

Sustainability Report 2021



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About Fearnley Securities

Fearnley Securities is a leading independent full-service investment bank with focus on maritime, ocean and energy related industries such as shipping, offshore and renewable energy, but we are also active in ancillary sectors such as aquaculture and cleantech.

We serve a prominent and diverse set of clients from our offices in Oslo and New York, which include leading domestic- and multinational corporations operating within our core industries, major institutional investors, family offices and financial sponsors.



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Message from our CEO

Climate change and environmental degradation are among the biggest challenges of our time. Fearnley Securities as a full-service independent investment bank with foothold in both Norway and the US, is dedicated to support the transition towards a greener and more environmentally friendly economy. We strongly believe that integrating sustainability in all business operations will benefit the climate, society, owners, and our employees to create both impact and add value for the involved interested parties both present and in the long-term.

Fearnley Securities strives to offer the highest ethical standard for an attractive and inclusive workplace by creating a work environment where all employees are equally respected, valued and have access to equal opportunities and outcomes. A diverse and inclusive workplace for Fearnley Securities is one that makes everyone, regardless of who they are or what they do for the business, feel equally involved in- and supported in all areas of the work environment. The status quo is always challenged by welcoming diverse and creative ideas that are believed to be essential for our business to develop.



Fearnley Securities has found inspiration and guidance from the United Nations Sustainable Development goals when defining direction and purpose for its sustainability focus and commitment. This Sustainability Report is the first of its kind and presents the endeavours undertaken to promote and support sustainability in all business operations. We hope you find this Report of interest and we can assure you that we will continue to strengthen and develop our efforts on sustainability in the years to come.

Peter Wessel, CEO

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Sustainable Finance in Capital Markets

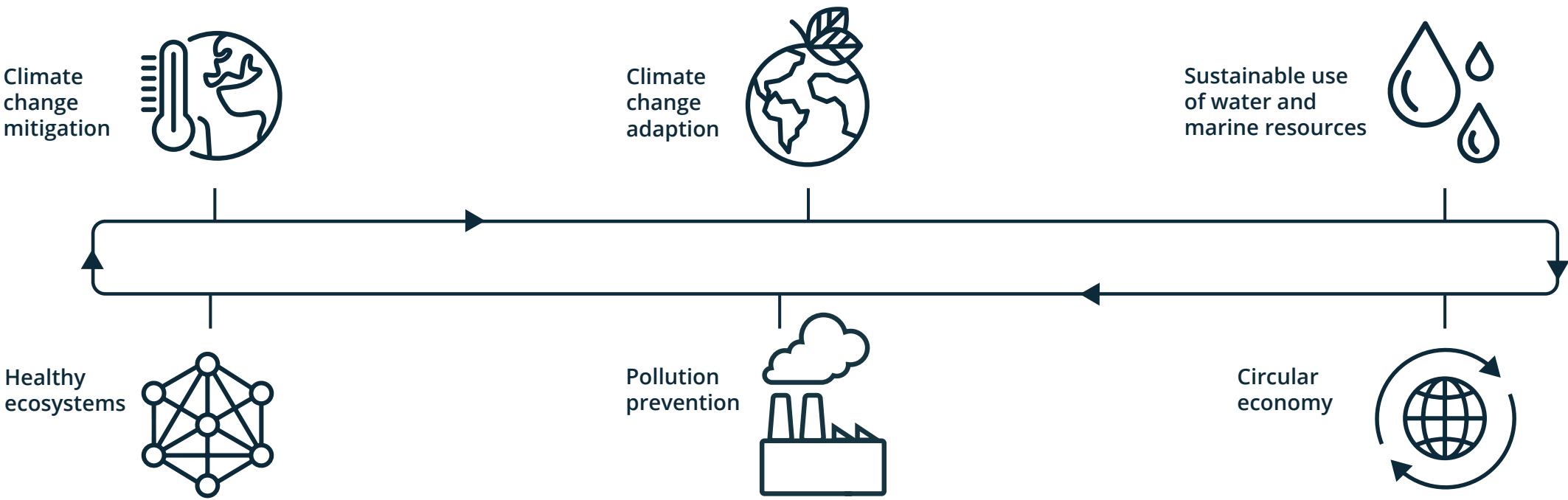
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1. Sustainable Finance in Capital Markets

Sustainable finance is the process of taking **environmental**, **social**, and **governance** (ESG) factors into account when making financial investment decisions, resulting in longer-term investments in sustainable economic activities and projects. Environmental considerations may include climate change mitigation and adaptation, as well as the environment in general, such as biodiversity preservation, pollution prevention, and the circular economy. Inequality, inclusion, labor relations, investment in human capital and communities, and human rights issues are all examples of social factors. The governance of public and private institutions, including management structures, employee relations, and executive remuneration, is critical to ensuring that social and environmental factors are included in decision-making. Sustainable finance has a key role to play in delivering on the policy objectives under the European Green Deal as well as the EU’s international commitments on climate and sustainability objectives. It does this by channeling private investment into the transition to a climate-neutral, climate-resilient, resource-efficient and fair economy, as a complement to public money.

Figure 2:
EU Taxonomy's
six objectives



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EU Taxonomy driving transition

Fearnley Securities is committed to aligning its activities with the EU Taxonomy and setting the course to contribute to the transition to a low-carbon society. As a full-service investment bank, we have both a responsibility and the ability to create financial solutions to accelerate the transition while offering exceptional service for our clients.

The EU has specifically stated that the classification system is expected to provide investors with security, protect investors from greenwashing, assist companies in planning transitions, reduce market fragmentation, and most importantly assist in shifting investments to green and sustainable companies and projects.

The Six Environmental Objectives include the following eligible activities:

- Climate Change Mitigation
- Climate Change Adaption
- Sustainable use and Protection of Water and Marine Resources
- Transition to a Circular Economy
- Pollution Prevention and Control
- Protection and Restoration of Biodiversity and Ecosystems

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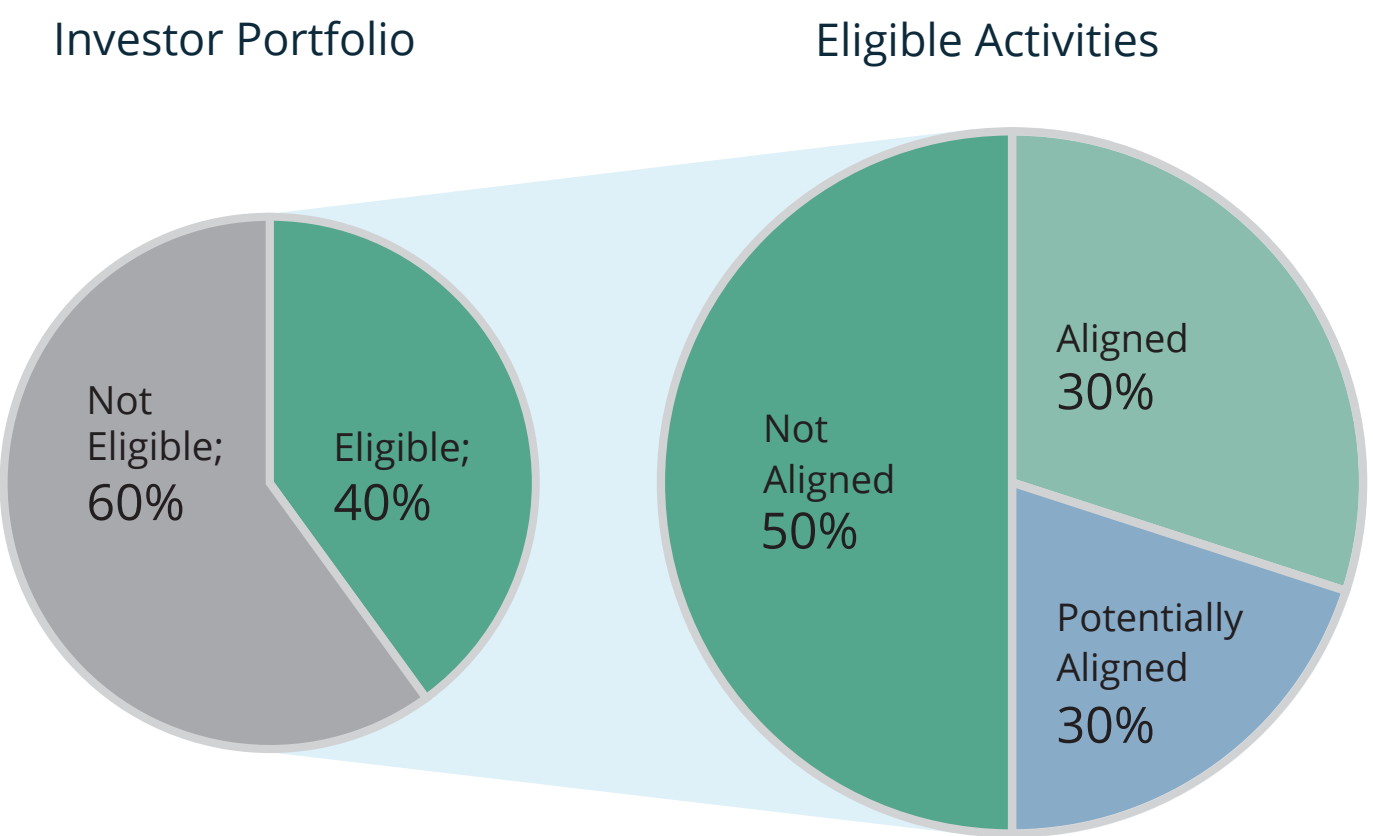
The EU Taxonomy requires information on how and to what extent (in percent) Investors’ capital is invested in sustainable projects, and we aim to be a sparring partner to support this endeavor. As an example, investors are subject to provide the following information for their investments:

To which environmental objective(s) does the investment contribute

- The proportion of the underlying investment that is taxonomy compliant (expressed as percentage), specified in transition and enabling activities
- The EU recommends that this calculation is displayed separately for each environmental objective

For general disclosures (i.e. not seeking specific accreditation or labelling), there is no “correct” percentage of taxonomy-compliant securities in a portfolio. Nonetheless, investors may wish to explain elements of their investment strategy in description, especially for low percentages.

Figure 1:
Illustration of an investor portfolio's alignment in a company where 30% of the revenue stream is taxonomy-aligned, leading portfolio to be currently 12% aligned, and potentially 20% aligned.



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The importance of ESG credentials has over recent years become a growing focus for our investment banking activities. As the EU Taxonomy pushes for the creation of new standards of transparency, a much more stringent reporting system anticipates the disclosing of unexpected surprises across the financial industry.

ESG captures Environmental, Social and Governance components. When working alongside clients and companies through various industries, we analyze these non-financial factors, and apply them in our research and due diligence in order to capture growth possibilities.

We see that companies that show high ESG ratings can benefit from higher profitability margins, sales growth, employee productivity and easier access to capital and financing.



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Long Term Perspective and Impact of EU Taxonomy

We are committed to achieving the ambitious goals set forth in the Paris Agreement, including aligning our finance activities with a net-zero-carbon-by-2050 pathway and collaborating with our clients, industry partners, and the public sector to make this commitment a reality.

The financial markets are governed by a short-term logic that directly opposes the need for a long-term strategy to sustainable concerns in general, and climate change in particular. When short-term profits undermine long-term goals, we call it short-termism.

By not having long-term visibility, through such behavior, shareholders are putting considerable pressure on the economy to deliver favorable short-term results. There is clearly a conflict between the fast-paced nature of financial markets and the long-term perspective of climate change. Firstly, the dominance of short-termism prevents the creation of metrics that reach well beyond the conventional horizon of investment assessments. Secondly, it provides little incentive for corporations to alter long-standing procedures and behavioral patterns.



We believe that for the EU Taxonomy to be successful, the framework must influence the investors' decisions and not only work as a communication tool.

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Fearnley Securities believes that for the EU Taxonomy to be successful, the framework must influence the investors’ decisions and not only work as a communication tool.

The three dimensions of ESG – Environmental, Social and Governance – should all be taken into consideration even though the dimensions have different dispositions.

