THE GOVERNANCE GROUP

ESG 100

How the largest 100 companies on the Oslo Stock Exchange report on ESG

ENGLISH SUMMARY VERSION 2021

Contents

Glossary

CORPORATE COMMUNITY ENGAGEMENT (CCE)

This term refers to the activities that a company undertakes to enhance its relationships with, and contribute to the well-being of, the communities in which it has a presence or impact. CCE often involves contributions to charitable organisations, culture and sports, or support for volunteer work. It is used less to refer to responsible practices within a company itself.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

To engage in CSR means that, in the normal course of business, a company is operating in ways that enhance society and the environment, instead of contributing negatively to them. CSR is often used synonymously with sustainability.

ESG

ESG is an acronym for environmental, social and governance factors. CO_2 emissions and energy consumption are examples of environmental factors, human rights and labour conditions are examples of social factors, and compliance with laws and internal company control mechanisms are examples of governance factors.

IMPACT INVESTING

Impact investments are meant to generate positive, measurable social and environmental impact alongside financial return. Examples include development of solar or wind parks, circular economy solutions or micro-financing in developing countries.

NET ZERO TARGET

Net zero is achieved by reducing the level of GHG emissions a company or country creates to as close to zero as possible, with any residual amounts emitted matched by removal.

SUSTAINABLE FINANCE

Sustainable finance involves assessing ESG factors in financial decision-making processes with the aim of contributing to a more long-term approach to direct investments and debt financing of projects and companies.

THE UN SUSTAINABLE DEVELOPMENT GOALS

The 2030 Agenda for Sustainable Development, adopted by all UN Member States in 2015, sets out 17 sustainable development goals (SDGs). The goals embrace both developing and industrialised countries and have been broadly endorsed by the business community.

EXECUTIVE SUMMARY

Environmental, social and governance (ESG) reporting has rapidly increased in its importance – from the bottom of the pile in corporate communication departments, to the front end of companies' annual financial reports. For a very good reason – ESG factors are already influencing companies' valuation and access to capital.

Now in its fourth year, the ESG100 has tracked this rapid shift and maturation of ESG reporting by companies listed on the Oslo Stock Exchange.

Increasing demand for ESG information and higher levels of scrutiny

The increasing demand for ESG information from investors, raters and stakeholders at large is now matched by their heightened levels of scrutiny and the sophisticated approaches they take to analyzing company disclosures. The soon to be regulated EU Taxonomy requirements and the EU Corporate Sustainability Reporting Directive are providing further impetus for companies to actively strengthen their ESG reporting.

