OSLO BØRS

OSLO STOCK EXCHANGE

JULY 2018

Oslo Børs guidance on the reporting of corporate responsibility

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This is an English version of the original document "Oslo Børs veiledning om rapportering av samfunnsansvar" prepared in Norwegian and dated July 2018.

"When we launched the Sustainable Stock Exchanges call to action on sustainability reporting guidance, we were very pleased with the great response from the exchange industry where exchanges from around the world committed to introduce such guidance. Today I want to congratulate Oslo Børs for being one of the first exchanges to translate this commitment into concrete action. Efforts like this demonstrate what an exchange can do to help the world achieve the United Nations Sustainable Development Goals."

– James Zhan, Director of Investment and Enterprise at UNCTAD

"Norsif (the Norwegian Forum for Responsible and Sustainable Investments) is committed to developing the field of responsible investment in Norway. Investors are increasingly taking into account corporate responsibility when making financial assessments. This guidance will help Norwegian companies highlight corporate responsibility in their reporting and will make it easier for investors to make good choices in their portfolios."

– Bjørn Stolpestad, Chairman, Norsif

"Matters related to corporate responsibility can greatly impact the ability of a company to create profitability and shareholder value over the long term, and investors are therefore increasingly attaching importance to these matters when making investment decisions. Oslo Børs has produced this guidance on the reporting of corporate responsibility in order to help increase transparency and improve reporting. The guidance is intended to be a practical tool that companies can adapt to the nature of their business and their size."

– Bente A. Landsnes, President & CEO, Oslo Børs

The working group that produced the guidance consisted of Kirsten Margrethe Hovi from Norsk Hydro ASA as a representative of stock exchange listed companies, Tine Fossland from the Government Pension Fund Norway on behalf of Norsif, and Elisabeth Adina Dyvik from Oslo Børs. Annie Bersagel from the Government Pension Fund Norway also contributed on behalf of Norsif to prepare the revised version of the guidance.

Introduction

Oslo Børs collaborated with the Norwegian Forum for Responsible and Sustainable Investment (Norsif) to produce guidance on the reporting of corporate responsibility along with an example of a process to follow.

Emphasis has been placed on ensuring that companies wishing to use the guidance find it practical and not generative of extensive additional work. It is envisaged that companies will adapt their reporting activities to their risk profile and size, the nature of their business and the desired level of reporting. The purpose of the guidance is to show how corporate responsibility reporting can be accomplished in a practical manner while also meeting issuers' and investors' requirements.

Investors increasingly weigh a range of risks related to corporate responsibility in their investment decisions. These risks relate to climate and the environment, corruption, human rights and labour rights, suppliers and customers, taxation, and competition. These are areas that can be of great significance to the preconditions for a company to create profitability and shareholder value over the long term. Larger investors such as pension funds and life insurance companies often have mandates or policies that require them to take corporate responsibility into account when making investment decisions. Companies that provide reliable and comprehensive information about how they manage their corporate responsibility enable more accurate investment assessments and can find it easier to attract investors when competing against companies that do not have such a focus. Reporting and transparency can thus become a commercial advantage for companies.

Companies that are listed on Oslo Børs or Oslo Axess are subject to rules on the reporting of corporate responsibility. For Norwegian companies, the requirements are primarily defined by Section 3-3 a-d of the Norwegian Accounting Act, which includes a requirement to produce a corporate governance report. The Norwegian Code of Practice for Corporate Governance also discusses the topic of corporate responsibility.

Despite the requirements contained in the current regulations, there are in some instances gaps between the information companies make available in their reports and the information investors and other stakeholders require in order to be able to better assess a company's ability to create shareholder value. In addition to investors, there is a range of other stakeholders that to an increasing extent require information regarding the most significant opportunities and risks to which companies are exposed, as well as how companies manage such issues. Many of the issues covered by the concept of corporate responsibility will potentially have significant consequences for a company's financial performance and value creation over both the short and the long term, since they can affect a company in relation to areas such as access to and cost of capital, market access, brand value, licenses and other authorisations required to operate.

