Based Targets Initiative (SBTi), providing science-backed pathways for reducing emissions. By the end of 2024, 66% of the fund's value was invested in companies with verified SBTi targets—an impressive 19% increase from the start of the year.

Our ongoing dialogue with companies emphasized integrating sustainability into long-term business models. Companies like Essity (hygiene and health products) and ABB (industrial automation and robotics) are setting ambitious goals to reduce indirect (Scope 3) emissions and committing to net-zero strategies. These efforts align with global climate targets while ensuring sustainable growth decoupled from carbon emissions.

Our engagement extended beyond climate goals, addressing issues such as employee engagement, biodiversity, and the sustainable impact of companies' products. For example, with Addnode Group (software solutions), we stressed the need for transparent reporting on how their software solutions drive sustainability outcomes. Meanwhile, our dialogue with Thule Group (outdoor and transportation gear) focused on integrating ambitious sustainability targets into business strategy and product development, enhancing sustainable growth as material costs increasingly reflect environmental impacts.

Sustainable Growth in ODIN Small Cap

ODIN SmallCap achieved similar progress, focusing on scalable sustainability practices for small and midcap companies. While some face challenges due to limited resources, we encourage adopting practices that can grow with their businesses.

In 2024, 42% of the fund's value was invested in companies with verified SBTi targets, a significant increase from the prior year. A standout is Inwido (window and door manufacturer), which set bold climate targets: a 90% emissions reduction by 2050 and a 25% reduction in indirect (Scope 3) emissions by 2030. We continue to monitor their progress and advocate for their climate transition.

Proactive engagement is key to ensuring smaller companies not only meet regulatory requirements but also use sustainability to gain a competitive edge. Over 70 dialogues in 2024 addressed sustainability reporting, employee engagement, and the development of sustainable products.

Driving Change in ODIN Micro Cap

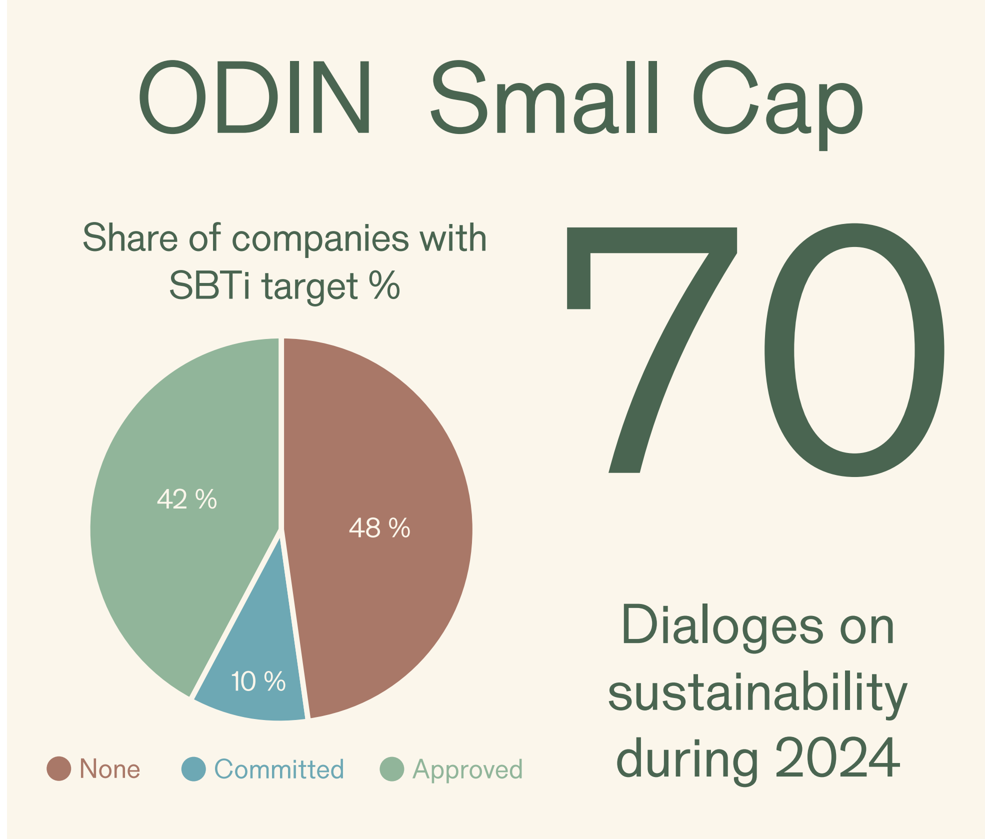
The integration of ambitious climate goals can be challenging for smaller companies, but we believe it will benefit the them in the long run. While these companies may have fewer resources, we encourage them to set and achieve climate-related targets. In 2024, three companies—CTT Systems (aircraft humidity control), Nederman Holding (industrial air filtration), and Rejlers (engineering consultancy)—validated their climate goals with SBTi, highlighting their commitment to sustainable growth.