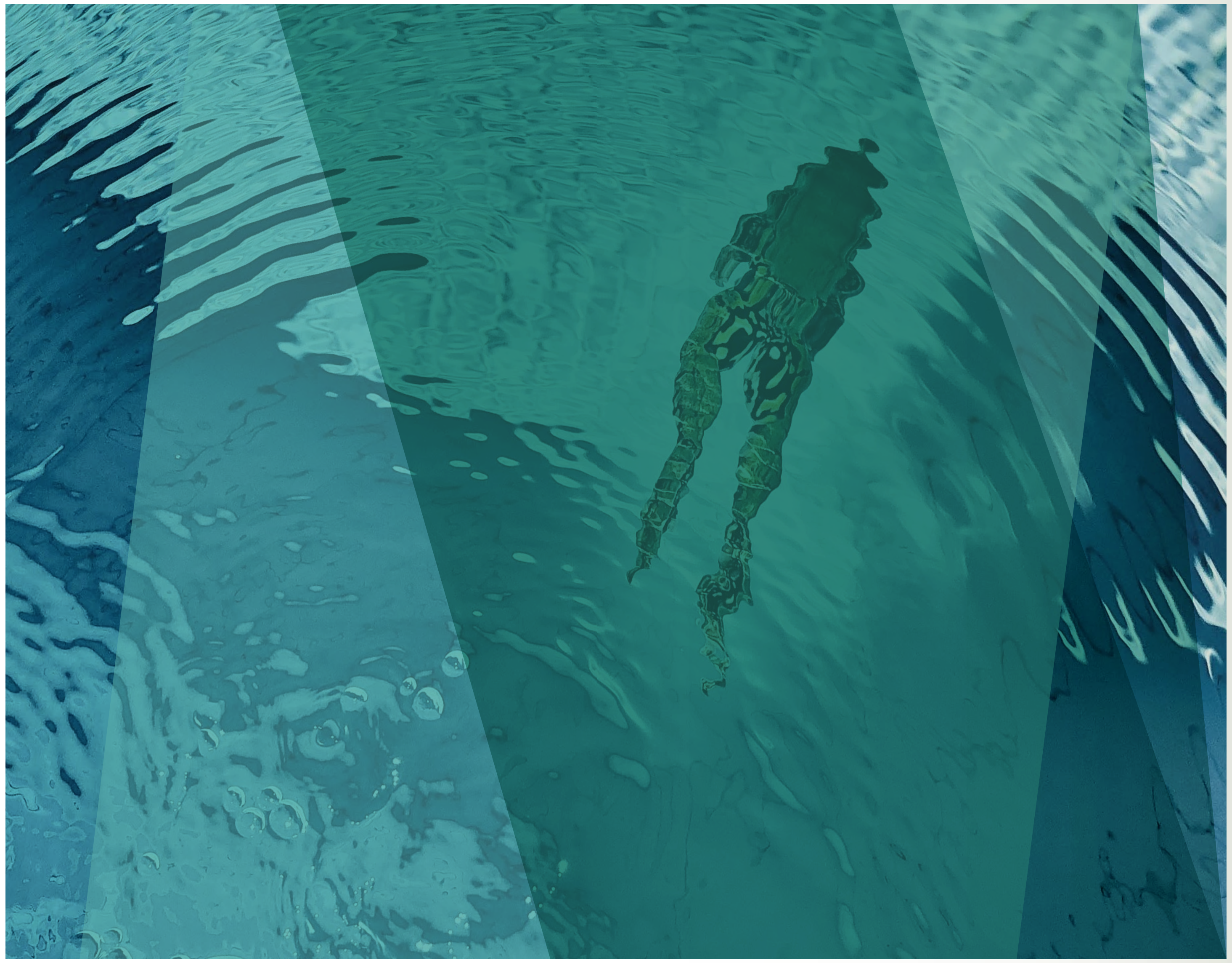
Listed entities on the Norwegian Stock Exchange are responding

Listed entities on the Norwegian Stock Exchange – the Oslo Børs – are already responding. Increased disclosure on material ESG topics has been accompanied by greater adoption and application of recognized frameworks, such as The Taks Force on Climate-Related Financial Disclosures (TCFD), The Sustainability Accounting Standards Board (SASB) and The Global Reporting Initiative (GRI) Standards. It is not just an increase in the amount of ESG disclosure, but also the quality, with higher ratings for the majority of commonly-reported ESG topics by the companies sampled. A diminishing number of companies provide weak or limited ESG disclosure.

With impending regulation, increasing investor and stakeholder expectations, companies will need to keep improving their ESG reporting.

The Governance Group
September 2021, Oslo

This English Summary version of the ESG100 is an abridged version of the full report Bærekraft på børs 2021 (in Norwegian). For further information, please see previous reports on our website (in English) or contact us using the details on the back cover.



KEY TRENDS

From a financial perspective, ESG reporting becomes relevant when it contains consistent and measurable information about a company's material ESG risks and opportunities. This rationale provides a useful starting point when considering which type of ESG information to include in the company annual report.

Use of materiality assessments and reporting frameworks increasing

The description of materiality assessments in reports and the use of recognized sustainability reporting frameworks (such as GRI and SASB) is increasing. As reporting matures in practice, the majority of companies sampled are able to credibly demonstrate their selection of content for reporting, and to disclose information using a robust standard. However, a lagging lower quartile remains, containing companies who do not effectively disclose how reporting content was determined or how it is disclosed.

Green listings and green finance on the rise

In 2020 there were 54 IPOs on the Oslo Stock Exchange – 17 classified as 'green' companies. Total market capitalization of 'green companies' has increased five-fold between 2016 and 2020 to approximately NOK 200 billion. Additionally, green bond issuance in Norway is on the rise – 2020 was a record year with EUR 2.6 billion in green bond issuance, up from EUR 800 million in 2019.

More ESG disclosure and more to come

This year's analysis shows more companies disclosing ESG-related information and increasingly employing recognized reporting standards and methods. The significant increase in reporting on GHG emissions is a good example. However, many companies appear relatively unprepared to meet stricter legal reporting requirements emerging in the wake of regulatory changes which mandate increased and specific ESG disclosures.