This guidance is intended to help simplify companies' efforts to:

1. Identify and prioritise the opportunities and risks of greatest significance to company results and their most important stakeholders; and to

2. Report efficiently on their management of and performance in areas of risk defined in accordance with their own needs and those of their stakeholders.

The use of Oslo Børs' guidance on the reporting of corporate responsibility is voluntary for companies. Companies that apply the guidance may highlight this by including the following statement in their annual report and/or their separate corporate responsibility report: "We follow the Oslo Børs guidance on the reporting of corporate responsibility of July 2018".

The reporting process set out in the guidance is based on the Global Reporting Initiative's standards for corporate responsibility reporting (GRI Standards). This is the most widely used international framework for sustainability reporting. The GRI Standards are already used by a number of companies listed on Oslo Børs, and companies that report in accordance with GRI "Core" or "Comprehensive" will already be deemed to report in accordance with the Oslo Børs guidance. A list of references to other guidelines that may also be relevant for the companies is included in Chapter 5.

Oslo Børs is a partner exchange to the UN Sustainable Stock Exchanges Initiative (SSE). The aim of the SSE initiative is for stock exchanges, investors, authorities and companies to work together to enhance transparency in the capital markets related to corporate responsibility and to encourage long-term, sustainable investment[1]. Measures designed to improve listed companies' reporting on corporate responsibility matters are part of the initiative.

Changes to the guidance since the September 2016 version

Following the launch of the first version of the guidance, the GRI G4 Guidelines on corporate responsibility reporting have been replaced by the GRI Standards. This development was anticipated in the first edition from September 2016, and the introduction of the GRI Standards has not in itself resulted in any changes to the reporting processes described by this guidance.

This aside, a number of small changes have been made to clarify the content of the guidance, e.g. the addition of some more examples and some more detailed explanations.

1. Materiality analysis: opportunities and risks

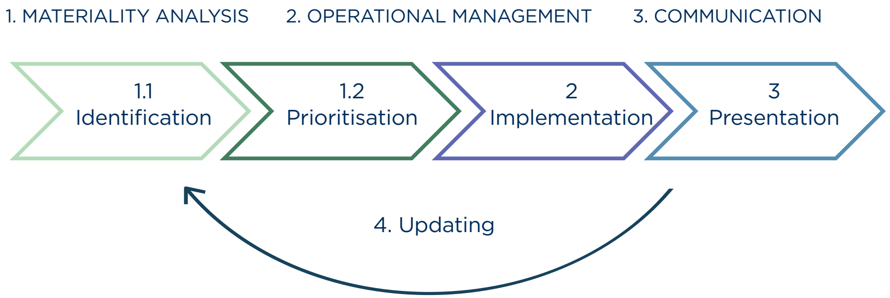
The corporate responsibility reporting process should start with a materiality analysis, which consists of mapping the opportunities and risks the company faces, as well as identifying its most important stakeholders and their primary areas of interest. Such an analysis will give the company a good starting point for identifying its most business-critical areas, and will provide direction regarding the relevant indicators which should be monitored.

The GRI 101: Foundation reporting standard from the Global Reporting Initiative describes a process for carrying out a materiality analysis. The materiality analysis is intended to ensure that a company's reporting addresses matters that:

- Reflect the company's significant economic, environmental and social impacts; and
- May substantively influence the assessments and decisions of stakeholders

[1] The SSE initiative is a collaboration between the United Nations Conference on Trade and Development (UNCTAD), the UN Global Compact, the United Nations-supported Principles for Responsible Investment (PRI), and the United Nations Environment Program Finance Initiative (UNEP FI). More information on the SSE initiative is available on its website: http://www.sseinitiative.org/.