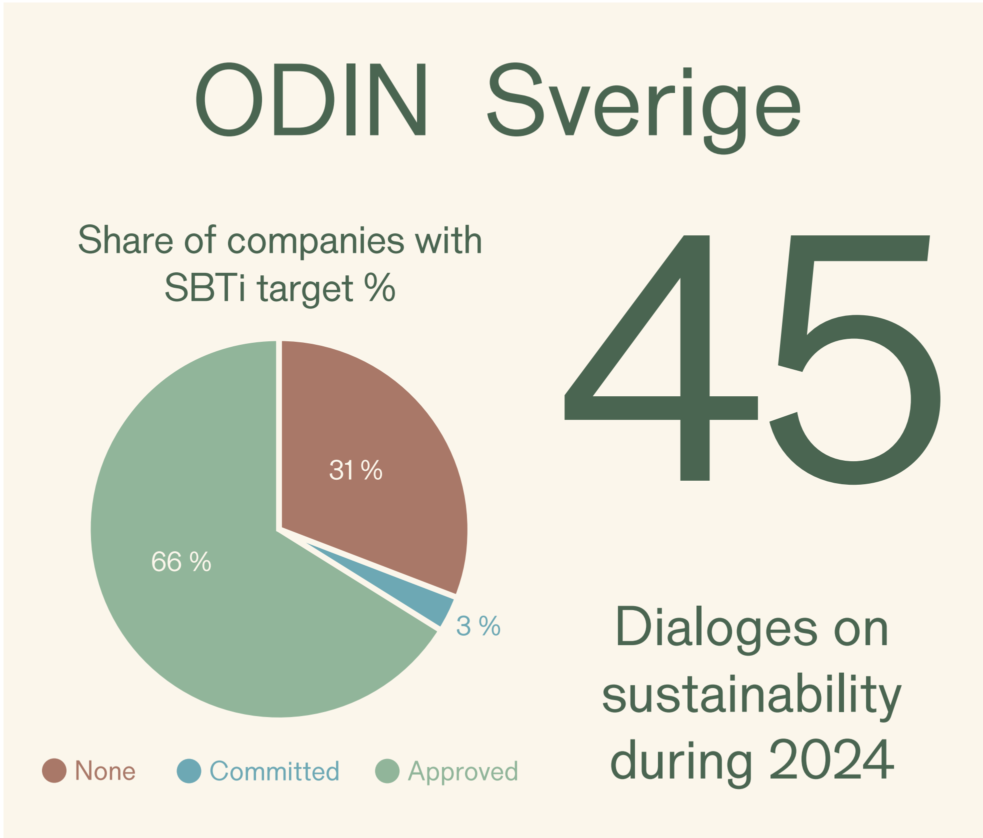
Beyond climate targets, we focused on ESG factors, including governance, business strategies, and corporate culture. These smaller companies have shown a strong desire to integrate sustainability into core operations, which is vital for long-term success.

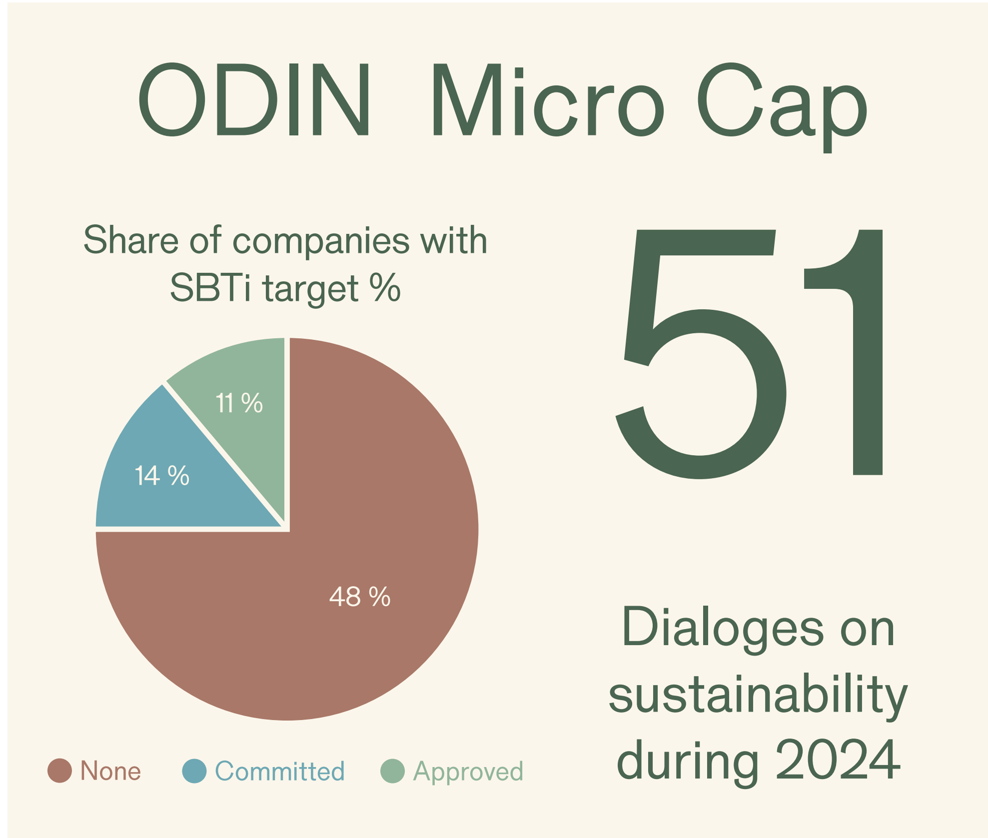
Throughout 2024, we conducted 51 dialogues with ODIN Micro Cap companies, helping us to understand their unique challenges and guide actionable steps toward sustainability without compromising growth potential.

Sum-up

Our engagement with companies across all three Swedish portfolios in 2024 demonstrates how active ownership positively influences business practices, contributing to the global transition to a sustainable, low-carbon economy. By collaborating with portfolio companies, we ensure they are equipped for both current challenges and long-term success in a rapidly evolving world.







Due diligence in conflict zones

Odin's guidelines for responsible investment are rooted in the UN Guiding Principles on Business and Human Rights (UNGP) and the OECD Guidelines for Multinational Enterprises.