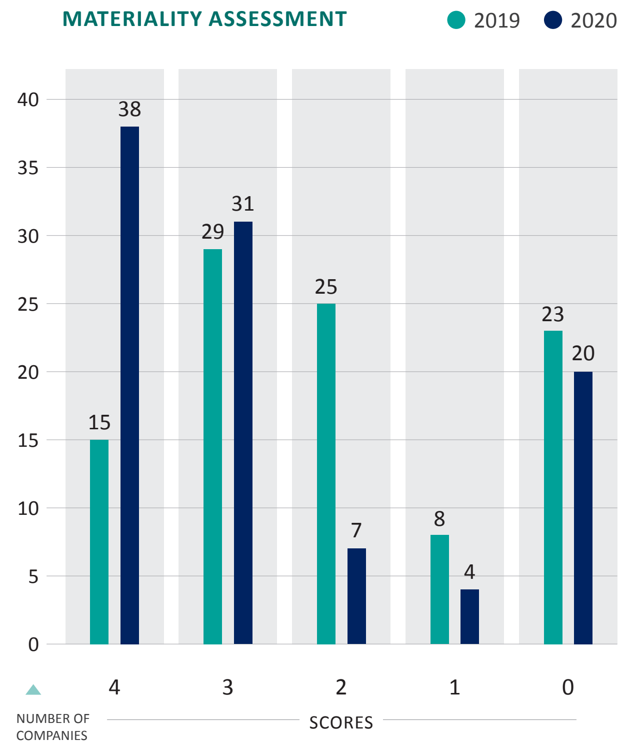
Often, they lack internal management systems, policies and procedures to monitor and measure these newly regulated ESG factors. The EU Taxonomy 'green ratio' for classifying company's economic activity and the EU Corporate Sustainability Reporting Directive are two key reporting requirements that companies will shortly need to address.

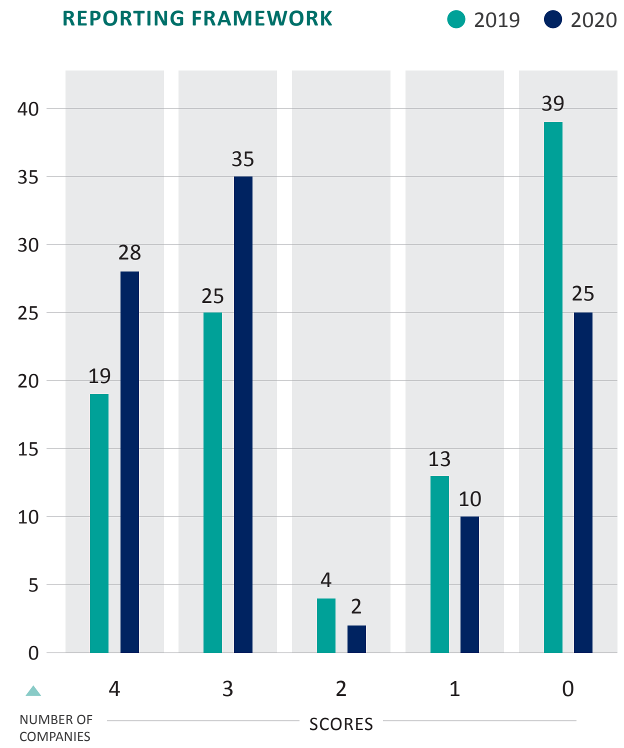
Beyond climate reporting

Our analysis found an increased focus on, and reporting of, sustainability factors that are not climate-related. Raters such as Sustainalytics, ISS and MSCI all assess companies on a wide array of ESG factors and there is increasing evidence that listed companies are responding and ensuring coverage of material information relevant to their sector and economic activities. As expected, the response to COVID-19 (another social factor) was well-covered by many companies in their 2020 reporting.

Meeting investor ESG data expectations

Data collection and the quality of relevant ESG parameters continues to pose a challenge for companies (and investors). A useful indication of data quality is the share of companies that have their sustainability reports externally assured (28 this year and increasing). External assurance is a sign of maturity at the company level, signaling an integration of ESG factors into corporate strategy and business processes.