We can expect that the EU Taxonomy will force companies to perform and disclose substantial amount of data analysis that consider their business activities. We thus anticipate large companies having little issues in future climate reporting requirements, while medium to smaller companies may struggle finding the necessary resources to keep up with the documentation requirements.



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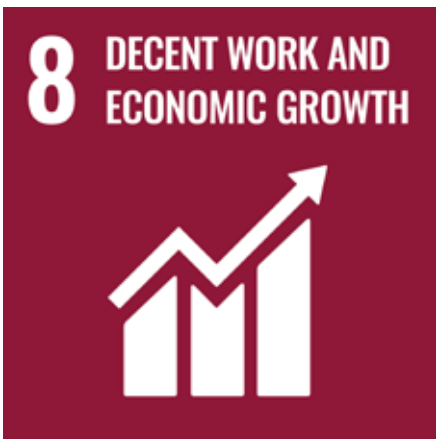
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Our contribution to the SDGs

We recognize our responsibility as part of the financial industry, to contribute to sustainable development and the transition towards a more sustainable economy and society. Supported by Fearnley Securities’ collective expertise and our Sustainability Committee, we are committed to work with all the UN Sustainable Development Goals, and have chosen to focus especially on the following 5 goals:



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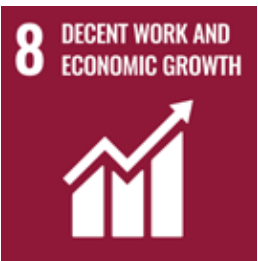
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- In 2021 we hosted our third Renewables & Cleantech conference with 80 companies presenting and 1500 participants
- Increasing our coverage and support of companies within Renewables and Cleantech, contributing to the transition to a more sustainable society



- We have strong focus on health and safety for all our employees
- We offer an inclusive workplace to attract young talent offering diverse career opportunities
- Our working environment has zero tolerance for discrimination



- We work to systematically reduce and recycle waste
- We promote video-confering to reduce the need for travelling where possible
- We are continuously working to reduce our emissions related to travels, energy consumption, waste management and food



- In 2021 Fearnley Securities facilitated green bonds and sustainability linked bonds
- We track air travelling in environmental reports for carbon emissions
- We encourage our employees to take environmental responsibility and pass it forward



- We comply with laws and regulations in the jurisdictions in which we operate
- We promote ethical business practices and oppose corruption in all its forms
- We contribute to best market practice through being member of the Norwegian Securities Dealers' Association

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At Fearnley Securities we focus on robust and sustainable business operations, thus we seek to integrate our purpose by building in ESG in all relevant aspects of our business areas.

Chief Operating Officer, Caroline Lium-Valmot



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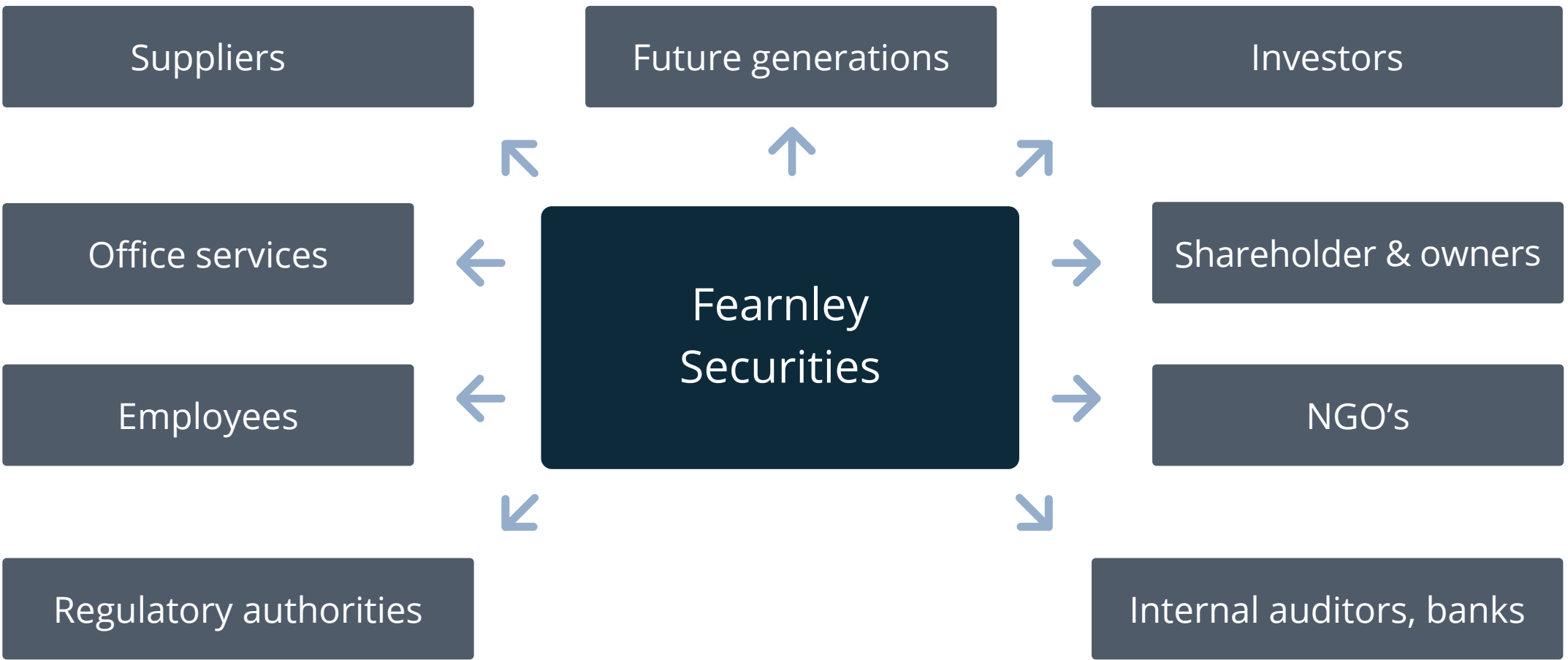
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2. Integrating our purpose

The most substantial contribution Fearnley Securities can possibly bring to the transition to a more sustainable society, is by integrating it into our core activities. As an office-based organization, we have a relatively small environmental footprint in our daily operations per employee, however as an investment bank with great foothold in the maritime and offshore industry, we are facing tremendous opportunity and responsibility to incorporate sustainability into every activity we lead and take part in.

Incorporating the needs and expectations of stakeholders and interested parties towards the climate transition, is a prerequisite for creating long-term sustainable competitive growth for every company. The below figure illustrates the various stakeholders identified by Fearnley Securities:

Figure 3:
Fearnley Securities;
Our Stakeholders



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In July 2021, the EU Commission proposed to include the maritime sector in the EU emissions trading system (EU ETS) from 2023 on. The EU estimates that shipping emissions constitute about 13% of the overall greenhouse gas emissions from the transport sector globally. We recognize that Fearnley Securities is well positioned to contribute to both our clients, and to the society, in this transition.

Our purpose of being a trusted source of financial services of highest integrity and relevance on every level, to our clients, sets the direction of our business and operations. The Astrup Fearnley Group represents over a century of history, growth, and experience within the maritime industry. At this point in time, it matters more than ever, that we act with consciousness as Fearnley Securities has a critical role to play in the transition to a more sustainable society. Our contribution of knowledge and advisory shall bring capital and guidance to the solutions our society needs to ensure a healthy, thriving society for generations to come.



We strive to actively de-risk our clients' operations and increase their chances of success.

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We believe capital markets play a vital role in meeting the EU’s climate ambition for a more carbon neutral world. Fearnley Securities will play its part in advancing the climate transition towards a greener future by developing and accelerating its investment banking activities inspired by the drivers for sustainable finance set out in the European Green Deal and the EU Taxonomy.

The journey has just started, and we are thrilled to be part of it.

Head of Investment Banking, Rikard Vabo



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Capital Markets

Our client’s awareness of sustainability has grown organically and proactively. We are increasingly advising companies looking to incorporate ESG and related principles into their strategy and supporting them in identifying sustainability-related risks and growth opportunities. This includes assisting M&A transactions to accelerate climate transition and inclusive growth, as well as financing options to enable investment in our customers’ transition to a lower carbon-intensive business model. We are also committed to working alongside clients in various growth stages, facilitating capital raises to support expansion and stock exchange listings to boost liquidity and investor recognition.



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Green Debt Financing / Green Bonds

With an intensified evolving awareness on climate concerns, green bonds raise industry engagement by encouraging investments in sustainable projects, processes and technologies. Fearnley Securities collaborates closely with companies and facilitates green lending products while identifying potential risks, challenges, solutions and transparency for the clients and investors. The definition of green bonds is companies using proceeds to allocate eligible green projects according to pre-defined criteria also verified by environmental specialists.

Fearnley Securities has facilitated several green bonds over the past years for companies transitioning into more sustainable operations and developing green power and combustions solutions. More specifically, we have assisted a sustainability linked bond towards maritime clients aimed at developing green fuels for the shipping market. Ammonia, methanol, biofuels, hydrogen, LNG, electricity and nuclear are all viable options when creating a more sustainable shipping industry. Additionally, we have facilitated green bonds aimed towards renewable hydropower production in Norway. Due to the geopolitical factors and energy sanctions in the market today, we believe these projects are crucial to meet the ever-increasing energy demand.

The green bond market has seen a remarkable growth over the past years, from being close to non-existent 10 years ago to being a highly attractive financing option with competitive terms.



We facilitate green bonds for companies transitioning into more sustainable operations.

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Capital Markets - Investment Banking

Over the past year, Fearnley Securities has raised well over \$1.1bn for renewables and cleantech companies, through various capital markets and M&A transactions. We work closely with companies within carbon capture, hydrogen, clean technologies, and renewable utilities including power production such as solar and windmills both offshore and onshore and aquaculture. We are committed to working alongside clients who is looking to raise capital to fund sustainable projects, and who are interested in going public through an IPO and offer specialized advisory services to promote growth, boost investor interests and gain additional liquidity.

Renewable activities 2021

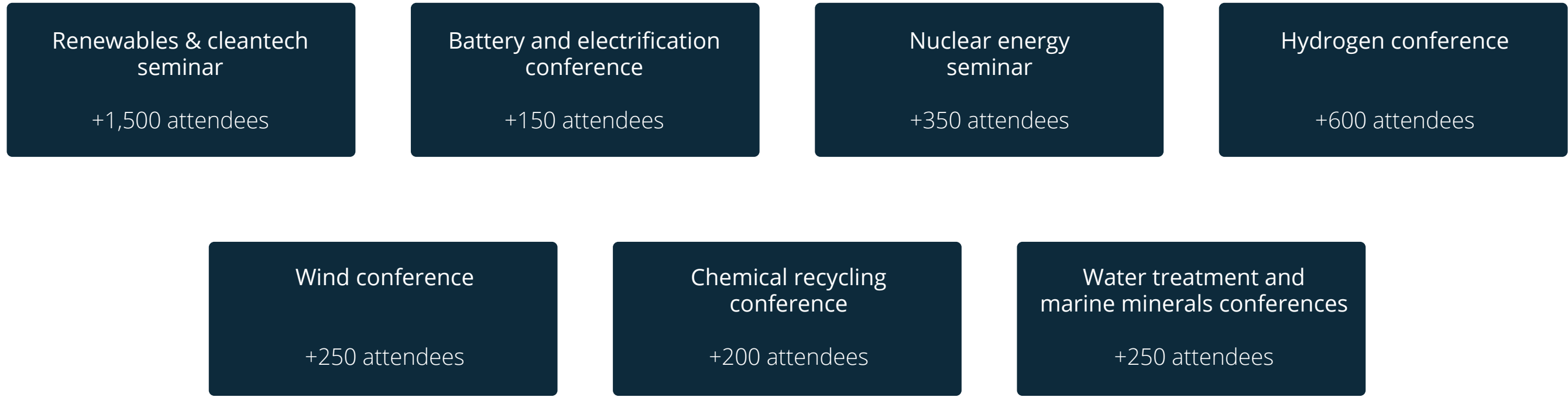


Figure 4: Fearnley Securities

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Many firms are leading the way in this necessary change, and there is a strong correlation between faster digitalization and the transition to sustainability. As seen by the promising activity in green technology, technological innovations are critical in the move to a more sustainable society. This is generating new business opportunities and propelling the economy forward in a sustainable direction. Future solutions will be dependent on start-ups’ innovative ideas as well as existing industries’ expertise and financial power. For our investment banking activities, we play a vital part in this evolution by channeling capital through sustainable financing and supporting sustainable technological developments.



