SpareBank 1

Sector specific standard

Expectations for companies

Sector specific standard

Introduction

Our overall vision for the investment area is to achieve "sustainable returns for a sustainable future". Managing risk is the backbone of our business, and identifying and quantifying environmental, social and governance risk has always been an integral part of our business practice. We believe that active and responsible ownership will play a key role in the allocation of capital, engagement and value creation and thereby achieve a much more rapid transition to a sustainable economy.

SpareBank 1 Forsikring strives to act according to our sustainable investment vision and in line with our fiduciary obligation to maximize the long-term risk-adjusted net return. We invest with an intensive effort on understanding the future and sustainable development for the environment and society at large. As a future-oriented investor, this has always been our perspective.

SpareBank 1 Forsikring recognizes that we have a responsibility to ensure that all fundamental and internationally recognized declaration and norms are respected by the companies in which we invest, such as the Universal Declaration of Human Rights of 1948, the International Labour Organization's (ILO) conventions, international humanitarian law, FNs Global Compact, OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights.

We carry this responsibility through our investment decision making, stewardship activities, collaborations with other investors and policy dialogue.

Expectations of portfolio companies:

it is expected that portfolio companies should have in place policies and processes appropriate to their size and circumstances, including:

→ Board responsibility
→ Policy commitment and strategy alignment to the Paris agreement
→ Integrate material risks into risk management
→ Report relevant and meaningful information

SpareBank 1 Forsikring aim to support companies as they transition towards a more sustainable business model in accordance with the common goals and commitments of the Paris-agreement. Following expectations are directed on all our portfolio companies.

Climate change:

- → Companies integrate climate change considerations into their policy and strategy
- → Companies' long-term strategy should take into account the goals of the Paris Agreement and UN Sustainable Goals
- → Companies should assess the resilience of their long-term profitability to different transition and climate scenarios (including 2 degree C scenario)
- → Companies switch from using fossil fuels to using renewable energy sources
- → Companies engaged in activities with a direct or indirect impact on deforestation should have a strategy for reducing emissions from their own operations as well as supply chains. When relevant, companies should adopt "no deforestation, no peat, no exploitation" policies
- → Companies should integrate material climate change risks into risk management:
  - - Companies should identify material short, medium- and long-term climate change risks in risk management framework, including appropriate processes for prioritising, mitigating, monitoring, and reporting climate risks
  - - Companies should identify and monitor material climate change risks in their supply chain. This includes engagement with suppliers and implementing relevant procurement policies and ESG considerations in their contracts
  - - Companies should always strive to adopt best practices and standards to avoid deforestation, land degradation, negative impact on ecosystems
- → Companies should disclose material climate change information:
  - - Companies should disclose their direct and indirect emissions (Scope 1, 2, 3)
  - - Companies should set short, medium- and long-term target emission reduction targets according to their commitment to Paris Agreement
  - - Companies should align their disclosure with relevant standards, in particular the TCFD recommendations
- → Companies should engage transparently on climate change policy:
  - - Companies should not participate in direct and indirect lobbying aimed at weaking climate policy and transition
  - - Companies should disclose their membership in industry associations and groups

In addition to the norms and principles noted above, certain issues would typically be material to certain industries and sectors, while others are more company specific, and needs to address on company level in a future oriented manner. As such, our active managers are best suited to this type of strategic analysis given their selective and future oriented approach. For our passive managers, the primary method will be exclusion based and more reactive compared to the fundamental active managers. In the below, we try to highlight the most critical aspects of our engagement related to specific sectors:

Mining, oil and gas, power generation:

→ Prevent negative impact on protected areas that fall under the International Union for Conservation of Nature (IUCN), Ramsar Convention on Wetlands and on UNESCO World Heritage sites within their business operation and the area they manage
→ Have required certifications that are relevant for specific sectors
→ Mitigate the chance of accidents by making use of the best available technique and have a solid road map for the crisis's situation
→ Have a due diligence process to identify and assess the consequences of an accident for the environment and social issues. Develop remediation mechanism of any adverse environmental and human rights impact that they cause or to which they contribute
→ Reduce extractive waste (from mining, oil and gas extraction), and manage and process this in a responsible way
→ Develop and establish water management system, including:
  - Companies should recognise their dependency and impact on water resources, integrate policy commitment to sustainable water management
  - Companies should adopt industry standards and best practices in sustainable water management. Companies should prevent water pollution
  - Companies should conduct water scarcity impact assessments in water scarce regions
  - Companies should identify and consider relevant adaption and mitigation measures
→ Integrate environmental, social and governance criteria in their procurement and operational policies and contract within supply chain
→ R&D and investments into new technologies for transition/disruption of existing technology (upstream and downstream)
→ Prevent conflict over land rights and acquire natural resources only by engaging in serious consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous people
→ Companies should strive to report information according to international standards (f.ex. GRI, NFRD) or any other sector specific reporting initiatives together with Sustainability Report. Small companies should adopt their reporting according to their size

Nature, Agriculture, Food:

- → Respect international agreements such as the UN Convention on Biological Diversity
- → Have required certifications that are relevant for specific sectors
- → Prevent negative impact on High Conservation Value, on protected areas that fall under the International Union for Conservation of Nature (IUCN), Ramsar Convention on Wetlands and on UNESCO World Heritage sites within their business operation and the area they manage
- → Minimise harm to business from biodiversity loss, including supply chain vulnerabilities
- → Avoid disruptive operations in internationally recognized areas such as UNESCO World Heritage Sites
- → Avoid contributing to reductions of any Critically Endangered Species on the IUCN Red List of Threatened Species
- → Develop and establish water management system, including:
    - Companies should recognise their dependency and impact on water resources, integrate policy commitment to sustainable water management
    - Companies should adopt industry standards and best practices in sustainable water management
    - Companies should conduct water scarcity impact assessments in water scarce regions
    - Companies should identify and consider relevant adaption and mitigation measures
- → Companies should strive to use best-practice standards in animal welfare regarding animal welfare, respect the Five Freedoms of animals
- → R&D and investments into new technologies for transition/disruption of existing technology (upstream and downstream)
- → Integrate environmental, social and governance criteria in their procurement and operational policies and contract within supply chain
- → Prevent conflict over land rights and acquire natural resources only by engaging in serious consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous people
- → Companies should strive to report information according to international standards (f.ex. GRI, NFRD) or any other sector specific reporting initiatives together with Sustainability Report. Small companies should adopt their reporting according to their size