The results of the materiality analysis will vary from company to company for reasons such as the companies' different business models, core activities, geographical exposures and stakeholder expectations. However, the process for carrying out a materiality analysis and the associated operational management, communication and annual updating, will to a large extent be the same across sectors and companies, and comprises four key steps:



The four key stages set out in the above figure are described in more detail below:

1.1 Identification of the most important risks and opportunities

1.1.1 Defining the company's most important stakeholders

What are stakeholders?
Stakeholders are organisations and individuals that are affected by the company's activities, or that can affect the company's strategy and ability to achieve its objectives.

Who are stakeholders?
Important stakeholders vary from company to company, and can, in addition to investors, include customers, employees, authorities, civil society and suppliers. In many cases some of these groups will be represented by interest groups such as trade unions, environmental organisations and human rights organisations.

A company's most important stakeholders are the organisations, groups and individuals that significantly:

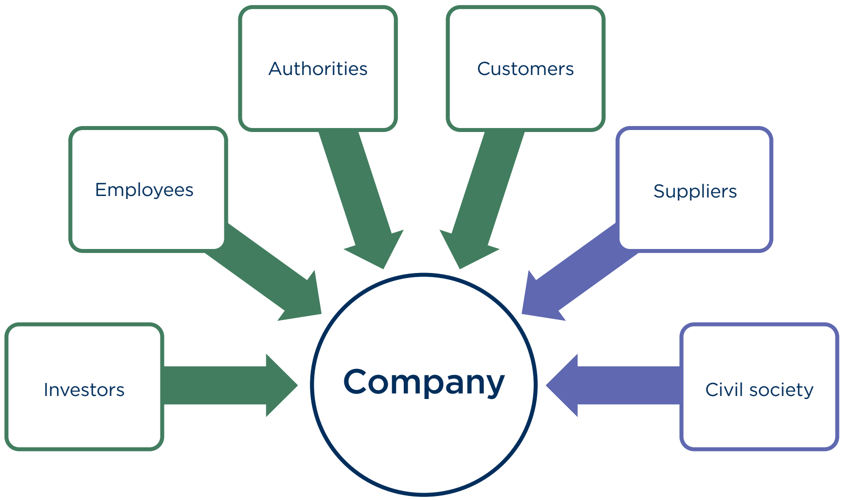
- Affect the company; or
- Are affected by the company

The work undertaken in order to define a company's most important stakeholders may take as its starting point an assessment by an interdisciplinary group of internal employees.

The aim of this process is to identify the company's stakeholders and to determine which groups rank as most important. This can be done through working groups, interviews or surveys.

The company's executive management should be involved in the process and should, at a minimum, approve the analysis. The results of this work can be presented as a prioritised list of the company's stakeholders.

The figure below is an example of what such an analysis might look like. It provides an overview of the stakeholder analysis for a hypothetical company. Investors, employees, authorities and customers were identified as the most significant stakeholders. These are coloured in green, and are considered by the company to be its most important stakeholders, as they either significantly affect the company or are significantly affected by it. The company's suppliers and civil society have also been identified as important to the company's work on corporate responsibility.



1.1.2 Mapping the interests of the most important stakeholders

The work undertaken to map a company's most important stakeholders and their expectations can be based on existing analysis and knowledge from within the organisation. This information can be gathered through discussions with internal employees who are in contact with key stakeholders. Which employees to involve will depend on the key stakeholders identified.

If customers are key stakeholders, the sales department would be a relevant source of input, based on their existing analysis and knowledge of customer requirements and expectations. For information on civil society, the head of the company's local business unit or its communications department might for example have an overview of enquiries received from interest groups and civil society, as well as any associated media reporting.

If internal discussions either reveal that information on the expectations of some groups of stakeholders is lacking or that such information is incomplete, the stake-holders themselves should be contacted.