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Seminars

On an annual basis we host several seminars with the purpose of creating a platform where growth companies and established market players can share their mission on creating a sustainable path towards the future. In November 2021, we hosted our third annual renewable and cleantech seminar with 1,500+ attendees, including investors and industrial players, both attending physically and virtually representing countries from all over the world listening to 80+ company presentations. The overall theme of the seminar was rooted in the evolving energy mix and going from current fossil fuel driven economy to utilizing fully decarbonized and renewables driven energy sources. Our seminar was a massive success with companies representing industries from renewable energy, renewable power sources, renewable power equipment, hydrogen equipment, materials and fuels for the future, decarbonizing transport, battery technologies, plastic and carbon recycling, and wastewater treatment.



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We also host sector specific seminars related to particular industries such as hydrogen, carbon capture, marine minerals, chemical recycling, battery and electrification, wind, water treatment, aquaculture, maritime clean tech and our latest addition, nuclear energy. Our seminars create a remarkable arena for both companies and investors to learn about the latest technology and projects that will guide the green transition and create a path to a sustainable future.

The figure below shows the total value of capital raised by Fearnley Securities over energy markets in 2021 and early 2022. A total of USD 1.1bn were placed in various industries, aimed for the green transition:

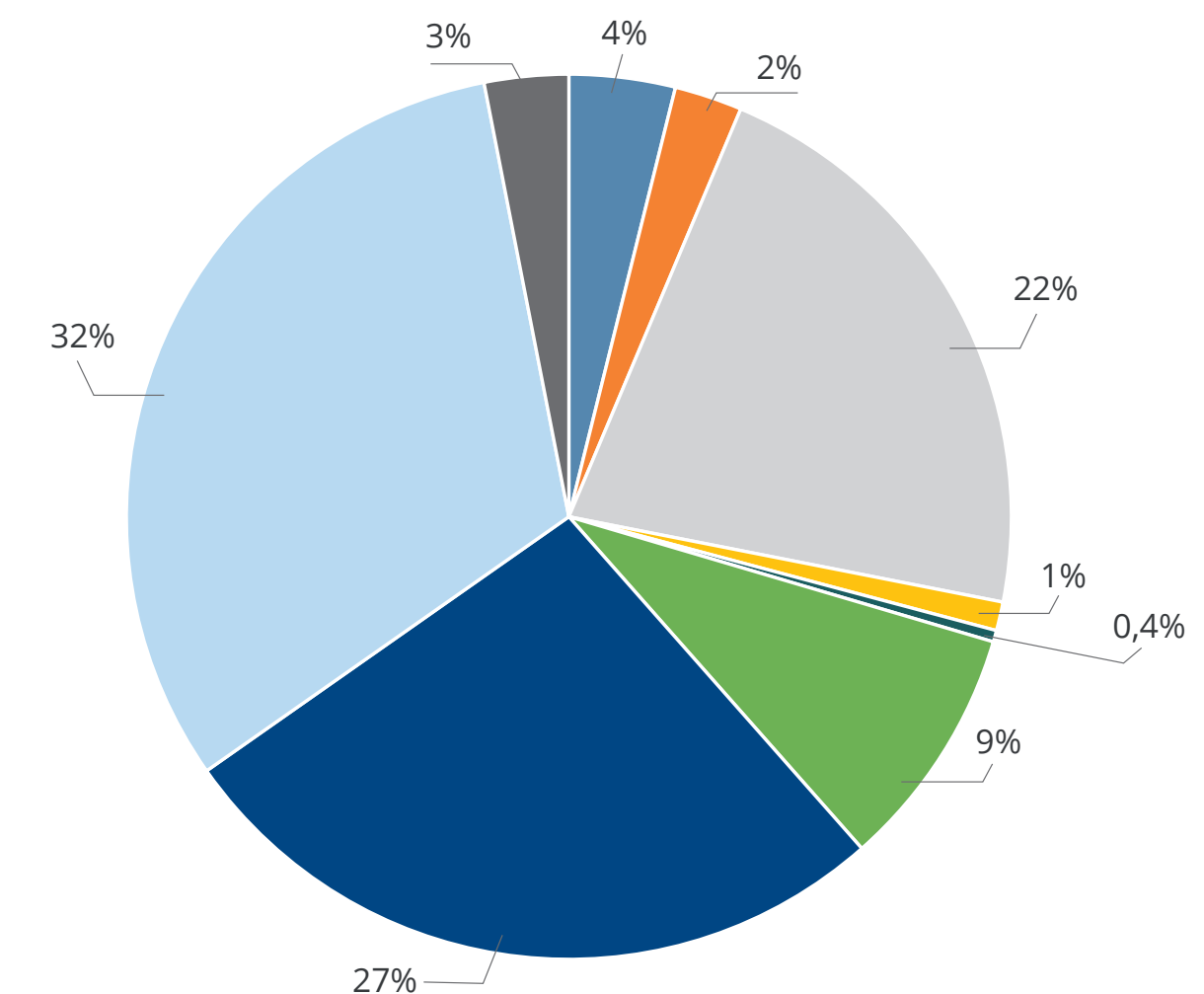
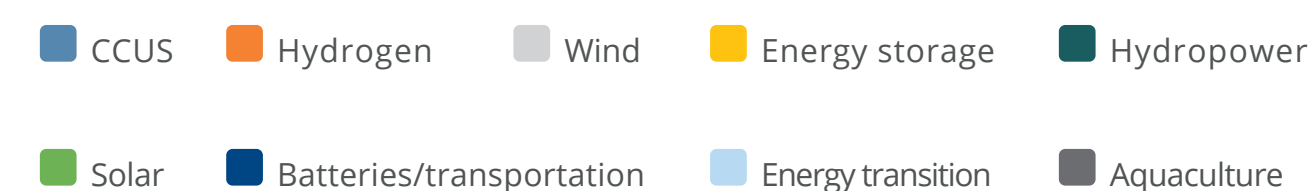


Figure 5:
Fearnley Securities; Total value of capital raised by FS in 2021 to early 2022. Excluding shipping deals

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In 2018 The Board of Directors of Fearnley Securities included Renewables as a core industry sector to be established. With the establishment in January 2019 the Renewables teams’ mission is to assist Renewables and ESG focused companies with their capital raising and strategic financial advice, and in 2020 our institutional and family office investors showed investment appetite as well. Numerous transactions, including M&A, Private/Industrial equity and debt financings, IPOs, and block-trades has been done with many new but also existing clients of the firm. This has continued into 2022, helping all these companies to innovate, create, and offer green and sustainable industrial solutions and products.

Head of Renewables & Aquaculture, Einar Unhjem Johansen



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Renewables

Onshore/Offshore Wind

With an ever-increasing demand for renewable energy, Fearnley Securities believes the market opportunity for the wind industry, especially offshore wind, will be substantial and can offer significant value potential. We have seen tremendous progress in both technology development, reliability, and economics for windfarms on a global basis and see further potential in the coming decades.

In 2021, Global wind installations reached almost 690 GW cumulative by the end of 2020 of which circa 652/25 was from Onshore/Offshore wind installations, respectively. Compared to solar, the global installed capacity was around 790 GW-dc by the end of 2020. However, in terms of generation, wind outperforms solar with a total estimated production of almost 1,500 TWh compared to solar of circa 800 TWh.



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In the coming decade, both onshore and offshore wind are considered key enablers of the energy transition, expected to reach circa 1,249/292 GW, respectively by 2030. Onshore wind is set to grow at a CAGR of 10% this decade while offshore wind will grow faster at circa 24%, but from a much lower base. Notably, offshore wind is expected to be of increased importance beyond 2030 as well as floating technology is expected to mature. In terms of regional split, China is leading the way with circa 56.4 GW of installations last year, followed by the US at circa 21.9 GW and Netherlands, Brazil and Spain between 2.0-2.5 GW.



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Floating Offshore Wind and deep-water wind (>60m water depths) are gaining traction as it removes many of the bottom-fixed wind worries and is deemed the next evolution of wind power. While floating wind is further ahead in time, over 6.5 GW installed capacity is expected onstream by 2030. The main competitive advantages vs. bottom-fixed wind can be summarized as:

- Higher capacity factors
- Over 80% off acreage is in deepwater – virtually unlimited acreage
- Cost reductions realized in bottom fixed wind can be leveraged
- Less environmentally invasive

Furthermore, investments are needed on the installation vessel side when turbines get larger. Floating wind turbines are assembled at the yards and tugged out to the wind farm, i.e., no installation vessels needed.



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Solar PV

With the previous impediments faced in the solar industry in the past, with respect to cost and effectiveness, Fearnley Securities has worked alongside high-tech solar pv companies who have demonstrated outstanding advancement to engineering, functionality, and practicality for utilization onshore, offshore, in private households and commercial use.

At the end of 2020, the global installed capacity for solar PV reached circa 788 GW compared to circa 690 GW of wind capacity. In terms of the system type, large utility-scale projects represent most of the installations with circa 307 GW of installations followed by small-scale utility at circa 101 GW. Also, residential installations are a key contributor having reached more than 90 GW in total. This is expected to continue to grow as solar PV CAPEX continue to fall and technological improvements continue to increase the yields achieved from solar.



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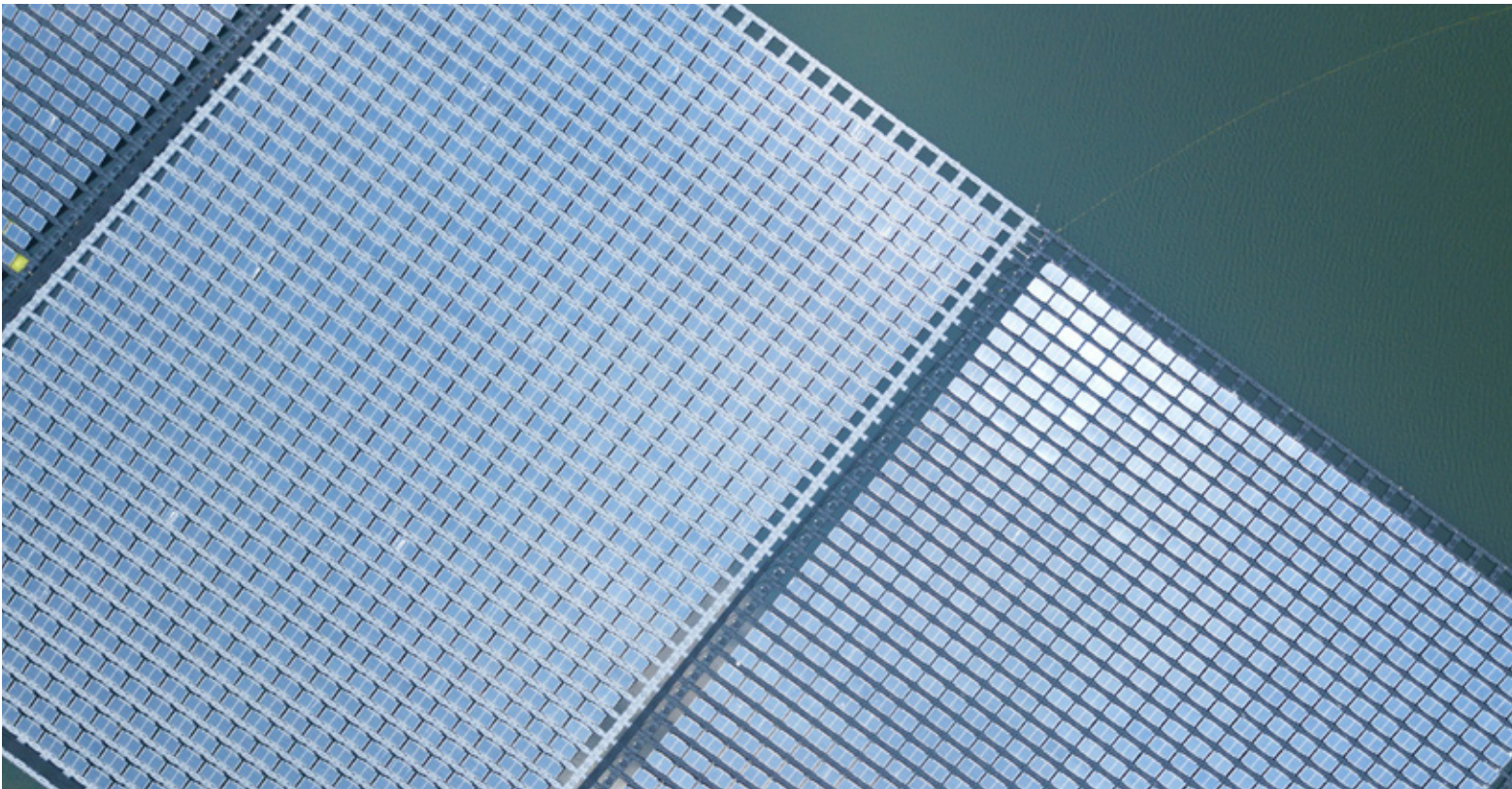
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In the period towards 2025, Asia Pacific (led by China) is expected to be the leader in terms of growth followed by Europe and North America. Notably, Middle East, Latin America and Africa will also see high growth rates even though these regions are coming from a much lower base. In 2025, almost all regions are expected to grow more than 2x today’s capacity. Asia Pacific is expected to reach more than 1 TW of capacity, Europe more than 400 GW and North America around 260 GW. Further, while coming from a low base the CAGR in Middle East and Africa is expected to be 41%/35% thus representing high growth regions in the coming decade.