Odin is committed to responsible fund management. Through our enhanced due diligence and responsible investment practices, we continuously work to ensure that our investments are in line with our Code of Conduct and international human rights standards. We carefully assess all investments to ensure fulfilment of our obligations as responsible owners.

According to the OECD Guidelines, companies must carry out enhanced due diligence to identify the risk of negative impacts on human rights when their operations relate to conflict areas or situations with an increased risk of serious abuses.

The war in Gaza and due diligence assessments

The war in Gaza and the deteriorating situation in the other occupied Palestinian territories require increased caution from Odin as an investor and owner. On Thursday 7 March 2024, the Norwegian government emphasized that Norwegian companies are advised not to engage in trade and business activities that contribute to maintaining the Israeli settlements that violate international law.

The advice was issued due to the past year's intensification of Israel's settlement policy, including new settlement expansions and increased settler violence against Palestinians.

Since 2009, the Government Pension Fund Global has excluded companies due to their contribution to the construction of settlements or the maintenance of separation barriers in the occupied territories. Odin is closely monitoring the decisions made by Norges Bank and, has excluded nine companies from the Odin funds' investment universe based on these.

Due to the Norwegian government's statements in 2024, a new review was conducted of the Odin funds' exposure to companies that contribute to maintaining the settlements in the West Bank and East Jerusalem. The review was based on the UN High Commissioner for Human Rights' (OCHR) list of companies with activities in Israeli settlements, companies that Norwegian People's Aid and "Fagforbundet" (Norway's largest Union) have focused on, and companies where there is an elevated risk of connection to the conflict situation in the Middle East.

Due diligence in practice

We identified twelve companies in our investment universe, which, due to their activities in/related to Palestinian territories, were assessed to have heightened risk of breaching Odin's guidelines for responsible investments. These companies were subjected to enhanced due diligence assessments, carried out by a consultant with special expertise in human rights and conflict situations. The assessment was based on the UN Guiding Principles on Business and Human Rights (UNGP) and the OECD Guidelines for Multinational Enterprises. In addition, the OECD's Due Diligence Guidelines in Conflict Situations were used to assess the extent to which the companies influence conflict dynamics through their activities.

Under the UN Guiding Principles, companies have a responsibility to respect and protect human rights in all countries in which they operate, regardless of whether the state itself complies with these rights. Conflict and political unrest can entail particularly high risks of human rights violations. Companies that operate in conflict areas must therefore exercise particular caution to avoid becoming involved in human rights violations.

The enhanced due diligence assessments were carried out in the spring of 2024, and reviewed the following criteria:

- The company's involvement and severity (type of involvement in human rights violations and possible contribution to conflict dynamics, as well as the severity of this and possible restorability)
- The company's handling (policies, preventive work, measures and transparency)

If a company is in breach with Odin's guidelines for responsible investments, we will assess whether it is appropriate to enter a dialogue with the company, either alone or together with other investors. If dialogue is not appropriate, or is unsuccessful, the next step will be exclusion.

The review resulted in three companies being excluded from Odin's investment universe. Additionally, a further nine companies were added to our internal observation list. Companies included in Odin's investment universe are in line with the criteria for companies our funds can invest in. Excluding companies from our investment universe ensures that the Odin-funds invest in companies that comply with international guidelines. The Odin-funds were not invested in any of the companies that were excluded.

Going forward, we will continue to evaluate all companies included in the funds and assess whether further due diligence is required.

Foto: Getty Images


Foto: Getty Images

Sustainability – An integral part of the portfolio manager's everyday life

Odin Forvaltning has established clear ESG principles as a fundamental part of managing all of our mutual funds.

In this article, **Alexander Miller**, Head of Equity Management, and **Nils Hast**, Head of Fixed Income Management, provide insight into Odin's commitment to sustainable and responsible investing.

ESG analysis provides a more comprehensive risk picture

All Odin funds are actively managed in line with the Odin model, which focuses on quality companies with solid results, strong competitive positions and long-term thinking from their management teams. Both Miller and Hast agree that the most fundamental reason for incorporating ESG factors into our investments is to enhance the Odin model by gaining a deeper understanding of a company's risk and long-term financial sustainability.

"On the equity side, the most important analysis we conduct is to uncover all potential types of risks, and first and foremost financial risks. ESG has become a key part of this risk assessment. Are there ESG factors that can inflict major financial losses on the company or shareholders? How likely is it that such an event could occur, and what consequences would it have? This assessment is now just as important as the traditional financial metrics we evaluate," says Alexander Miller, Chief Investment Officer and Head of Equity Management at Odin.

"On the credit side, it's about finding companies that are good borrowers and offer good returns. ," states Nils Hast, Chief Investment Officer and head of Odin's fixed income management. "We focus primarily on the downside-risk, i.e. what can go wrong. ESG is a key component of this analysis. Often, it is the weaknesses we uncover in our ESG assessments that lead us to avoid investing in a bond," adds Hast.

"ESG analysis is no longer something we do as an afterthought. It is a natural part of how we assess the companies our funds invest in. Of course, we also look for the upside – particularly where climate and environmental challenges can create new business opportunities," adds Miller.

As with other risks, the approach to ESG risk must be based on materiality – not all factors will be equally relevant for every sector or for all companies within the same sector. Therefore, it is essential to have a thorough understanding of the companies you wish to invest in, including not only what they do, but also where and how they operate.