The following is an example of what an overview of stakeholder expectations might look like:

Stakeholder group	Expected of the company	Arena for dialogue	Actions by the company
Investors	Climate reporting Compliance with the OECD's Guidelines for Multinational Enterprises	Meetings with investors and analysts Quarterly presentations	Report greenhouse gas emissions and emission reduction targets Human rights due diligence
Customers	Corruption prevention Product safety	Customer meetings, seminars, internet-based channels	Formulate ethical guidelines Customer satisfaction surveys Participation in industry forums
Neighbours	Create jobs Minimise negative impact in the form of traffic, noise and/or emissions	Meetings for local residents Neighbourhood consultation meetings Open days	Employ local people Analyse traffic patterns and implement measures to reduce noise and dangerous situations
Employees	Secure jobs Good working environment	Collaboration with unions Company-wide meetings Departmental meetings	Provide information on business strategy and profitability Employee satisfaction surveys

1.1.3 Defining topics of relevance to the company

What risks and opportunities might be relevant for value creation by the company?

The risks and opportunities that are relevant will vary and will depend on the company's core activity and its geographic presence, as well as those of its customers and suppliers. In the process of identifying topics of relevance, the company should initially consider:

- Its values, policies, strategies, risk analysis, operational management systems and goals
- The company's economic, environmental and social impacts
- The expectations expressed in recognised international standards and agreements with which the company is expected to comply, such as the UN Guiding Principles on Business and Human Rights, the UN Global Compact and the OECD's Guidelines for Multinational Enterprises

The process of mapping topics of relevance to the company should include the opinions of an internal interdisciplinary group and will also often involve the company's executive management. Salient considerations may include:

- What is important in order to create shareholder value?
- What does the board of directors consider to be important?
- What are the difficult items on the executive management team's agenda?
- Do the board and executive management have sufficient knowledge of corporate responsibility?

It may be worthwhile to keep the following in mind:

- Some matters may be more relevant to the supply chain than to the company's own activities. For example, forced labour and child labour may be less relevant to the company's own activities, but the risk may be high in parts of the supply chain. Such topics may still be relevant to the company as there may be the expectation from stakeholders, as well as international standards (e.g. the UN Guiding Principles on Business and Human Rights, the UN Global Compact and the OECD's Guidelines for Multinational Enterprises), that the company has mapped risks in its supply chain and will use its influence to improve such matters.

- Most companies face material risks and opportunities within the corporate responsibility area. If none or few of the relevant topics are on the Board's or the executive management team's agenda, this may be a sign that the company should carry out a more comprehensive analysis of its management of the risks and opportunities in this area.

1.2 Prioritisation

Compile the results of the materiality analysis in an appropriate manner that demonstrates what is significant both to the company and its stakeholders.

In order to determine the company's material risks and opportunities, the topics identified from section 1.1 should be assessed along two dimensions: "Significance to the company's stakeholders" and "Significance for the company's economic, social and environmental impacts".

Tips for assessing the two dimensions of risks and opportunities:

"Significance to the company's stakeholders"

- To what extent does the topic affect stakeholders economically, socially or environmentally?
- To what extent might the topic influence stakeholders' decisions and their assessments of the company's products, services or reputation?

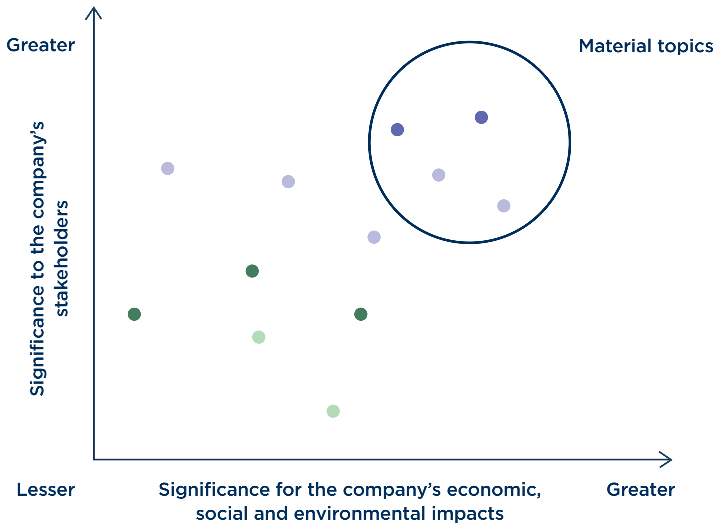
"Significance for the company's economic, social and environmental impacts"

- To what extent is the topic relevant for the company's economic, social and environmental impacts? This can be important for the company's ability to achieve its strategic and business goals.
- To what extent does the topic affect the company's ability to operate over the short and the long term?
- Which international standards and agreements is the company expected to comply with?