Floating Solar (FPV) represents new ways to scale up solar capacity, and interest continues to grow, driven by e.g., pressure on land-use, energy transition goals and increased validation of the technology and its benefits. The technology offers several benefits vs. land-based PV, including 1) higher capacity factors due to water-cooling, 2) lower land acquisition costs and site preparation costs, 3) in many cases easier installation 4) favorable subsidy schemes in several regions and 5) synergies with inland freshwater bodies e.g., as a hybrid system to existing hydropower plants.



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Carbon Capture, Utilization and Storage (CCUS)

Fearnley Securities is fully convinced that on a global basis, there are no pathways to climate neutrality that does not include carbon capture, utilization, and storage. We are sparring partners with carbon heavy industries aiming to fully utilize this technology potential, because without it they can never achieve carbon neutrality.

Develop clean technology to fully capitalize on the potential this technology can offer, and thus create a roadmap to a more carbon friendly industry in core industries such as oil & gas.

CCUS market have seen significant increased interest and market growth over the past two years. This is largely due to its importance in reaching climate goals. CCUS is crucial to the energy transition as several nations have insufficient renewable resources to power their economies, which is

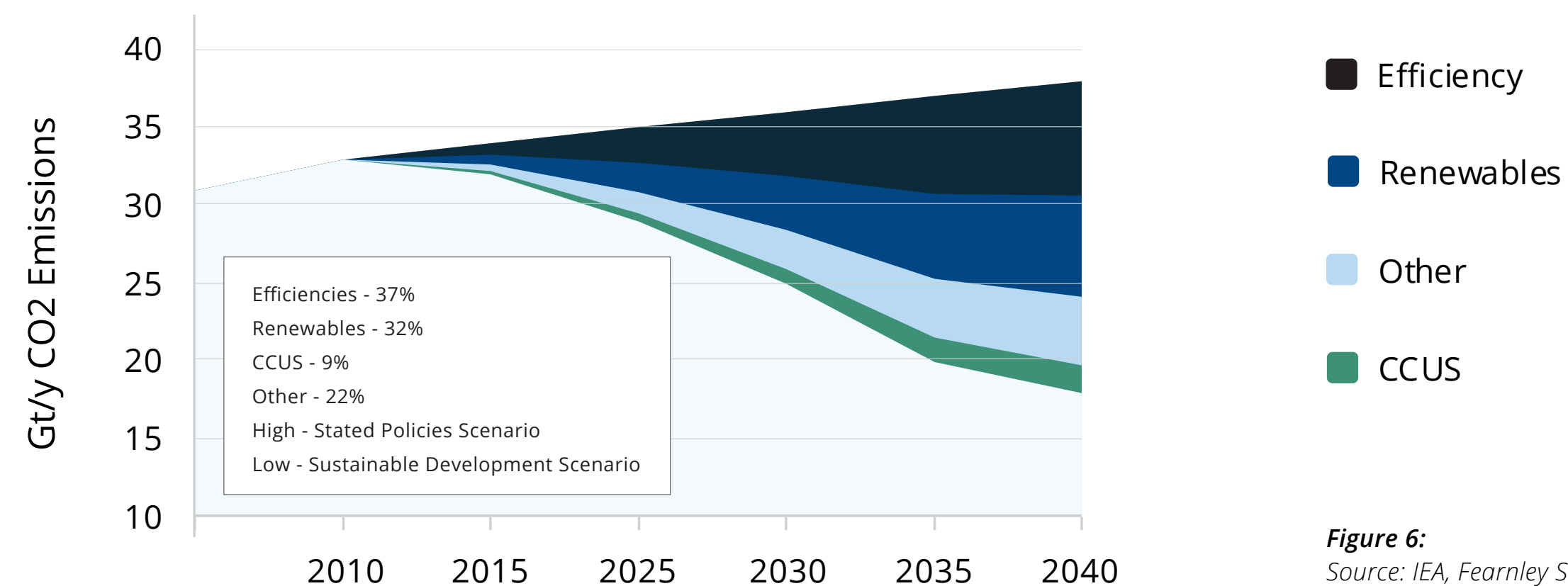


Figure 6:
Source: IEA, Fearnley Securities

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where CCUS comes into the mix. CCUS allows for existing infrastructure and energy production to move into the future energy mix (net zero emissions). For example, several industrial plants have decades of useful life remaining, which retrofitted with CCUS will prevent the stranding of assets and continued production (e.g. converting grey into blue hydrogen).

CCUS yields a compelling investment case due to its importance in reaching climate goals, and hence, massive growth opportunities. As we have it, in any energy transition related scenario, pollutive industrial/energy production will have to continue, although at a lower rate, if we are to meet demands. As such, CCUS becomes the perfect facilitator for the continued use of pollutive sources. We further believe that CCS will become economically viable, which will be driven by both cost reduction and increasing CO2 prices, though this remains in the longer-term.



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Hydrogen

Fearnley Securities believes hydrogen will be one of the key solutions to fight climate change and energy crisis, especially with the vast range of possible utilization applications. By already having raised capital to exciting hydrogen projects, we can expect many new projects both domestically and globally.

The hydrogen markets continue to evolve. Governments keep launching hydrogen strategies with stricter carbon targets and keep committing resources to allow hydrogen to play an integral part in the World's decarbonization. The alarming UN Climate Report adds further tailwind. Moreover, investors have not been deterred by the turbulent performance of public hydrogen equities and

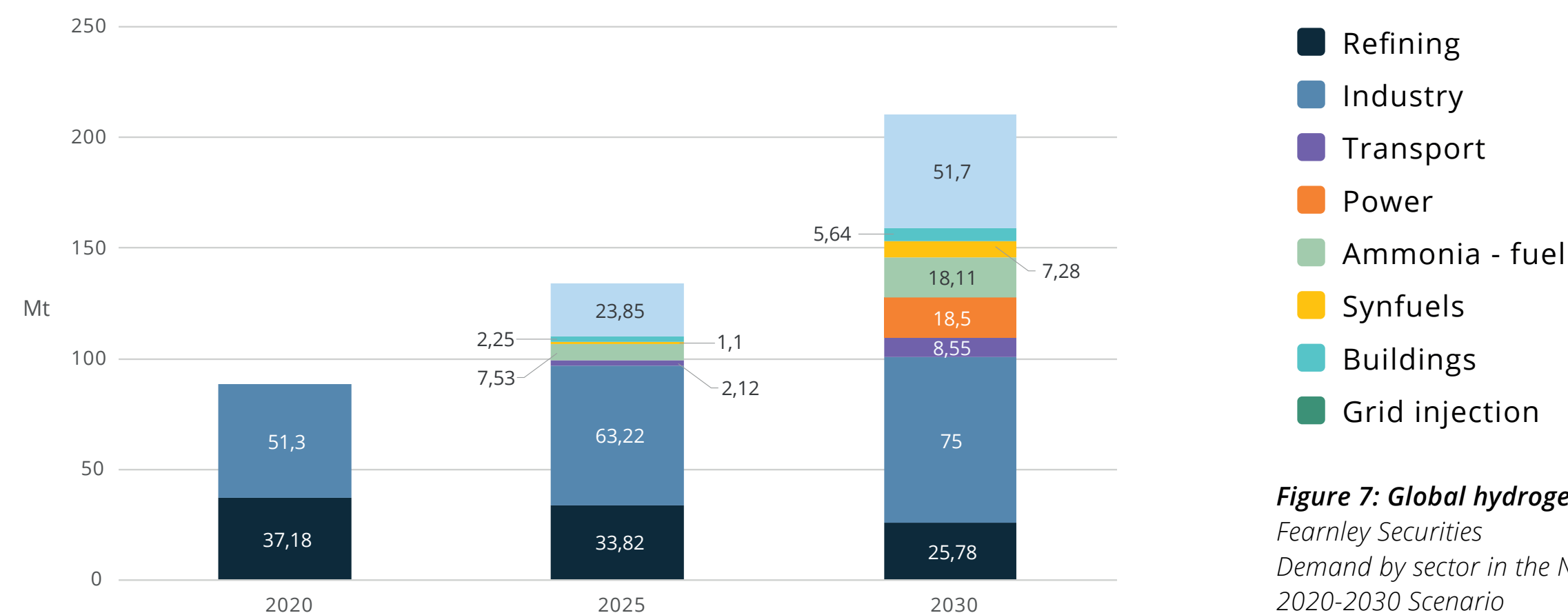


Figure 7: Global hydrogen
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Demand by sector in the Net Zero Scenario
2020-2030 Scenario

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continue to allocate capital to hydrogen. In fact, the private sector and countries with hydrogen strategies have committed at least USD 300bn and USD 37bn, respectively, to develop the hydrogen market.

Hydrogen is an energy carrier with the chemical tools to contribute to decarbonize the energy-market and has a range of applications. Firstly, it can be used as feedstock in fuel cells to produce electricity. Secondly, it can be combusted to provide heat energy. Thirdly, it can be used to store and distribute energy. Lastly, it can be used as industrial feedstock.

Hydrogen’s top four single use cases today are oil refining, ammonia production, methanol production, and steel production. Clean hydrogen only accounts for a small fraction of the hydrogen market. In fact, circa 80% of hydrogen production is from natural gas and oil and another circa 16% from coal. To reach net zero emission by 2050, IEA concludes that clean hydrogen must not only replace today’s polluting hydrogen production, but also be utilized in sectors it traditionally has not been. Compared to 9Mt in 2020, low-carbon hydrogen demand could reach 520Mt in 2050.



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Chemical Recycling

Fearnley Securities is committed to contribute to one of the world’s largest sustainability challenges today, namely recycling of waste and in particular plastic waste. At our 2021 Chemical Recycling Conference over 200 participants, including investors and industrial players, participated listening to 11 leading chemical recycling companies presenting their unique technologies, all with a common goal of achieving a circular economy.

In a world shifting its focus to sustainable pathways, the global waste issue (and in particular plastic waste), is firmly under the microscope. Plastic is a success story, however, we have failed to develop the infrastructure to deal with the waste it causes, resulting in unacceptably low re-cycling rates and potentially more plastic by weight than fish in the sea by 2050.