"We always consider the governance aspect, i.e. how a company is managed. Poor corporate governance can lead to significant financial losses and create uncertainty about repayment of a bond at maturity. This is one example of a risk we are not willing to take," says Hast. "In addition, our analyses are very highly company specific. We ask different questions of a Nordic company compared to a global company, especially one with operations in conflict areas. While the financial aspect is always important, the ESG analysis provides a comprehensive understanding of risk," he adds An analysis is only as good as the input that goes into it. In recent years, increasing regulatory pressure on sustainability reporting, both for companies and investors, has made data more accessible. This has simplified analyses and provided greater insights into the areas companies prioritize and actively work with.

"Reporting has improved, making it easier for us to access the information we need. We find that the companies we invest in have become more transparent, which is a positive development," says Hast.

"ESG is now a natural part of many companies' reporting. In the past, this was something exceptional – now it is an integral part of their business model. This is a significant step in the right direction," adds Miller.

Alexander Miller
Head of equity management

Odin fund management includes clear ESG-principles in the management of all our funds"

Nils Hast
Head of fixed income management

Survival of the most adaptable

Investments are never made in a vacuum, - they are influenced by global and local events. For example, Russia's invasion of Ukraine in 2022 led to a shift in attitude towards investments in weapons. Several European asset managers who had previously excluded weapon production from their funds removed these restrictions, citing the need to protect democracy. Meanwhile, Europe's energy crisis made it more challenging to envision a system with fewer energy sources, leading to an increase in investments in non-renewable sources like coal to ensure energy security.

While current events may shift short-term priorities, we at Odin remain convinced that long-term sustainability and structural transition will continue to be dominant mega-trends.

"In the short term, we are, of course, affected by global events, both geopolitically and on the stock exchanges. When uncertainty increases, green investments may become less of a priority. However, I believe that, in the long run, fundamental forces will drive change. Companies must adapt, and they will," says Miller.

"At the same time, it is important to take a realistic approach. We cannot transition the energy system overnight from fossil to non-fossil fuels. We must be willing to support transition companies – those on the path to sustainability but not yet 100% green. In the short term, these companies may have the biggest impact," says Hast.

ESG and new technologies like AI are set to transform how companies operate, and one of the portfolio managers' key responsibilities is to stay ahead of these changes. History is full of examples of once-prominent companies that either disappeared or were sidelined in the wake of major technological shifts or evolving market conditions.

"I am optimistic. We know that the solutions to our biggest challenges have yet to be invented, which is why innovation is key. We cannot regulate our way to sustainability -We must make room for new ideas and breakthroughs. Capital markets have an important role to play in this," says Hast.

"We seek companies with the right leadership, culture and ability to navigate changes. This may be the most crucial investment criterion going forward. ESG is a bit like the internet – when it first emerged it transformed the way we work and communicate, but it took time to fully grasp its impact on business models. Those who refused to adapt disappeared, and I the same will happen now. In many ways, it is about the survival of the most adaptable companies," concludes Miller.

ODIN Sustainable Equities and ODIN Sustainable Corporate Bond

2024 has been a year marked by global geopolitical turmoil, interest rate changes and regulatory tightening for sustainable finance. Despite a somewhat unsettled backdrop, both Odin's sustainable funds, ODIN Sustainable Bond and ODIN Sustainability, have delivered good risk-adjusted returns. The funds' managers, Mariann Stoltenberg Lind and Alexander Nilsson, tell us about the trends that characterized the funds in the past year and the outlook for 2025.

Interest rate cuts and presidential election marked 2024

"After a period of high inflation and sharp rise in interest rates, inflation targets have been achieved in many countries, and this has provided room for interest rate cuts in 2024. In Norway, there is still a way to go before inflation is back on target, and interest rate cuts are not expected until the beginning of 2025, but in Sweden, where ODIN Sustainable Corporate Bond (OSCB) is registered, interest rates have been cut quite sharply," says manager Mariann Stoltenberg Lind, adding that the fund has had very good risk-adjusted returns.

The sustainable bond market has experienced notable developments. Issuance of sustainable bonds surged significantly leading up to 2021 but subsequently saw a decline.

"We are now seeing new growth, and we are approaching the peak year in the number of issues. This gives us many good investment opportunities. At the same time, it is important to emphasise that the fund does not only invest in so-called labelled bonds, but also in the conventional bonds, issued by companies that meet our sustainable investment criteria" says Stoltenberg Lind.

"On the equity side, we see several trends. The US market has been strong, especially in sectors such as heat pumps and ventilation. ," says Alexander Nilsson, who manages the equity fund ODIN Sustainability.

"The energy crisis in Europe and a long period of low interest rates created high demand for renewable technology such as solar energy and heat pumps. This led to suppliers building large inventories in the expectation that demand would continue. Then we had a period of rising interest rates and increased costs, which led to significantly lower investment from both companies and consumers. Suppliers are thus left with high inventories, and struggle with an imbalance between supply and demand. Our expectation is that this will stabilise over time, and that lower interest rates will be a helping factor," says Nilsson.

Another significant event of the year is Donald Trump's re-election as U.S. President. During his campaign, Trump pledged to reshape U.S. climate policy, including withdrawing from the Paris Agreement once more and targeting the Democrats' Inflation Reduction Act, which has supported U.S. decarbonization through subsidies. These actions are expected to have wide-ranging ripple effects for sustainable finance and the transition to a low-carbon society, both in the short and long term.