Environmental reporting

Climate impacts and climate risks dominate environmental disclosure by listed companies. While often material, the overt focus and standardized approach to these topics often obscures relevant contextual information and other equally material environmental impacts.

Reporting on GHG emissions has increased in quantity and quality

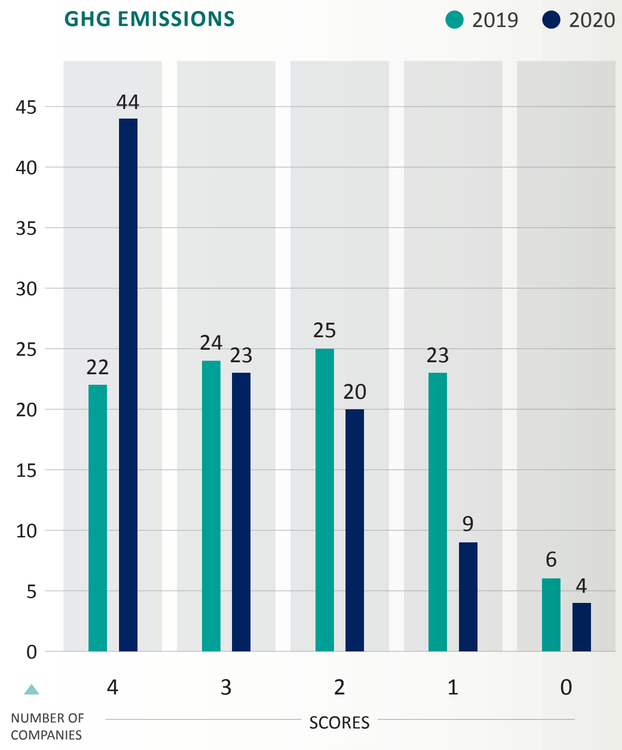
Two thirds (67) of all companies sampled had meaningful reporting on their GHG emissions (rated 3 or 4). The number of companies achieving the maximum 4 rating has doubled since 2019, reflecting the significant shift in focus on climate change and GHG emissions reporting.

Climate risk reporting is increasing, but still has a way to go

Climate risks with financial impacts are not reported consistently or substantively by listed companies. Over half (57) of the companies sampled score a two or less for their climate risk reporting. A 50% reduction in non-disclosure of climate risk-related information since 2019 (from 28 to 14) provides an indication that awareness is growing. The adoption of recommendations from the Taskforce on Climate-related Financial Disclosure (TCFD) by disclosing companies also implies growing awareness.

Other environmental reporting is increasing

Reporting on other environmental factors outside of climate emissions and climate risks is slowly and steadily increasing. This type of reporting is particularly relevant in the context of companies demonstrating their alignment with EU Taxonomy environmental impact criteria.



Social reporting

The Covid-19 pandemic has brought into sharp focus our reliance on global supply chains and their fragility. Reporting on investments in diversity, health, safety and training are no longer compliance driven. They are communicated as investments in human capital in order to create resilient organizations and long-term value.