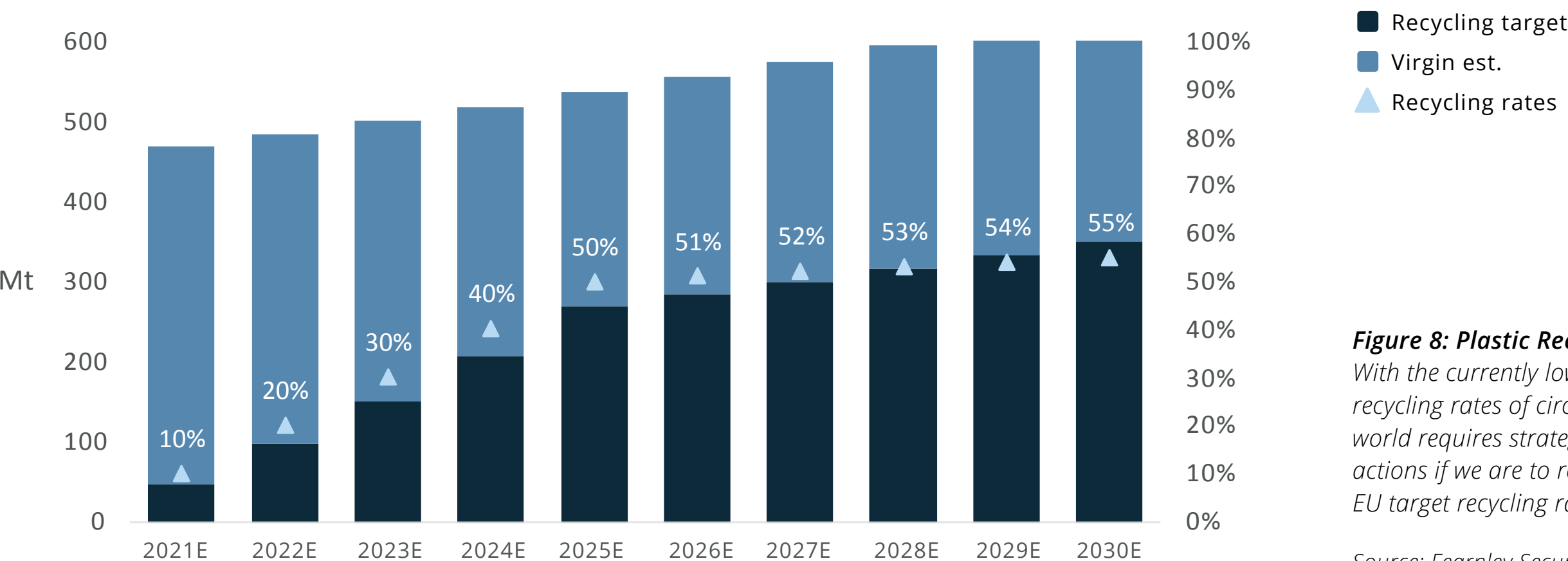


Figure 8: Plastic Recycling Rates
With the currently low global recycling rates of circa 10%, the world requires strategic plans and actions if we are to reach the EU target recycling rates.

Source: Fearnley Securities

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Leading bodies are setting lofty recycling targets to change this, and EU has been at the forefront with regulatory frameworks including 55% recycling rate target for plastic packaging by 2030. To hit these targets, however, we need innovative solutions such as chemical recycling to succeed.

Today there are two main methods of recycling plastic waste – mechanical recycling and chemical recycling. Mechanical recycling currently represents the majority (circa 70%) of the plastic waste being recycled and is the more established of the two methods. However, chemical recycling enables recycling of a wider range of waste plastics and a truly circular plastics economy. Despite the differences, we see the two methods complementing each other, and we need both if we are to reach these ambitious targets.



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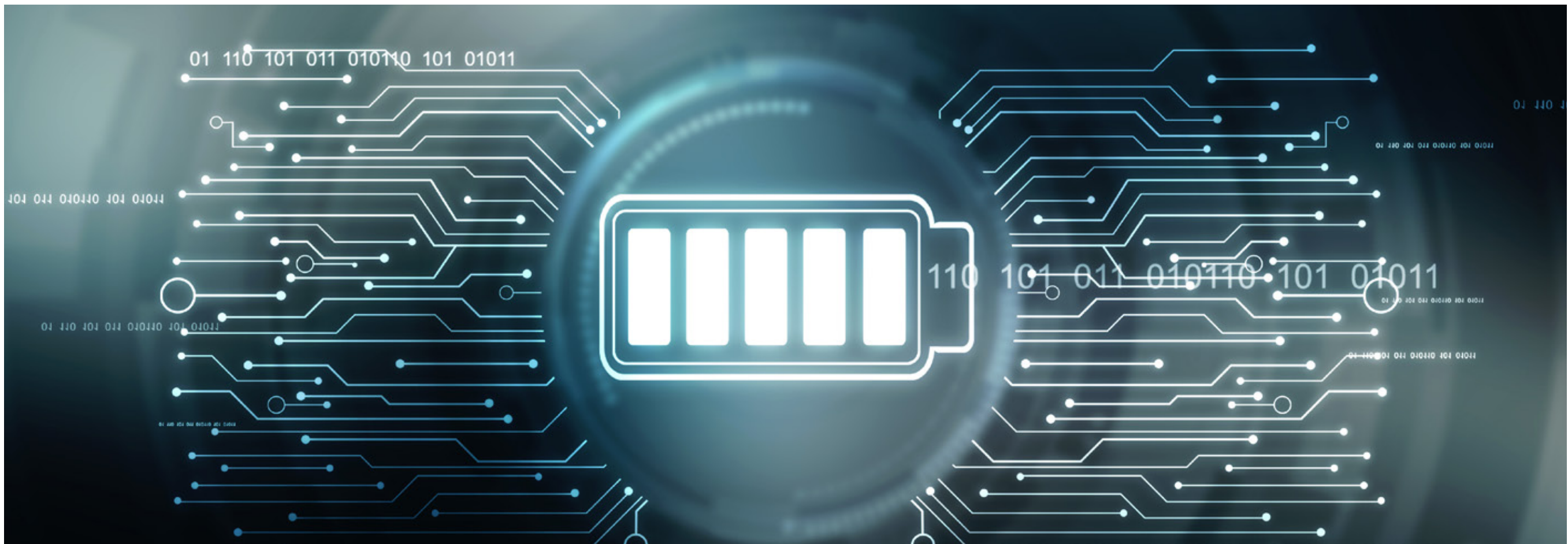
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Batteries

At our Battery Conference, Fearnley Securities hosted nine companies from Europe and North America with groundbreaking technology with the mission to achieve net zero emission in the transportation segment. As a potential solution for decarbonization, demand for electrification through batteries is set to sky-rocket and become one of the fastest growing markets out there. Several factors will enable this growth - namely increasing consumer demand for decarbonized solutions, increasing regulatory pressures and tailwinds across the globe and technological innovation.

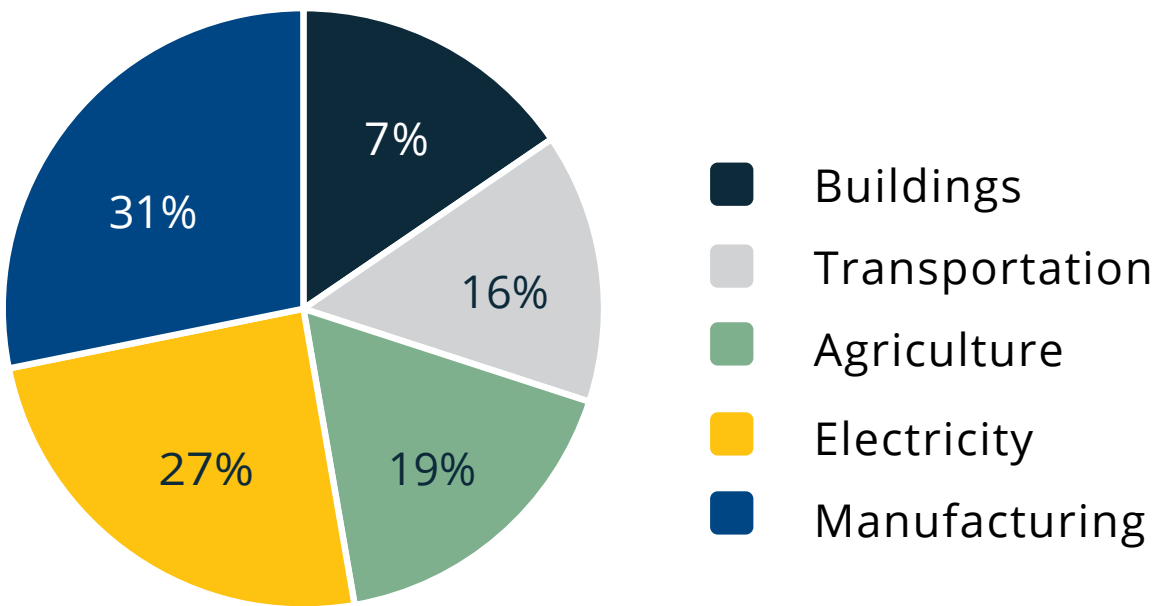


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The transportation sector involves and affects a vast majority of the globe’s population each day, representing circa 16% of global emissions. While the combustion engine revolutionized the way we move, the benefits also came at the cost of the climate and the transportation sector. Diving deeper, we see that circa 75% of transport emissions is related to road transport, followed by circa 8% in marine- and aviation emissions respectively. The solution on a path to zero-emissions is thus to decarbonize this sector through a new transport revolution involving EVs and a decarbonized grid to supply clean electricity.

Global emissions - by sector



Transportation - by subsector

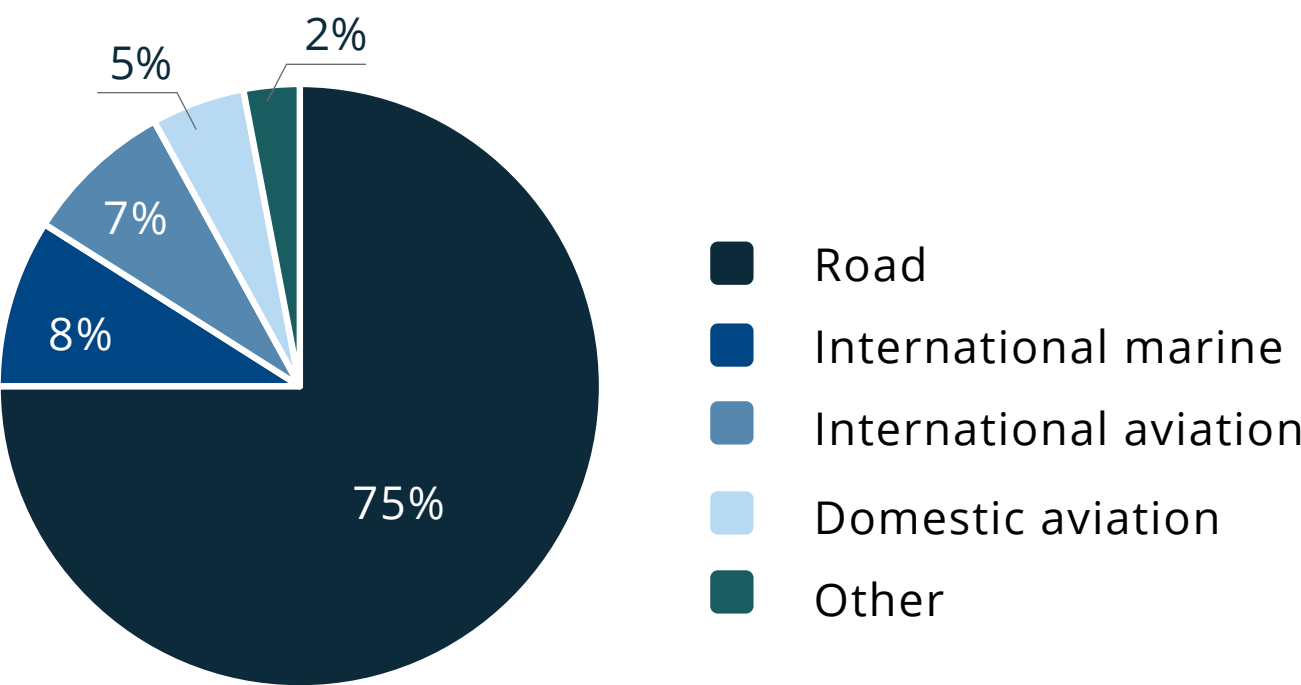


Figure 9:
Source: Breakthroughenergy

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The need for an increase of energy transition investments is largely undisputed, though we believe too little attention has been made to transition commodities, with the “big five” being copper, aluminum, nickel, cobalt and lithium. While several sectors require these and other metals, the Electric Vehicles (EV) space is set to see the largest metals demand, which heavily relies on aluminum to reduce weight, copper for wiring, and nickel, lithium, cobalt, and manganese for batteries. As for other segments, copper, zinc and aluminum (*to name a few*) are critical to the expansion of transmission and distribution grids, wind, as are solar panels.