The risks and opportunities that are assessed to be significant to both the company's stakeholders and the company's economic, social and environmental impacts should be defined as material, and hence, prioritised in the company's work and reporting on corporate responsibility.

The findings in terms of material risks and opportunities should form part of the company's public reporting. The information can be presented in many ways, and companies should choose the most appropriate method.

The following is an example of how to present a materiality analysis:



The risks and opportunities contained in the circle as shown are the most important ones for the company to report on. There are various alternative ways of presenting the results of a materiality analysis, including as a matrix (as demonstrated above), a table, or a list.

In financial reporting, "materiality" is usually defined by reference to a threshold value that may influence the financial decisions of users of the company's accounts, for example, investors.

In corporate responsibility reporting, a materiality assessment takes into account a broader range of stakeholders and the impact of the company. In this context, the principle of materiality includes considering both the effect a topic has on stakeholders' assessments and decisions, and the significance of a relevant topic for environmental, societal and economic matters. Even if a topic is not regarded as material to the company's financial results, it may nonetheless be important to include in the company's reporting. An example is the use of suppliers in low-cost countries. This can have a positive impact on the society and economy of the country concerned (and can generate better financial results for the reporting company). However, it can at the same time pose a risk in terms of workers' basic rights.

2 Implementation

The results of the materiality analysis should be used as a starting point for assessing which risks and opportunities the company should prioritise in its corporate responsibility work. Furthermore, reporting on corporate responsibility should focus on what is actually being done. Material risks and opportunities are assumed to be significant to companies' profitability over the long term, and should therefore be managed accordingly. This means that companies should:

- Include material risks and opportunities in their operational management

Those topics that a company has defined as most significant to report on should be included in the company's risk management, business development and strategy processes. This should be described at a high level in the report. Another important part of reporting is to describe the measures the company is taking in order to reduce the risks associated with the most material topics. The report should describe how these measures are integrated into the operational management of the company, including its business development and strategy.

- Define targets and indicators for material topics

Targets and performance indicators should be defined for material topics. Companies should explain why the topics, targets and indicators are relevant to the company and how they are monitored. The indicators can be both quantitative and qualitative.

Tips for selecting and designing indicators:

It is better to set a few pertinent indicators that are reported on and monitored systematically than to have a long list of indicators that mean little to the company's day-to-day operations.

Seek guidance and inspiration from comparable companies and existing reporting frameworks. The GRI, CDP and SASB have indicators for many relevant topics, for example. It is also possible to create new indicators based on GRI 101: Foundation.

3 Presentation

Reporting should be transparent and should enable the reader to track performance from year to year. External verification can help improve the quality and credibility of reporting. If the report has been externally verified, this should be clearly stated.

The report should describe how the information has been defined, gathered and compiled. To show the company's performance, comparable quantitative information should be provided for the previous three financial years where appropriate.

Where a target has been set for an indicator, information should be provided on whether the target has been achieved. If the target has not been achieved, a brief explanation should be given. It may be appropriate to structure the content and format of the report in a manner that makes the information comparable from year to year. This also makes it easier for stakeholders to locate information and may help enhance the perceived quality of the company's reporting.

It is recommended that companies look at how comparable companies report on corporate responsibility.

Reported information should be:

- **Accurate:** The reported information should be accurate enough to enable the company's stakeholders to evaluate the results of the work.
- **Balanced:** The report should describe both the positive and negative impacts of the company's work.