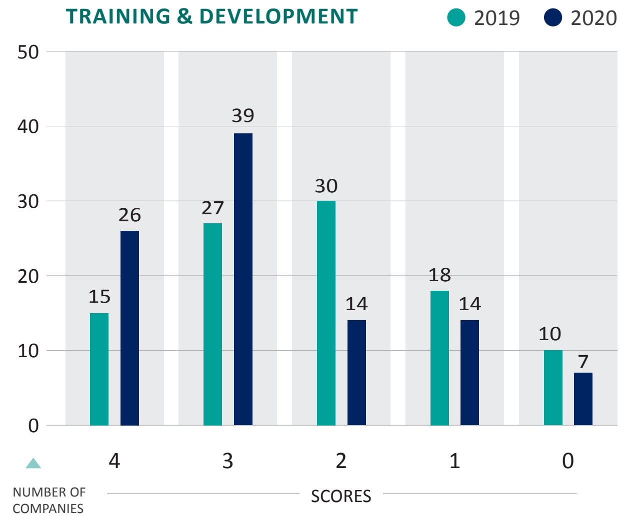
Human rights

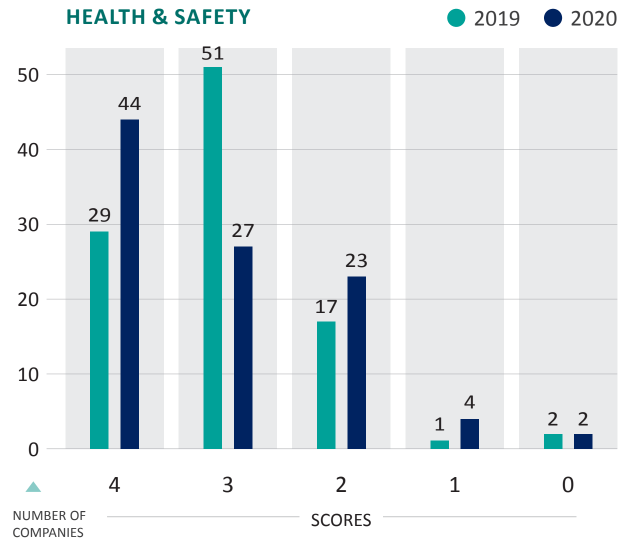
The topic of human rights is gaining increasing attention as part of investors and other stakeholders' ESG agenda. Corporate reporting on human rights, however, is a challenge for many companies listed on the Oslo Stock Exchange. Only six of the hundred rated companies received a top rating (4) in this category. These companies have clearly identified salient human rights risks – not only in their own operations, but also for their value chain – with an explanation on corresponding processes and actions to manage these risks. The ESG 100 report for 2021 reveals a positive trend with more companies receiving ratings of 2 and 3, while a minority of companies only commit to human rights (rating of 1) without any substance on how.

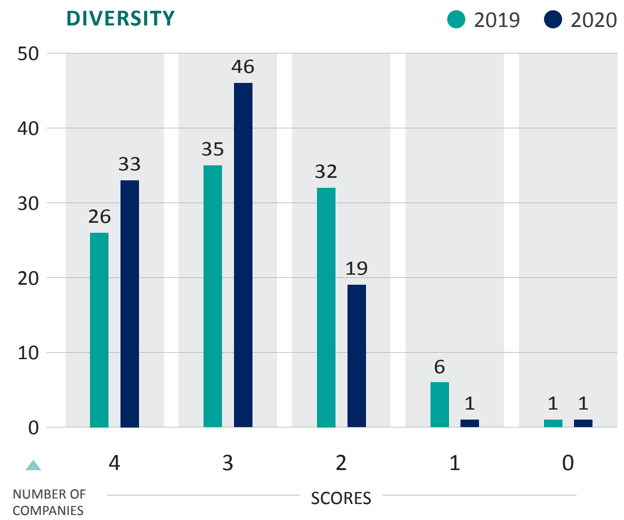
On 18 June, the Transparency Bill was approved by the Norwegian Parliament and it will pass into law. It is expected to enter into force during 2022. The law sets requirements for how large companies must disclose what measures they take to ensure human rights and decent working conditions in their supply chains. This law follows the trend seen in Germany, Switzerland, and the UK of increasing regulation of human rights due diligence, with the EU also considering a similar law.

Reporting on Human Capital is becoming established practice

Awareness of human capital impacts and reporting on key parameters is becoming established practice for listed companies. Our analysis highlights a significant shift towards greater disclosure of a higher quality for the 'big three' social measures of human capital, namely Training & Development, Health & Safety and Diversity.





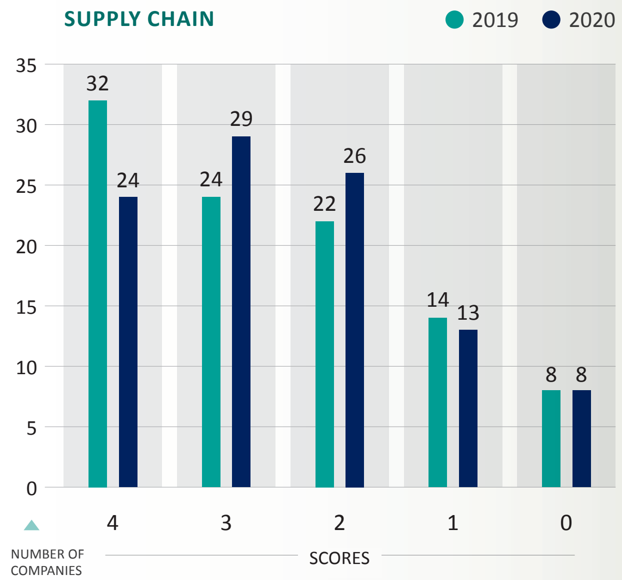


Governance reporting

Largely driven by compliance codes, Governance reporting has now evolved. Investors and stakeholders alike expect companies to demonstrate core Governance competencies and mechanisms for managing existing and emerging ESG issues.