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Water Treatment & Technologies

According to the UN, ¼ of all people live in high-water stressed areas and 1/3 does not have access to safe drinking water. The UN Sustainability Goal 6 aims to ensure access to water and sanitation for all, and to say that we are lagging is an understatement. To ensure that accessibility and quality of water improves going forward water resources must be managed better, in a combination of increasing water efficiency (less redundancy/waste), increasing the share of re-use from e.g., waste-water or increasing desalination capacity. We hosted a handful of companies aiming to capitalize on this opportunity of increased required sustainable water management capacity.



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Drivers of increased water treatment capacity

We argue there are 4 key factors that will drive the demand for water treatment capacity in the coming years:

1) Global population growth:

The UN expects global population to reach 9.7bn in 2050 – up from 7.9bn today. Unchanged consumer behavior will increase the demand for freshwater, a resource that is finite by default.

2) Increased urbanization:

1.7bn people live in river basins where water use exceeds recharge, and with urban populations set to increase, water resources must be more efficiently managed in said regions.

3) Legislation:

Over 80% of human wastewater is not treated for pollution before being discharged into rivers and oceans, and legislation will increase demand for treatment capacity to increase re-use and ensure sustainable discharge going forward.

4) Global warming:

According to the UN, global warming will increase the frequency and strength of droughts across the globe, making freshwater availability more challenging to forecast. By 2030, 700m people could be displaced by water scarcity and significant investments in water treatment capacity is needed to ensure water access in currently water stressed areas.

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The Energy Transition extends naturally into Fearnley Securities heritage as a niche powerhouse within the maritime and energy industries. We have taken coverage of a total of 32 companies within the renewable / clean tech sectors. Moreover, we see ESG as an integral part of Fearnley Securities Research work. To that end we are working on a framework for ESG analysis which we expect to implement into our regular research methodologies.

Head of Research, Truls Olsen



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Fearnley Securities – Research Department

In Fearnley Securities, we have a wide coverage space within the green sectors spanning across several different industries including solar, wind, batteries, chemical recycling, carbon capture, hydrogen, cleantech, minerals and water treatment. We strive to be updated on the markets, growth forecasts, share price developments, valuations and regulations within the sectors that we follow. As such, we function as a link of communication between key stakeholders in the capital markets from investors to companies.

Green Research Coverage Development

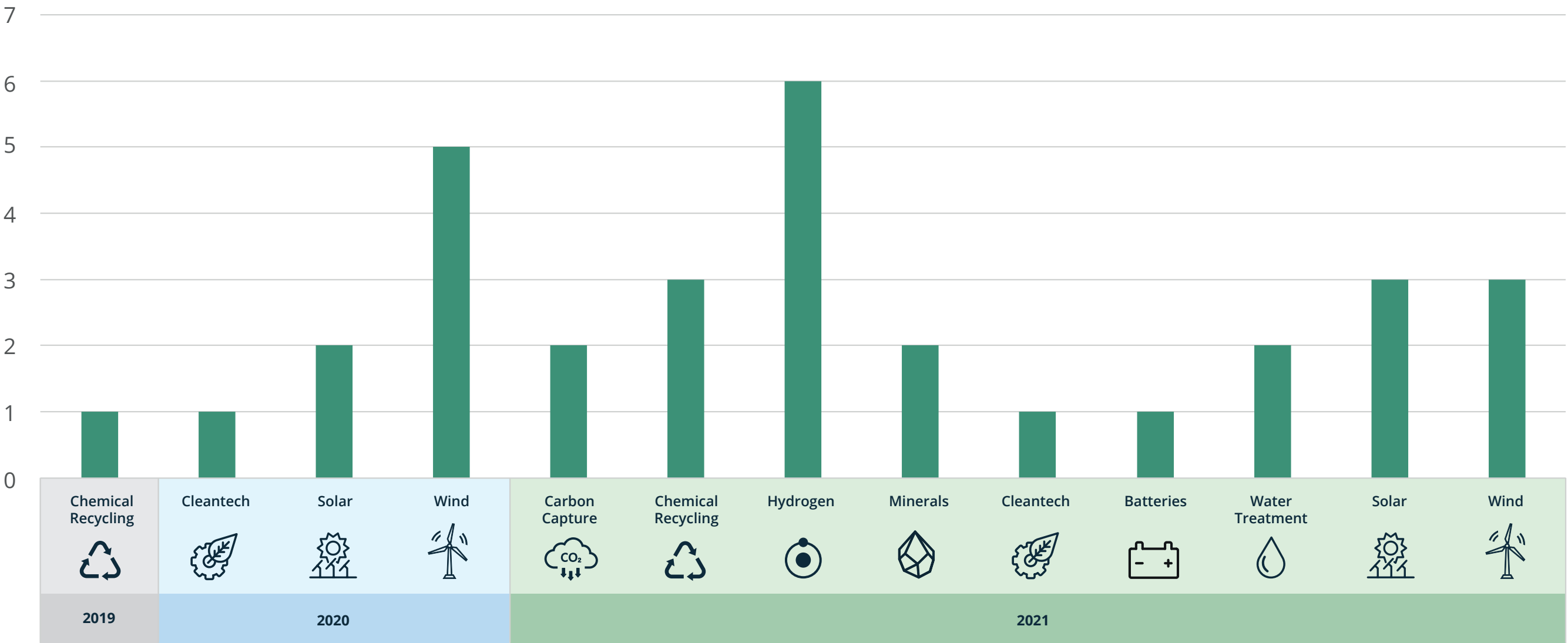


Figure 10:
Fearnley Securities; Research Coverage development since 2019-2021

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At Fearnley Securities we have an uncompromising determination to achieve excellence in everything we undertake. When it comes to Compliance and governance, we strive to have the highest standard of integrity and good judgement.

Head of Compliance, Pontus Hahne



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We maintain internal policies with respect to compliance, risk management, financial crime prevention, data privacy and information security protection.

Ethics

The trust of our customers and Fearnley Securities’ reputation are of paramount importance. We shall conduct our business in an ethical and lawful manner and contribute to upholding market integrity by refining good practice standards. Our ethical principles are built on Fearnley Securities’ values to conduct our business with honesty and integrity.



Our core values include Relevant, Integrity and Team mindset.

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Anti-corruption

We are firmly opposed to corruption in all forms, including bribery and trading in influence. Corruption undermines legitimate business activities, distorts competition, and exposes individuals to risks. Fearnley Securities has adopted an Anti-Corruption Policy. The policy outlines acceptable laws and regulations. The objective of the framework is to assist in promoting a culture of integrity and honesty within the firm by providing guidance and information to employees on how to prevent, detect, deter, respond to and report on fraud and corruption.



Compliance is not a static event; over time what is considered acceptable today may be viewed differently tomorrow.

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Sustainability

In our Sustainability Policy, Fearnley Securities expresses its support to the transition to a low-carbon economy by defining guidelines for reducing the climate impact. Reducing the internal and external environmental footprint in all business activities is therefore a prerequisite for ensuring long-term sustainable and competitive business operations. The Sustainability Policy requires all employees to comply with procedures for waste management, paper usage and the use of energy.



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Compliance

We have a strong compliance culture and believe this is vital for how we conduct our daily business and maintain the trust of our stakeholders. Compliance is not a static event; it is a process which evolves in tandem with regulations that govern our industry and the circumstances of each particular interaction.

Our Compliance framework forms the basis for our decisions and is crucial to the integrity of our business. The compliance department is responsible for identifying, assessing, monitoring, and reporting on the firm’s compliance risk.

The Compliance department provides advise and assistance to the organization on compliance, regulatory and reputational risks and ensures the business area’s obligation to comply with regulatory requirements and the firm’s policies and procedures.



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Whistleblowing

If employees experience situations or matters that may be in violation of rules and regulations, our Internal Regulations and Procedures or our Ethical Principles, Fearnley Securities encourages them to raise their concern with their immediate superior or Compliance. Whistleblowing examples may include criminal activity, such as theft or unethical or unjust behaviour in the workplace, including racist, sexist, or homophobic behaviour.



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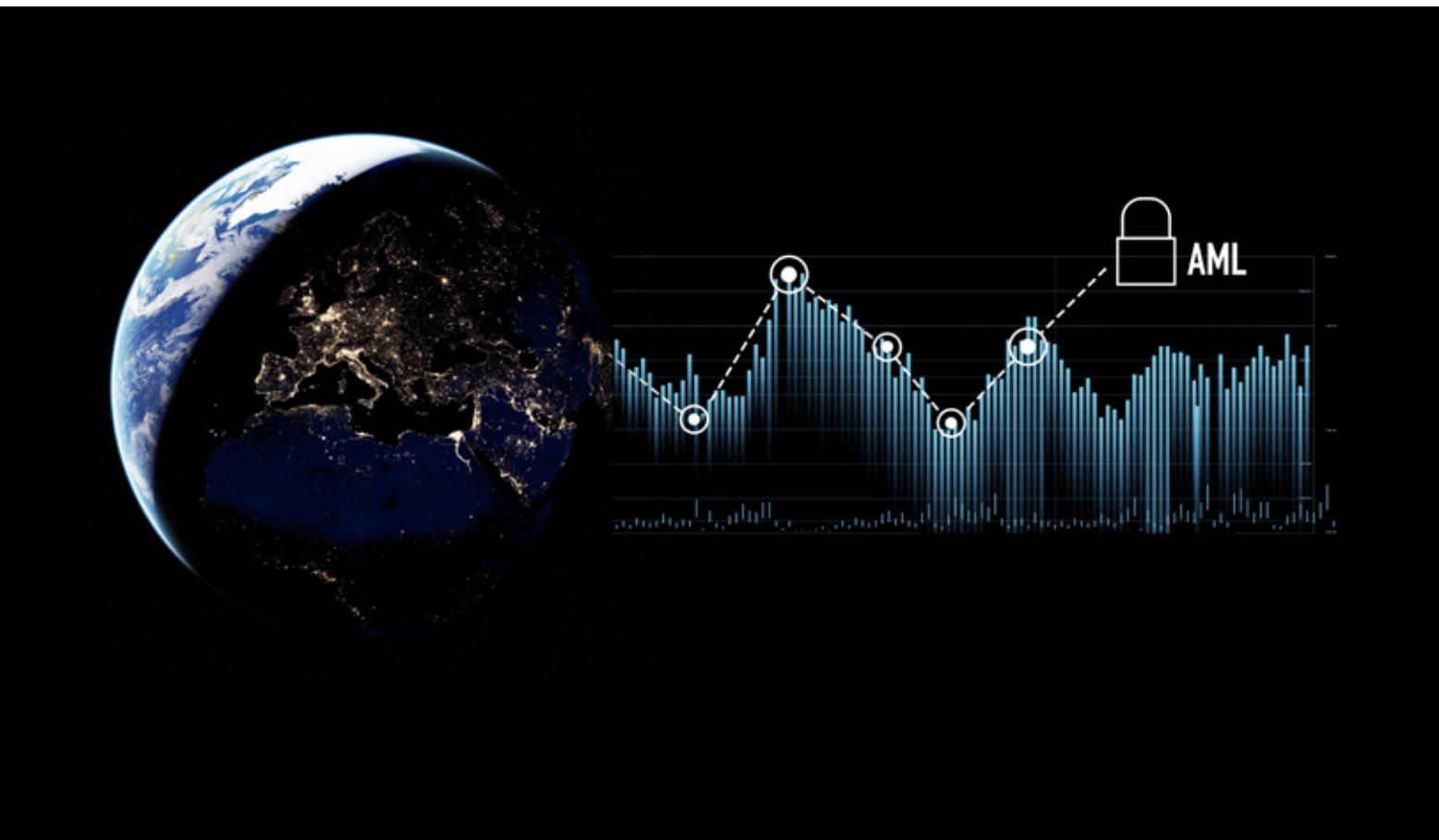
Anti-Money Laundering

We are committed to the fight against money laundering and terrorist financing. The firm applies a risk-based approach to anti-money laundering (AML) and focus AML resources where they will have crucial impact. We have established policies, procedures and monitoring designed to prevent and detect money laundering and other financial crimes against the firm.