"Trump has expressed support for the oil industry while criticizing renewable energy, leading to market uncertainty toward the end of the year. This uncertainty has contributed to declining stock prices for several green technology companies. While shareholders typically react negatively to uncertainty, we do not believe this will derail the green transition in the long term. The megatrend toward sustainability remains robust, irrespective of geopolitical dynamics or who occupies the White House," says Nilsson.
"Trump sees the market as a driver of regulation and is not fundamentally opposed to the energy transition. His concern lies more with government regulations and subsidies, preferring market forces to lead the way instead. However, the market remains cautious about green initiatives that rely on subsidies. Projects that are inherently profitable will continue to thrive," adds Stoltenberg Lind.

Mariann Stoltenberg Lind and Alexander Løes Nilsson

ESMA: New requirements for sustainability funds

Beyond broader market trends, Odin's sustainable funds are also impacted by changes in the sustainable finance market regulations. In May 2024, the European Securities and Markets Authority (ESMA) released that set clear criteria for funds with sustainability-related names. The guidelines are designed to ensure that funds claiming to be sustainable, green, or focused on investing in transition, adhere to specific minimum requirements. As a result, these changes are expected to influence not only investment strategies but also how funds are named, marketed, and positioned in the market.

The managers emphasise that the most important thing is to deliver in line with the mandate given to them by the clients. "Our job is to offer the best possible product for our clients which, in this case, means funds that invest sustainably while delivering strong risk-adjusted returns," says Nilsson. "The most important thing for us is having the opportunity to make the right investments for the funds, ones that contribute to steering the world in the right direction, while complying with industry regulations, including the new ESMA guidelines. At the same time, if these evolving sustainabilityrequirements create long-term difficulties in fulfilling the funds' core mandate, we are open to adjusting the funds' names. For example, the requirements for transition funds – those with "transition" or transition-related terms in the name – are somewhat less stringent than for funds with "sustainability" in the name, offering more flexibility for investments in transition industries and companies.

This issue was relevant to OSCB, as Odin's method for sustainable investments differs between equities and bonds in terms of investment universe. In the bond funds, sustainable projects can be targeted through earmarked bonds even if the business could not be qualified as sustainable. An example of this could be an energy company with significant coal exposure that invests in wind power and issue earmarked green bonds to finance this. On the equity side, there is less flexibility. ODIN Sustainable Equity cannot invest in companies that, for example, despite having 90% wind power, also derive 10% of their revenue from oil and gas.

"We can choose to finance green projects, as long as the bonds are earmarked. This is positive because it helps push companies in the right direction, says Stoltenberg Lind. "However, this type of investment requires significant effort in both analysis and communication. We must clearly explain our investment selection process and ensure accurate reporting". She adds, " It is also encouraging to see companies improving their reporting practices. This not only makes the choices easier for us as investors, but also enhances transparency and builds trust and credibility from the clients' perspective," says Stoltenberg Lind.

When published in May, ESMA's guidelines did not contain any exemptions for earmarked bonds. At that point, the OSCB team was prepared to consider renaming the fund according to Mariann. However, by the end of the year, ESMA published a Q&A clarifying that the exclusion criteria in the guidelines apply to the projects and activities funded, rather than at the issuer level. As a result, the OSCB was able to retain both its name and investment philosophy.

" We believe that these formats, given a thorough analysis of the issuers, are an important contribution to the transition efforts the world needs and constitute an essential component of a sustainable fixed income fund," concludes Stoltenberg Lind.

The way sustainable investments are defined is constantly evolving. In this context, the new ESMA guidelines play a key role in providing greater clarity and consistency regarding what currently qualifies as sustainable investments.

The megatrend towards sustainability stands – with quality companies in focus

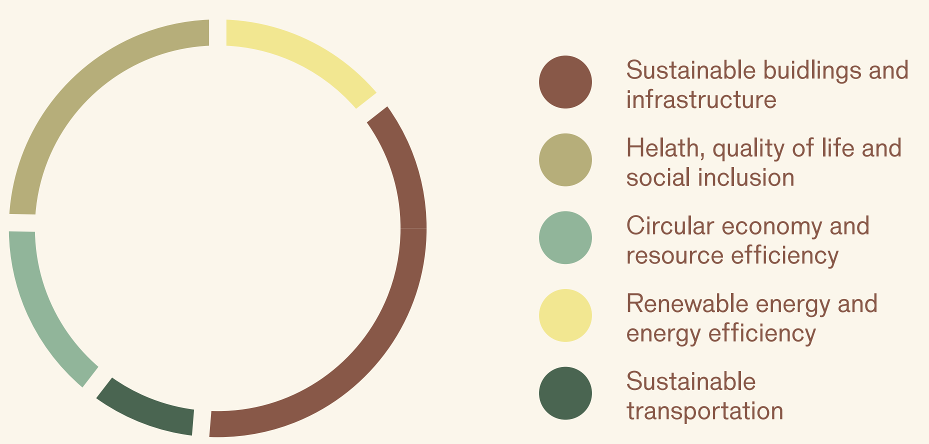
Stoltenberg Lind and Nilsson agree that the geopolitical landscape - marked by Trump in the White House, political shifts in Europe and ongoing conflicts in Ukraine and the Middle East, will continue to shape the markets in 2025. At the same time, interest rates are expected to gradually decline towards more normal levels.