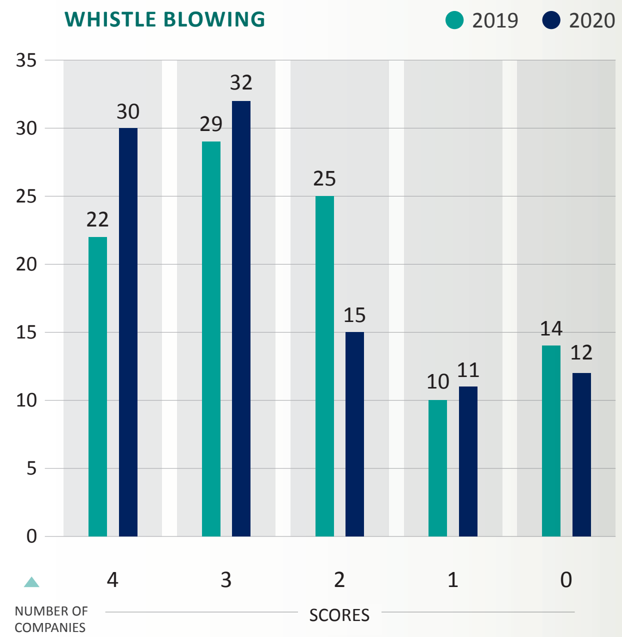
Supply chain impacts reported by majority of companies

The majority of large, listed companies in Norway report on impacts in their supply chain, including how they are managed. Typically, the reporting covers human rights, corruption risks, working conditions and environmental impacts. Reporting on supply chain is relatively stable with 53 companies achieving a rating of 3 or 4 (56 in 2019). A stubborn cohort persists of companies (21 and 22 in 2019) with very limited or no reporting on their supply chain impacts.



Over 60% of companies report on whistle-blowing mechanism

Over 60 per cent of companies (62) now report in some detail on their whistleblowing mechanisms, including general information on reported incidents and their responses. This represents a 20 per cent increase since 2019, while 23 companies report limited or no information on the topic.



Corruption risks reported

Virtually all companies sampled disclosed some information on the corruption risks they face, including how those risks are managed. The majority (52 and 54 in 2019) achieved a rating of 3 or 4, while those rating 1 or 2 declined from 25 in 2019 to 13 in 2020. Only one company was rated as disclosing no corruption risk information in its reporting.

RATING METHOD

We want an answer to the following question: To what extent do listed companies on the Oslo Stock Exchange succeed in providing specific sustainability information that is relevant for decision-makers?

Assessment criteria

The assessment criteria we use Includes commonly reported ESG topics and reporting practices, which are listed in the table below – refer to our previous reports in English for a detailed description of how each topic or reporting practice is assessed:

Environment	Social	Governance
E1 Climate emission	**S1** Human rights	**G1** Materiality assessment
E2 Climate risk	**S2** Human resource development	**G2** Reporting standard
E3 Other environmental factors	**S3** Absenteeism and injury reporting	**G3** Suppliers
	S4 Equality	**G4** Whistleblower mechanism
		G5 Corruption risk
		G6 Strategic ESG opportunities

Point scale

We rated company reporting for each topic or reporting practice on a point scale from 0 to 4. A zero indicates that the topic or practice was not mentioned. A four represents comprehensive reporting on a topic or effective demonstration of a reporting practice. Comprehensive reporting includes a robust explanation of why the issue is material, how the company manages the topic and meaningful performance reporting, Including clearly stated goals alongside the company's strategy to achieve these goals.

Sample and data sources

Our analysis encompasses the 100 largest companies (by market capitalization) listed on the Oslo Stock Exchange as of 31 December 200. The analysis is based on publicly available information, including disclosures published on websites and in annual or sustainability reports for the calendar year 2020. In cases where subsidiaries refer to reporting by the parent company, we used the parent company's reporting as a basis for the analysis.

Weighting

We have given equal weighting of 35 per cent to environmental and governance factors, while social factors are weighted 30 per cent. There Is no weighting placed on Individual topics or reporting practices within each ESG category.