The Anti-Money Laundering and counter terrorist financing framework is based on managing client risk, which includes:

Risk assessment and risk-based measures

- Customer onboarding (“Know Your Customer”) and ongoing Customer Due Diligence
- Duty to investigate and report
- Policy and internal control
- Training of personnel



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Conflict of Interest

Fearnley Securities maintains and operates effective organizational and administrative arrangements with a view to taking all appropriate steps to prevent conflict of interest from adversely affecting the interests of its clients when providing investment and ancillary services or a combination. Fearnley Securities will take all appropriate steps to identify and prevent or manage conflict of interests arising between Fearnley Securities and clients, from arising between clients or internally within the company. Fearnley Securities’ policy is to ensure fair treatment for clients and investors by internal rules of confidentiality, by declining to act, or otherwise by disclosure if deemed appropriate. Fearnley Securities will ensure that the client’s interests take precedence over its own interests and will not unfairly place its own interests above those of its clients. Our Conflict of Interest Policy sets out the policy statement for Fearnley Securities and will be supported by a separate Conflict of Interest Procedure which includes implemented measures and procedures.



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Strategic risk management is all about identifying and addressing potential opportunities and threats from the emerging risk landscape and integrate these into the overarching risk management framework to ensure long-term resilience and sustainable competitive advantage for Fearnley Securities.

Group Enterprise Risk Manager, Thomas Bråtner



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Risk Management

Our risk management framework builds on the principles integrated in Enterprise Risk Management where the impact from internal and external risk factors are being addressed. The Enterprise Risk Management framework therefore incorporates evolving risks such as Environmental, Social and Cyber security risks to ensure long-term resilience and sustainable competitive advantage for our Company. This ensures that the company’s values are respected by rendering efficient, prudent, and compliant business operations. The framework includes:

- Coordination of risk appetite and strategy
- Improvement of decisions by avoiding, reducing, sharing, and accepting risk
- Reducing operational surprises and losses by proactively identifying potential incidents and implementing risk mitigating measures
- Mapping events to enable management to identify and realize opportunities in a proactive way
- Using accessible information on risk by enabling the management to assess the total capital requirement of the business

Comprehensive risk management culture and internal control in Fearnley Securities is divided between the board, management, and operational units. The division of responsibilities is operationalized through business ideas, authorizations, job instructions, internal instructions, and routines, as well as the Company’s goals and strategies.

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Privacy and Data Security

Protecting our business partners’ and employees’ privacy is of great importance to Fearnley Securities. Accordingly, Fearnley Securities attaches great care to the protection of the personal data and to process it correctly and in compliance with applicable rules defined in the General Data Protection Regulation (“GDPR”). GDPR stipules rules as to how Fearnley Securities can process personal data. Based on the GDPR, Fearnley Securities has established an internal Privacy Policy.

The Privacy Policy available at our website describes how Fearnley Securities treats, processes, and stores personal data collected from our business partners and users of our services and/or our website.



Responsible stewardship of personal data is key to obtain trust from our counterparties.

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Reducing our own environmental footprint

The Global Risk Report 2022 from the World Economic Forum states climate action failure, extreme weather, and biodiversity loss as the most impactful risks for the next decade¹. To achieve the goals from the Paris Agreement to limit global warming to well below ², and preferably to 1.5 degrees Celcius, Fearnley Securities is committed to contributing to take our share of this transition to reducing greenhouse gas emissions and more efficient use of natural resources. As a capital markets firm providing services to our clients, our carbon emissions footprint is mostly limited to the carbon emissions from the use of office space related to waste and energy and business travels. Although the carbon emissions footprint is considered limited, we are tracking our emissions from waste and energy management and from business travels.



1 https://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2022.pdf

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A responsible tenant

Our Oslo office in Dronning Eufemias gate 8 in Bjørvika is located near public transportation at the Oslo Central Station. The building was fully renovated in 2021 to meet high environmental standards to measure carbon emissions from waste and energy use. The roof surface of the building is 50% solar cells and 50% green roof. The owner, Braathen Eiendom has defined their own sustainability targets and an own sustainability strategy aligned with the 17 Sustainable Development Goals from the UN.

A common industry approach to improvement with recognized plans is important and the building is therefore in process of being “BREEAM-in-use” certified. The owner has close relationships with, among others, Enova and Grønn Byggallianse (Green Building alliance) and is certified as Environmental Lighthouse. In 2019, our owner also signed the Real Estate Industry’s 10 immediate measures, and in 2021, the sequel The Real Estate Industry’s 10 immediate measures - version 2.0 was signed.



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A responsible consumer

Travelling

Fearnley Securities has offices both in Norway and in the US and business travels facilitates collaboration and teamwork. Carbon emissions from business travels are therefore unavoidable. We are constantly monitoring our carbon emissions from travels and in line with the strengthened focus of the direct climate impact from business travels, we encourage our employees to apply video conferencing systems when this is appropriate in addition to business travels, to lower our environmental footprint from business travels.

Energy and waste

Waste and energy use is constantly tracked and monitored, and we have established recycling stations in our offices. Most of our business operations is performed paperless. We have moved away from paper to digital archiving and implemented means for digital signing of documents to lower the environmental footprint of paper use.



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Environmental footprint

The environmental footprint has been calculated according to the Greenhouse Gas Protocol (“GHG”). The GHG protocol supplies the world’s most widely used greenhouse gas accounting standards designed to provide a framework for businesses, to report their greenhouse gas emissions². We don’t have company cars, and accordingly emissions in Scope 1 are not reported. Our emissions from energy in Scope 2 and Scope 3 - Waste generated in operations, are calculated based on office space we rent from Braathen Eiendom. The environmental footprint from Scope 3, Business travel (by air), is based on data from our travel agent HRG’s environmental report. Our advisor Position Green has assisted in calculating the numbers and ensuring compliance with the methodology. The total greenhouse gas emissions figure has been calculated using the location-based figure for emissions from energy.

Environmental Footprint	2021
Total greenhouse gas emissions	28,22
Scope 1 – Fossil fuels	0
Scope 2 – Energy (Location based)	1,46
Scope 2 – Energy (Market based)	45,61
Scope 3 – Waste	0,053
Scope 3 – Business travel (by air)	26,71

In 2021 Fearnley Securities moved into new offices - a new pair of shoes - in which our footprint will be measured. We are excited to benchmark our progression against our 2021 numbers next year!

Table 1: Fearnley Securities; The aggregated environmental footprint is presented in tonnes CO₂ equivalents, tCO₂e

² <https://ghgprotocol.org/>



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Kitchen

Our kitchen focuses on sustainable food for our employees, and therefore serves healthy and sustainably produced food with great variety on the menu. The food is made from the season’s pure, natural ingredients, with limited amount of meat. The kitchen is run by Dugurd and is Debio-certified with a Green Label, and in 2017 our kitchen was awarded the Food Prize for its focus on operating sustainably.



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A responsible purchaser

Environmental awareness and sustainability are incredibly important for the procurement process and accordingly businesses around the world are strengthening its focus on these principles. We are aware of our responsibility as a responsible purchaser, and shall have a green approach to selection of third parties and constantly seek dialogue with our stakeholders and suppliers on climate change and impact. Responsible suppliers understand that the nature of the products, materials, and services they are supplying should recognize their responsibility to protect the environment and foster good relations with their local communities. This is reflected in our Sustainability Policy expressing our commitment and engagement for sound environmental, social and governance principles entrenched in the procurement process.



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Engaging our employees

A key to creating a vibrant and sustainable firm is to find ways to get all employees personally engaged in day-to-day corporate sustainability efforts. With our Sustainability Policy we express how we take our part in making sustainability a core mission in our organization by taking environmental and social aspects into account and developing digital environmentally friendly technologies to foster collaboration and teamwork. The Fearnley Securities Academy seeks to encourage our employees to increase awareness to sustainability and environmental regulations’ implications for capital markets such as the EU taxonomy.

We will through 2022 continue to further develop this academy as we believe internal communication around sustainability efforts can leave a positive impact on our employees in their daily lives to lower their personal carbon footprint, ensuring environmentally friendly and sustainable solutions are selected.

Furthermore, we encourage our employees to make environmentally friendly choices in their daily lives, and to pass it forward to their clients, families, and friends, creating a ripple effect for the betterment of the society as a whole.



We encourage our employees to make environmentally friendly choices in their daily lives, and to pass it forward.

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Promoting sustainable initiatives

Fearnley Securities is committed to advancing the climate transition by promoting and supporting sustainable initiatives:

Sustainable initiatives

7
conferences in 2021

3.300+
participants in 2021

130+
presenting companies

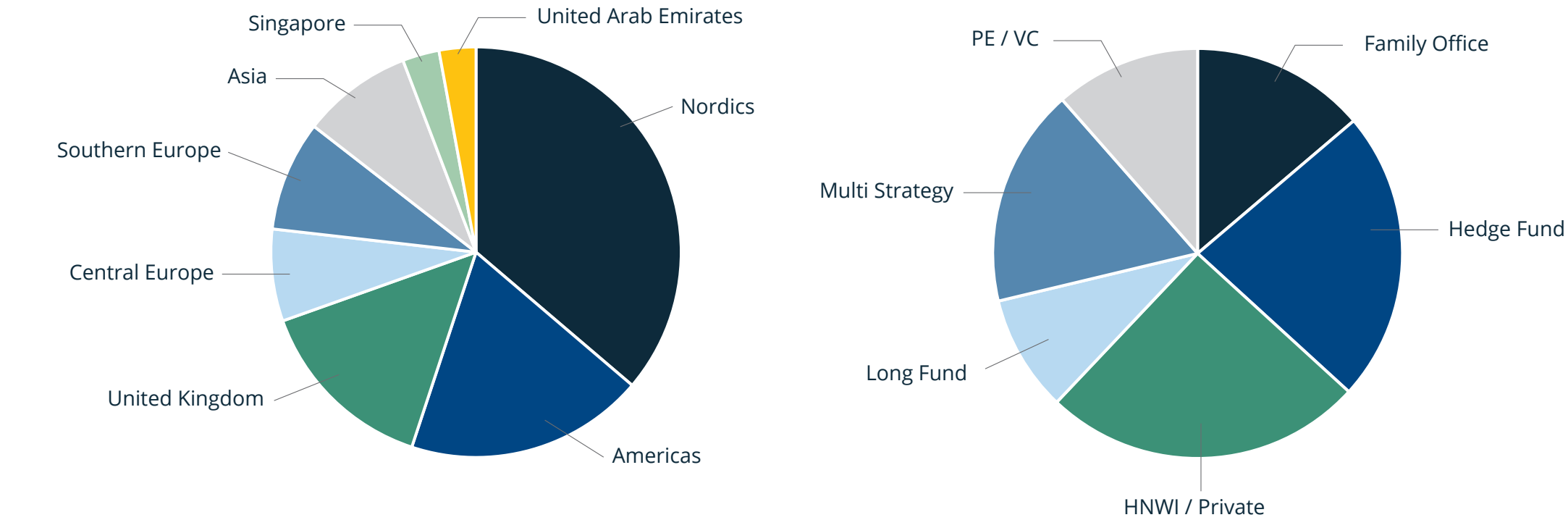


Figure 11:
Fearnley Securities. Example of distribution on countries represented and typical investor type (excluding industrial participants)

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At Fearnley Securities we are committed to working strategically with our community in identifying and responding to its changing needs.

Our mission is to build productive teams and a proactive culture to attract, retain and develop talent thus fostering a positive, diverse and inclusive work environment.

Group HR Manager, Sture Marrot



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People strategy

Fearnley Securities strongly believes that our employees are our most important asset. Through our People strategy we define a set of procedures for attracting, retaining, and growing our employees making them an essential part of our overall business strategy. Empowering employees to grow professionally, means providing them with tools, recourses, and the inclusive work environment necessary to thrive. Highly engaged employees highly respect the quality of their service for both our business partners and Fearnley Securities.