- **Comprehensible:** The information should be clear to the report's users. It can, for example, be useful to describe the company's value chain to show where the company has the greatest impact on the environment.

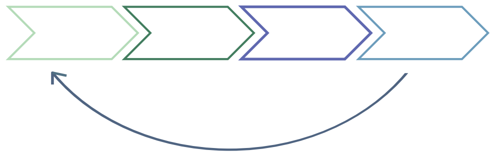
- **Comparable:** The information should be presented in a manner that enables stakeholders to evaluate the company's performance over time and to compare it with that of other organisations where relevant.

- **Timely:** Reporting should as a minimum follow the same timetable as for annual financial reporting.

- **Reliable:** The reported information should be gathered, recorded and compiled in a way that can be verified.

The report should be included in the board of directors' annual report, elsewhere in the company's annual report, in a separate report or through other channels that stakeholders wish to use as a source of information. Regardless of the reporting channel chosen, the format of the report must satisfy all relevant legal requirements and be easily available via the company's website.

4 Updating



It is important to update annually all material information so that reporting remains as relevant as possible.

The information should be updated as far as is relevant and appropriate. While part of the qualitative (descriptive) information can be static, the quantitative (numerical) information should normally be updated at least annually.

If the updating leads to the removal of information that has been included in previous reports, it is important to explain the reason for the removal. Similarly, users of the report will find it helpful to know why new information is being added. In general, a short explanation should be given of the changes that have been made since the previous report was published.

5 Details of a selection of relevant guidelines

GRI: This guidance is based on the GRI Standards.
www.globalreporting.org/standards

The sets of reporting guidelines below may also be relevant to some companies. The list is not exhaustive.

CDP: Reporting on greenhouse emissions, water usage and forest management. A GRI report may be a useful starting point for reporting in accordance with CDP requirements.
www.cdp.net

IIRC/Integrated Reporting: An international initiative with a framework and principles designed to promote more integrated reporting that describes how a company's value creation is affected by its external operating framework, risk, strategy, operational management, etc. *http://integratedreporting.org/resource/international-ir-framework/*

Task Force on Climate-related Financial Disclosures (TCFD): Recommendations on climate reporting developed by the TCFD for the Financial Stability Board.
www.fsb-tcfd.org

The Norwegian Government's list of tools available to assist businesses with corporate responsibility is available here (in Norwegian): *https://www.regjeringen.no/no/tema/utenrikssaker/naringslivssamarbeid-i-utlan- det/innsikt/ansvar_verktoy/id2076660/*

The OECD Guidelines for Multinational Enterprises:
http://www.responsiblebusiness.no/retningslinjer/

The Sustainability Accounting Standards Board (SASB): An American reporting standard that may be useful for companies that report in accordance with Form 20-F. *www.sasb.org*

The UN Sustainable Development Goals: Although this is not a reporting standard, some companies may find it useful to show how sustainability goals are relevant to them. *www.sustainabledevelopment.un.org*

More information on how companies can report on sustainability targets is available at: *www.sdgcompass.org*

The UN Global Compact: General reporting (progress reports) in accordance with the Global Compact's ten principles on human rights, labour rights, the environment and anti-corruption. Can be integrated into a GRI report.
www.unglobalcompact.org

The UN Guiding Principles on Business and Human Rights: Reporting on human rights. Can be integrated into a GRI report. *www.ohchr.org*

Transparency International's Business Principles for Countering Bribery:
A framework for developing and comparing anti-corruption programs.
http://www.transparency.org/whatwedo/publication/business_principles_for_countering_bribery

World Federation of Exchanges: A working group appointed by WFE has presented a list of key performance indicators that it may be relevant for companies to report. *http://www.world-exchanges.org/home/index.php/fi- les/18/Studies%20-%20Reports/287/WFE%20ESG%20Recommendation%2Guidance%20and%20Metrics%20Oct%202015.pdf*

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