Impartiality and quality control

Norway is a relatively small and highly inter-connected country. The Governance Group provides advisory services to many of the 100 largest companies listed on the Oslo Stock Exchange. To ensure a completely impartial and consistent process, all assessments of company reporting were undertaken by an Independent third party, the Norwegian School of Economics (NHHS Consulting). An independent oversight panel provided quality control and validation of the assessments. The panel included two recognized financial services professionals from different companies and a recognized academic with research expertise in the ESG field. The assessment criteria were developed by The Governance Group.

ESG 100

BASED ON THE ASSESSMENT OF EACH CRITERIA, THE COMPANIES HAVE ACHIEVED THE FOLLOWING RATINGS

Norsk Hydro	A+
Scatec	A+
Yara International	A
Equinor	A
SpareBank 1 Østlandet	A
Storebrand	A
Mowi	A
Aker Solutions	A
Gjensidige Forsikring	A
DNB	A
Orkla	A
Bakkafrost	A
Aker BP	A
Veidekke	A
TGS-NOPEC Geophysical Company	A
Norske Skog	A-
TietoEVRY	A-
SpareBank 1 Nord-Norge	A-
Grieg Seafood	A-
Subsea 7	A-
Austevoll Seafood	A-
Kongsberg Gruppen	A-
Atea	A-
Lerøy Seafood Group	A-
Borregaard	A-
SpareBank 1 SR-Bank	A-
Elkem	A-
Odfjell Drilling	A-
Europris	A-
Sparebanken Vest	A-
Salmones Camanchaca	A-
SATS	A-
Atlantic Sapphire	A-
SpareBank 1 SMN	A-
Nordic Semiconductor	A-
SalMar	B+
Sbanken	B+
XXL	B+
Asetek	B+
Wallenius Wilhelmsen	B+
AF Gruppen	B+
Schibsted	B+
Tomra Systems	B+
Telenor	B+
Norway Royal Salmon	B
Sparebanken Møre	B
Hexagon Composites	B
BW LPG	B
Wilh. Wilhelmsen Holding	B
Aker	B
Flex LNG	B
Entra	B
SAS AB	B
Adevinta	B
BW Offshore Limited	B
Pexip Holding	B
Olav Thon Eiendomsselskap	B
Kid	B
Fjordkraft Holding	B
SpareBank 1 Østfold Akershus	B
Stolt-Nielsen	B
Frontline	B-
Bouvet	B-
Cadeler	B-
Arendals Fossekompani	B-
Golden Ocean Group	B-
BEWI	B-
Norwegian Finans Holding	C
Ocean Yield	C
SpareBank 1 Ringerike	C
Kitron	C
NEL	C
Norwegian Property	C
Hofseth BioCare	C
Akva Group	C
B2Holding	C
Kongsberg Automotive	C
Selvaag Bolig	C
Bonheur	C
BW Energy Limited	D
Arcus	D
Photocure	D
Medistim	D
Norwegian Air Shuttle	D
Fjord1	D
VOW	D
Multiconsult	D
Norwegian Energy	D
Hafnia Limited	E
REC Silicon	E
Protector Forsikring	E
DNO	E
Link Mobility Group	E
ABG Sundal Collier	E
NTS	E
Otello Corporation	E
KMC Properties	F
Crayon Group Holding	F
Arctic Zymes Technologies	F
Treasure	F

INDUSTRY OVERVIEW*

Industrial Metals and Mining	A+
Life Insurance	A
Industrial Materials	A-
Food Producers	A-
Alternative Energy	A-
Banks	A-
Technology Hardware and Equipment	B+
Chemicals	B+
Media	B+
Retailers	B
Oil, Gas and Coal	B
Consumer Services	B
Construction and Materials	B
Electricity	B
General Industrials	B
Non-life Insurance	B
Industrial Engineering	B-
Industrial Transportation	B-
Electronic and Electrical Equipment	C
Travel and Leisure	C
Automobiles and Parts	C
Finance and Credit Services	C
Software and Computer Services	C
Real Estate Investment and Services	C
Telecommunications Service Providers	D
Beverages	D
Medical Equipment and Services	D
Investment Banking and Brokerage Services	D
Pharmaceuticals and Biotechnology	E

* Euronext industry categorisation

WHAT THE RATINGS REFLECT

A Excellent reporting in line with best practice. Good description of material issues and relevant results. Clear strategy and specific, quantifiable targets.