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Work environment

Our highly skilled workers play a crucial role in developing our business reputation and ongoing success for Fearnley Securities. We value extraordinary individual performance, but our proudest moments have come as a product of employees working in teams for the benefit of our clients.

Successful people management means our teams can work in the same direction allowing them to perform on a higher level.

Fearnley Securities strives to offer the highest ethical standard for an attractive and inclusive work-place. Offering an attractive working environment is crucial for attracting the best talents, boosting employee engagement, and creating great workforce experiences.



Our proudest moments have come as a product of employees working in teams for the benefit of our clients.

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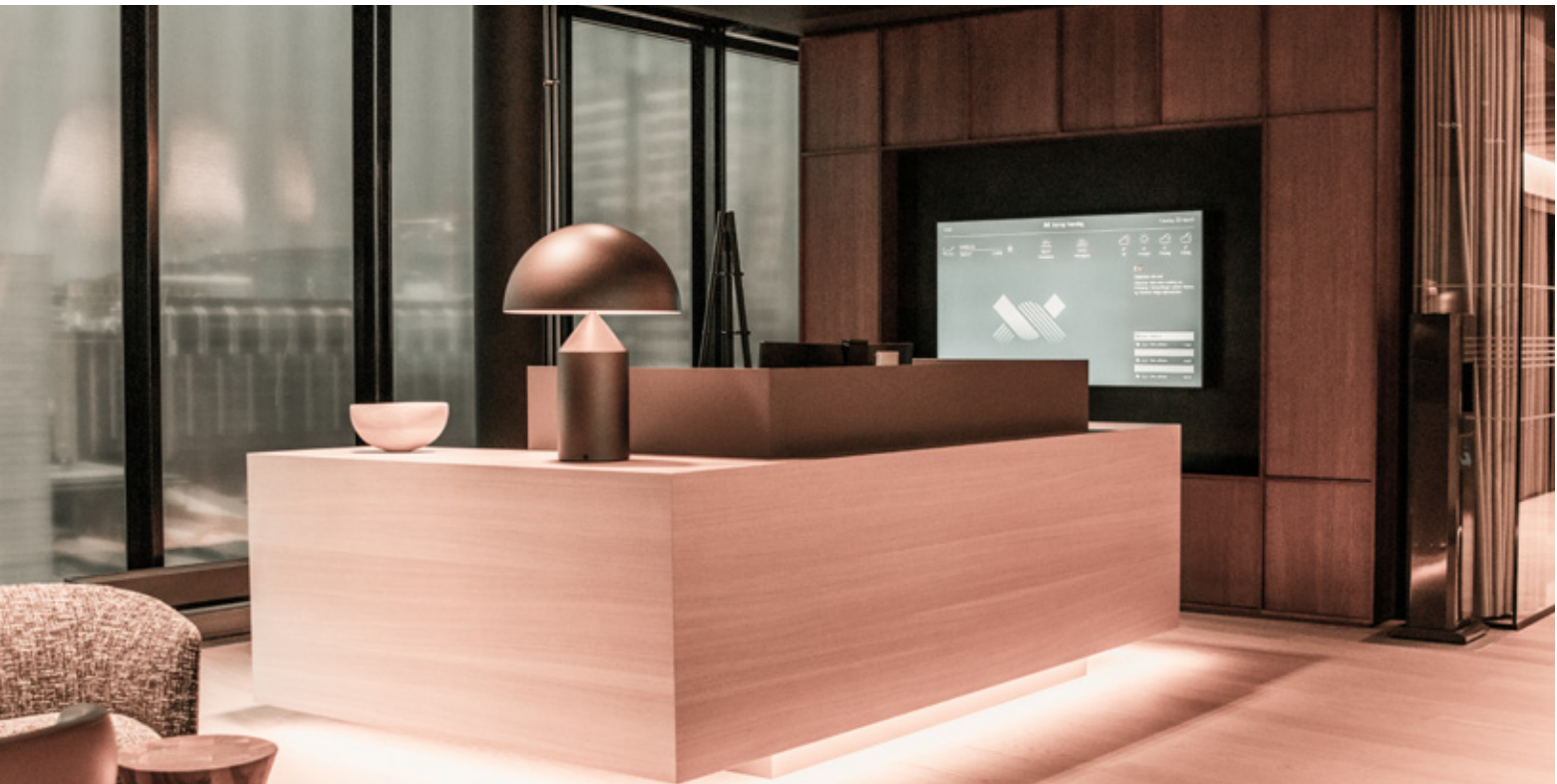
5. Social Responsibility

Inclusive growth for our people implies systematic work on- and dedication towards equality, diversity, professional development and knowledge sharing. The Working Environment committee (AMU) works for a fully sound working environment and participates in the systematic planning and development of the work safety- and environment in the company.

At year-end, Fearnley Securities had 94 employees (full-time employees) at our 2 offices in Norway and USA. 90% of our employees work at the headquarters in Oslo and 10% at our subsidiary in New York. The number of part-time employees is very limited.

Currently, our workforce originates from 6 different countries across 2 continents and covers 5 different languages), including Swedish, Norwegian, British, German, American, and Italian.

Our goal is to build a workplace for our employees that is intellectual, virtual, and aspirational, and that offers a safe and healthy working environment – both physically and psychosocially.



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Diversity and equality

We endeavour to have a balance in age, education, and nationality. With the Sustainable Development Goal on gender equality and women empowerment (SDG5) and decent work for all (SDG8) . We seek to integrate diversity and equality in all operational processes of our organization.

A diverse and inclusive workplace for Fearnley Securities is one that makes everyone, regardless of who they are or what they do for the business, feel equally involved in and supported in all areas of the work environment. We aim to challenge the status quo by welcoming diverse and creative ideas that are believed to be essential for our business to develop.

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We endeavour to have a balance in age, education, and nationality.



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We are committed to creating a work environment where all employees are equally respected, valued and have access to equal opportunities and outcomes. Our Diversity and Inclusion Policy is available on our website and functions as a guide to the Management in Fearnley Securities and its employees aspiring to advocate diversity and inclusion in relevant programs, practices, and processes.

Our remuneration policies are approved and supervised by the board of Fearnley Securities, that receive advice from the control departments and our internal auditor PwC. Our remuneration model is based on several principles to promote diversity and inclusion: Risk-balanced attitude, client focus compliance with laws and regulations, contribution to the core values of Fearnley Securities being competence, commercial mindset, integrity, proactiveness and team orientation.

We have zero tolerance for discrimination and harassment, and all staff and employees are responsible for supporting and promoting a respectful and supportive working environment free from discrimination and harassment.



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Attracting and retaining a diverse range of staff enables Fearnley Securities to identify opportunities and explore new, innovative solutions. By recruiting professionals from a range of backgrounds regardless of gender, ethnicity, sexual orientation, disability, or socioeconomic factors, Fearnley Securities gains access to a wide variety of viewpoints and perspectives. This allows us to nurture happier, more productive employees and drive innovation across various business units and teams. We will continue to have a systematic approach to the interview and evaluation process to hire the best talents, as this is considered vital for our long term success.

Systematic work with gender diversity and equality is a high priority in Fearnley Securities by supporting the Women in Finance initiative. Our efforts going forward to implement changes in line with our goals on equality will continue going forward. By 31 December 2021, the share of women in Fearnley Securities was 11,4%.



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Career development and training

Training and career development plays a vital role in Fearnley Securities and is closely linked to the UN Sustainable Development Goal 4, Quality Education, aiming at ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all.

We know that in order to bring the best to our clients and stakeholders, we need motivated employees and a mix of people in terms of backgrounds and experiences. Therefore, we make sure that young, aspiring, and skilled professionals work closely with senior employees and thereby ensuring an inspiring environment for cultivating a vibrant learning culture.

Fearnley Securities is a member of The Norwegian Securities Dealers Association (VPFF), and all employees are subject to licensing requirements from this organization. Our employees in the US follow licensing programmes from Finra. In addition to licensing requirements, Fearnley Securities Academy invites both internal and external resources to ensure further competence and training progression. Fearnley Securities includes among other quizzes, case discussions and e-learning material as this contributes to a more interactive and dynamic learning environment. Through the Fearnley Securities Academy our employees get the opportunity to develop and train their skills through a wide range of seminars and courses related to sustainability.



It is difficult to learn if you already know.

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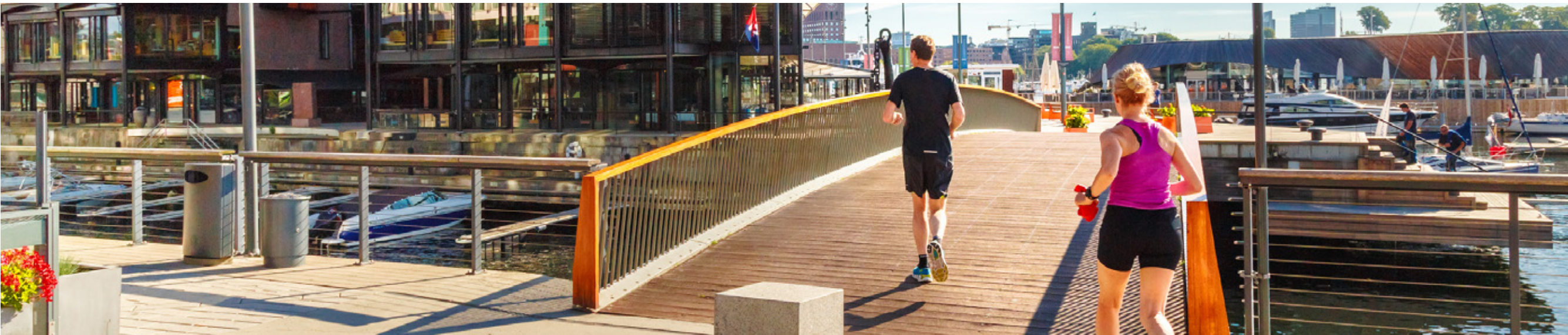
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Safety and health

A safe and healthy workplace is a key component in Fearnley Securities to develop a positive corporate culture. Fearnley Securities is committed to systematic work on health and safety for all our employees and visitors. The goal is to have a workplace free from accidents. Systematic work on health and safety matters is firmly entrenched in the ongoing activities of the Working Environment Committee that arranges regular meetings and perform internal control of the premises to minimize all possible risks related to health and safety. Fire drills are executed regularly to ensure all our employees stay alert in case of an actual emergency.

In 2021 there were no accidents reported to the Working Environment Committee. The work on health and safety is also defined in our HSE Policy.

We believe that the health and wellbeing of our employees is an absolute imperative for a thriving working environment. We offer our employees an upgraded fitness studio with brand new equipment. Arrangements from Fearnsport, such as the “Dytt-App”, has motivated to more activity among our employees. Fearnsport also arranges other social activities for our employees such as golf, tennis, squash, orienteering and skeet shooting - as well as bringing our people together in activities across departments in social sport events like Holmenkollstafetten.



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Health and safety insurances (for employees in Oslo)

All employees are covered by our group life- and health insurances, at present served by DNB. These insurances ensure our employees financial support in case of invalidity, accidents, or death. The health insurance ensures our employees quality and fast treatment in case of health issues and also covers cost. Regarding travel insurance all employees are covered for business travel through our supplier AIG. For health check-ups we use Volvat Medisinske Senter who has recently set up a new base a couple of blocks from our new office site, in the Barcode.

For expats and local employees in the US

The group life insurance still covers expats from Norway as they move to the US. The expats also get a health insurance in Cigna and travel insurance for expats (a special travel insurance also covering family members as they are classified as expats). For local employees in the US the company has supplied health insurance, and they administrate this locally from the US office.



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Reporting and Data

The Sustainability Report describes the achievements to advance and support the climate transition and elaborates on the activities related to Governance, Environmental and Social aspects aligned with the UN Sustainable Development Goals.

The Sustainability Report will be updated annually and published on our website. In the years to come we will continue our efforts to contribute to the realization of the UN Sustainable Goals where we believe we can contribute the most.





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