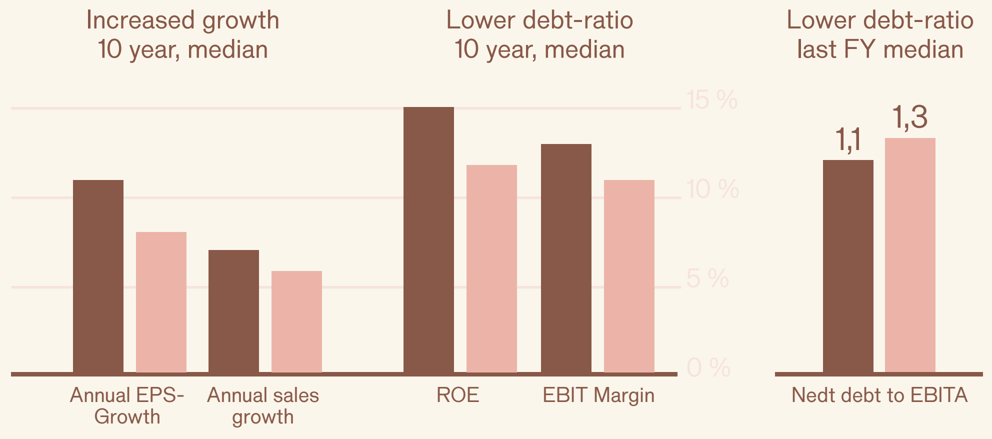
"These are uncertainties we must navigate, but we still see a lot of underlying positives. We have shifted from a market where companies labelled as green investments received inflated valuations regardless of their earnings, to one where well-managed, profitable companies that hold up best. This gives us a healthier and more balanced market to invest in," says Nilsson. He adds, "In line with the Odin-model's fundamental principles of price, position and performance, we continue seek out high-quality companies that also meet our sustainability criteria."

"We conduct thorough analyses, both financial and sustainability-related, to achieve strong results in both return and sustainability targets," concludes Stoltenberg Lind.