B Good reporting that covers important issues. Includes a materiality assessment, is based on a recognised reporting standard, and provides some specific, quantifiable targets.

C Solid reporting based on a recognised standard. Includes fundamental and specific sustainability information but lacks specific targets.

D Straightforward reporting on some issues but lacks a systematic approach or a verifiable use of recognised reporting standards.

E An attempt at sustainability reporting but no recognised standard is followed. Difficult to gauge priorities and lacking in quantifiable information.

F No reporting or very incomplete reporting.

THE GOVERNANCE GROUP

The Governance Group (TGG) is an independent advisory firm specializing in ESG risk analysis, strategy development, and reporting.

The Governance Group has a systematic approach to ESG in which risk and opportunity mapping forms the basis for providing analyses and developing strategies, governance documents, and reports for – and in cooperation with – our clients. This approach allows us to help minimise our clients' ESG-related risk while strengthening their market position.

We employ recognised standards in accordance with existing regulations to ensure that our clients have a solid basis for making decisions and communicating relevant information to the right stakeholders in an effective manner.

Our clients include companies within banking and finance, asset management, renewable energy, oil and gas, telecommunications, shipping, infrastructure, and real estate. TGG also carries out consulting work for public authorities in the fields of anti-corruption, human rights, and the environment. We have a core team based in Oslo and a network of advisors in the United States, Europe, Asia, and Africa.

ACCESS TO UNDERLYING DATA

For companies assessed in this report we can provide a company specific analysis of the results across the 14 ESG factors included. The feedback includes the following:

- A review of sub-scores on each ESG factor.
- Industry benchmarking for each ESG factor.
- Recommendations on how to improve on each factor and overall reporting.

For investors, industry players and companies not assessed we can provide tailored reports on request.

ASSESSMENT BASED ON THE EU TAXONOMY

We can assist companies and investors looking to evaluate their business activities with reference to the EU Taxonomy for sustainable economic activity. We ensure that our clients' business areas are assessed in line with the climate-related criteria as well as the requirement to "do no significant harm" to any of the Taxonomy's six environmental objectives.

Under the Taxonomy Disclosure Regulation, financial market participants will need to report the extent to which their financial product aligns with the Taxonomy. Financial products will include investment and mutual funds, insurance-based investment products, private and occupational pensions, individual portfolio management, as well as insurance and investment advice. We provide analyses of portfolios and can develop a methodology for future mapping aligned with the EU Taxonomy.

Contact

info@thegovgroup.org
Tel. 22 83 43 00

TEAM

Joachim Nahem
Partner
MSc. Menneskerettigheter
London School of Economics

Maria Gjølberg
Partner
PhD. Statsvitenskap
Universitetet i Oslo

Kristian R. Andersen
Partner
Siviløkonom
Norges Handelshøyskole

Gro Stake
Director
Siv.ing. Industriell Økonomi og Teknologiledelse
NTNU

Line Asker
Director
Siviløkonom
Norges Handelshøyskole
Autorisert finansanalytiker *(CEFA)*

Calum Refvem
Director
MSc. Environmental Systems Analysis
Wageningen UR, The Netherlands

Tariq Desai
Special Legal Advisor
MA International Human Rights Law
Universitetet i Lund, Sweden

Jannik Arvesen
Special Advisor
BA Statsvitenskap
Yale University

Henning Kristoffersen
Special Advisor
Ph.d.-kandidat, Kinesisk entreprenørskap
Universitetet i Oslo

Josefine Eggum
Manager
MSc. International Business
Copenhagen Business School

Frithjof Grønlien
Manager
Sertifisering innen GRI-rapportering

Dyveke Elset
Senior Associate
MA Internasjonal politisk økonomi
University of Kent

Amanda Sørum
Senior Associate
MSc. Sustainability and Social Innovation
HEC Paris

Julie Aamodt
Associate
MSc. Internasjonale miljøstudier
Norges miljø- og biovitenskapelige universitet (NMBU)

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THE GOVERNANCE GROUP

The Governance Group AS
Grev Wedels plass 2
0151 Oslo, Norway

Org.nr. 916 909 403
thegovgroup.org
Tel +47 22 83 43 00