ODIN Sustainable Equities

Diversified fund across five different sustainability themes

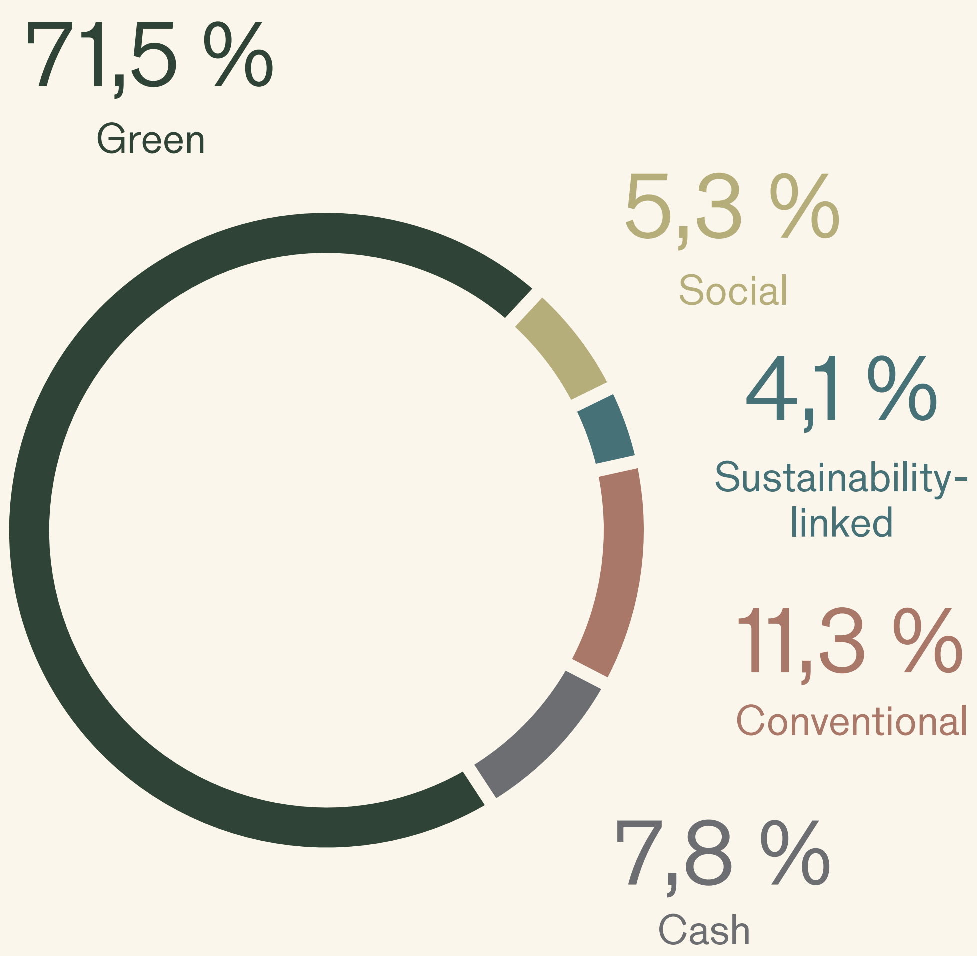




Data as of December 31st 2024

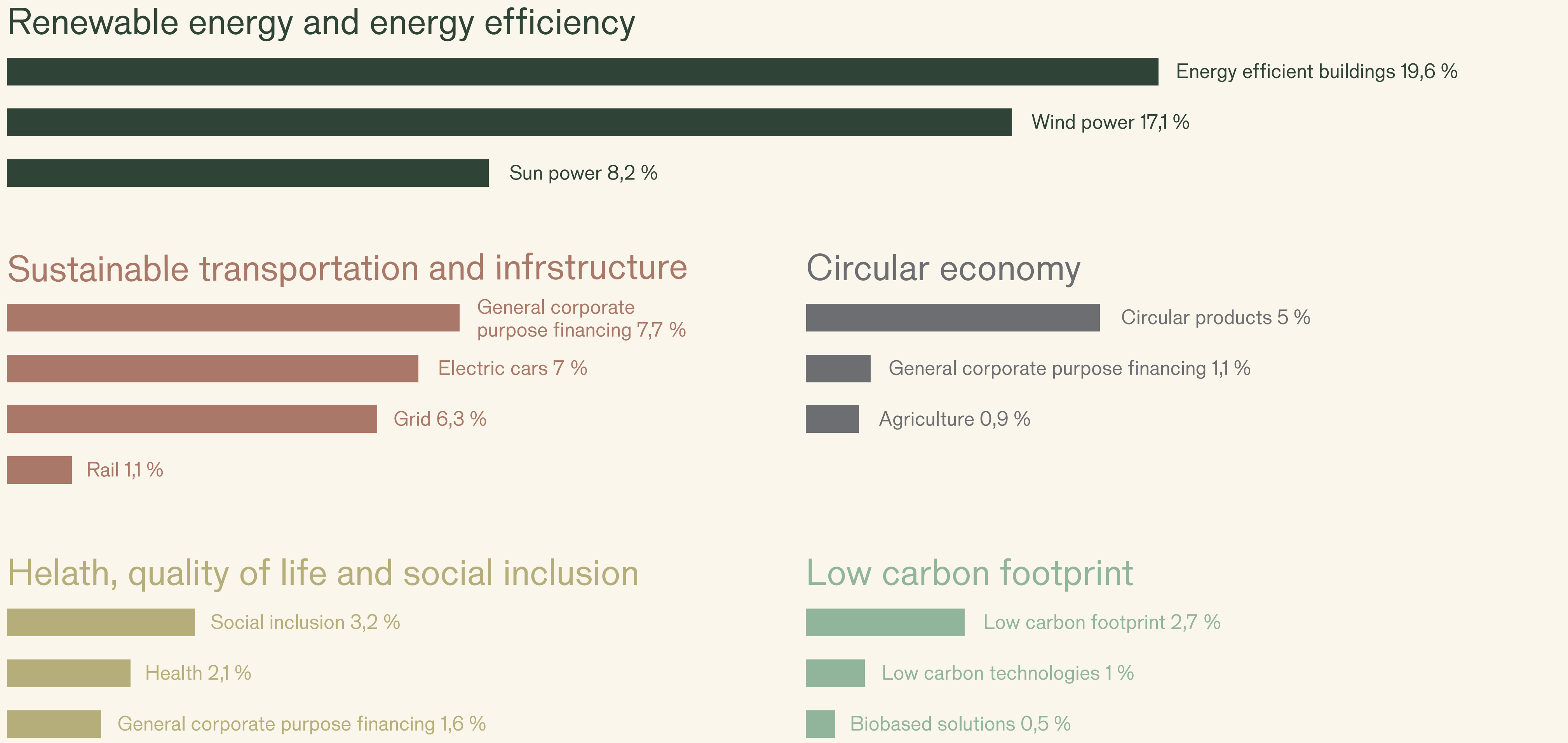
ODIN Sustainable Corporate Bond

Bond formats



- The fund invests in ESG-labelled and conventional bonds
- Green and Social bonds targets specific projects or assets through ear-marking bond-funds:
  - Green bonds finance projects that promote enviornmental targets, such as the use of renewable energy of energy efficient buildings
  - Social bonds finance projects promoting social benefits, such as health services or affordable housing
- Sustainability-linked bonds are not ear-marked for specific projects
  - These bonds are tied to the company's sustainability targets
- Conventional bonds are not ear-marked for specific projects
  - We invest in conventional bonds issued by companies with clear sustainability profiles, and who's business is aligned with the fund's chosen sustainability targets.

Split between sustainability themes



The portfolio split between sustainability themes is estimated based on the sustainability frameworks for green and social bonds, or on the company's activities for conventional and sustainability-linked bonds.

Building internal expertise

Competence boost for the sales department:

We are constantly working to increase ESG expertise at Odin. In 2023, we ran a highly successful ESG risk scheme for all portfolio managers, analysts and the Chief Investment Officer. This year, the focus has been on increasing overall competence across the company, with targeted walk-throughs for the sales departments. As an example, sustainability is a key topic discussed during weekly updates with the sales team in the Stockholm office. We aim to be open and credible about the work we do on sustainability, and it is therefore necessary to ensure that all employees have a basic understanding of the work we do, and how Odin approaches sustainability in finance. Additionally, it is crucial that our sales teams are informed about recent developments in ESG regulations and market practices in order to meet the our clients' requirements.

The meetings with the sales departments have focused on (i) the different ways in which sustainability and ESG are integrated into management through the use of exclusion criteria, ESG risk analyses and assessments of sustainable investments, (ii) relevant legislation such as the SFDR and how this affects Odin and our funds, including reviews of the differences between Article 8 and 9 funds, and (iii) our overall approach and strategy for sustainability.

Human rights in focus

Odin is a responsible asset manager with high expectations for the sustainability efforts and profiles of the companies we invest in. Our guidelines for responsible investment are based on the ten principles of the UN Global Compact, including the UN Universal Declaration of Human Rights, and the UN Guiding Principles on Business and Human Rights. Applying these principles across a global investment portfolio can be challenging, particularly in a world shaped by multinational companies with activities and supply chains spread across diverse jurisdictions.

As an investor, we are indirectly exposed to potential human rights violations through the companies we own, and it is our task to encourage them to fulfil their responsibilities both in their own operations and supply chains.

"The meetings with the Sustainability team have provided valuable insight into how Odin works with sustainability in practice, how this is applied on a daily basis. It creates trust among customers when we can share first-hand knowledge about how actively the fund managers work with these important topics."

– Anders Stenstad,
– Thomas Onseid

"The course does not provide simple instructions on how to handle challenging human rights situations, but highlight the complexity and necessity of not abdicating responsibility. Often you can lean on external sources and discuss with other actors, but in the end, it is we at Odin who make the choices about what is, and what is not, acceptable according to our guidelines",

– Eivor Oellingrath.

2024 was another year that put the "S" in ESG in strong focus for Odin. We started the year with a comprehensive evaluation of our portfolio's exposure to companies potentially contributing to the maintenance of the occupation of Palestinian territories, following the Norwegian Ministry of Foreign Affairs' recommendations to avoid investments in business which could support illegal Israeli settlements(see more on p. X). The issues related to the use of products and problematic supply chains have also been relevant throughout the year.

In the autumn of 2024, Eivor Oellingrath, senior analyst in the Sustainability Team, participated in a course on Business and Human Rights at the University of Bergen. The course is a collaboration between the University, the Rafto Foundation and the Institute for Human Rights and Business (IHRB), and gives an introduction to international human rights standards, ethical norms and regulatory principles. Particular attention is paid to situations where companies operate in areas where local standards and rules deviate from recognised international principles, and what companies can and cannot be expected to do in such situations. The course, which is led by several experts in the field, with participants from different industries, institutions and countries, contributes to increased understanding of responsibilities, room for action, and expectations in complex situations.

Odin conducts regular reviews of our exposure to human rights violations (see summary in reporting in line with the Transparency Act). We map risks and actual breaches, both within our own operations and across our investment portfolios. It is evident that our greatest exposure arises indirectly through our investments.

When we uncover potential human rights violations, or other matters that breach our policies, the first step is to asses the portfolio company's involvement. We determine whether they are directly responsible, or if the violations can be traced to their suppliers or use of the company's products. Next, we analyse the companies' room for action and the possible effects of them both staying and pulling out. Like investors, companies can leverage their position to influence their suppliers and partners. This will often be the preferred method over ending cooperation immediately when controversial situations arise. If the advocacy efforts do not lead to positive change over time, the company should consider terminating the relationship.

For Odin, how portfolio companies address such situations is crucial. We aim to influence our companies to take an active role in mitigating the risks of human rights violations and to ensure the companies acknowledge their responsibility and act if undesirable situations arise. Beyond breaching Odin's policies and fundamental values, human rights violations present a financial risk that should be mapped and factored into investment decisions.

In 2024, we have actively addressed the competency of our portfolio managers regarding human rights on several occasions. During one of our annual portfolio management team meetings, we raised a case related to the responsibility for upholding human rights for educational purposes. The entire portfolio management team discussed one Case from the New York Times, which highlighted the need for accountability, including that of investors, when portfolio companies violate human rights.

Odin’s contribution to social sustainability

Every year, Odin gives Christmas gifts to a charitable cause. From among the manyfantastic initiatives and good causes that are out there, in 2024 the employees chose to give Christmas gifts in the form of donations to the following organisations:


Foto: Leger uten grenser

Doctors Without Borders

An international humanitarian aid organization operating worldwide, providing medical emergency assistance to those who need it most. They help people affected by war, conflicts, epidemics, and natural disasters. MSF works independently of political, economic, and religious interests and is known for delivering aid in places where other organizations find it difficult to operate.


Foto: Miljøagentene/Wanda Nordstrøm

Miljøagentene

A Norwegian environmental organization for children. They do not support or receive support from any specific political party but rather aim to encourage all political parties to improve their efforts in protecting the planet. The organization does not favor any particular belief system or religion but promotes mutual respect for different faiths and worldviews. Miljøagentene envisions a world where people understand and respect nature and act accordingly. They work for a cleaner environment and a safer future, providing children with knowledge about nature, climate, and the environment while encouraging action toward a more sustainable future.


Foto: Kirkens Bymisjon

Kirkens Bymisjon

A Norwegian non-profit organization working to create a more inclusive and compassionate society, particularly for those experiencing social exclusion, poverty, or other challenges. They offer help and support regardless of faith or background. Their mission is to ensure that all people experience dignity, justice, and care, regardless of their life situation, beliefs, or cultural background. Kirkens Bymisjon places strong emphasis on solidarity and humanity, striving to bring hope and new opportunities to those who need them most.

Foto: Hand In Hand

HAND IN HAND
EASTERN AFRICA

This year’s Christmas gift from Odin Fonder goes to hope and a brighter future for Hand in Hand’s entrepreneurs.

Our gift helps more impoverished and vulnerable women gain the tools they need to improve their lives. Investing in people’s capabilities is a path out of poverty - for good. One of the main reasons poverty persists is the lack of jobs and income - and that is precisely where Hand in Hand’s efforts make a real difference.

Through the formation of self-help groups, training, and support, more than five million small-scale entrepreneurs have been empowered. With more stable incomes, a social safety net, and greater resilience to crises, people can begin to take control of their lives and their future.

At Odin Fonder, we have supported Hand in Hand for many years. Every day, we work to identify the best companies with skilled leadership to invest in for our funds. Often, we follow a company from its early stages as it grows and becomes successful. By investing in Hand in Hand, we’re doing something very similar - in the poorest regions, we’re primarily helping women start businesses that, over time, can support an entire family.

Helping people help themselves is a truly great investment - and if there’s one thing we at Odin love, it is great investments.

We create value
for the future

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Odin Forvaltning is a company in
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