



Our approach for creating long-term value for business and society

«We have a responsibility and an opportunity to make a difference»

Sustainable growth for future generations

We are long-term owners with an obligation towards society. We have a responsibility to contribute to global sustainable development – a development that meets the needs of the present without compromising the ability of future generations to meet their own needs.¹ A key success factor is ensuring that we are part of tomorrow's solutions. Our greatest contribution is therefore how we manage our assets and the expectations we place on our investments.

We wish to enable our companies to invest in people and solutions for a sustainable future. In this way, we contribute to solving the challenges of the future whilst also creating long-term value for society as a whole.

¹UN World Commission on Environment and Development Report *Our Common Future* (1987)



Global sustainability trends influence our investments

- **Customer expectations:** Business customers and consumers have increasing expectations and demands for sustainability.

- **Recruitment:** Young people aspire to find a workplace with a purpose. Already 85% of Norwegian millennials think that the success of a business should be measured in more than just economic results. This means that sustainability will become an increasingly important element for attracting the best talent.

- **Resource Scarcity:** Limited access to raw materials and resources is a real danger. Due to these challenges, there is an increased focus on a circular economy, on establishing closed-loop value chains, and retaining materials within the economy as long as possible.

- **Risks within the value chain:** It is important to focus on labour conditions, health and safety, and environmental awareness throughout the entire supply chain. This will increase its quality, ensure deliveries meet requirements, and strengthen long-term relationships.

- **Climate change:** This will bring new regulations and additional risks. These include risks to reputation and to physical damage to nature and infrastructure. Additionally there are likely to be litigation risks relating to climate change, policy or regulations, as well as financial risks in the transition to a low-emission society (transition risk).

” The greatest threat to our planet is the belief that someone else will save it.

Robert Swan

The ambitions of our owners

We are passionate about the welfare and success of our employees, our companies and society as a whole. As an investment company, we have an obligation and opportunity to make a difference. Our people are our greatest asset. As owners we want to ensure that our companies create a positive work environment, and we encourage them to take actions that benefit our employees and society as a whole.

Our ambition is to contribute to solving global sustainability challenges. We expect our companies to set specific goals to ensure that their value creation is sustainable. In order to accomplish this, all our portfolio companies should develop strategies to implement sustainability and promote actions to reduce risks and commercialize business opportunities.

Sustainability is becoming an important aspect of competitiveness and value creation. Many of our companies have great potential to develop new business models with both commercial and environmental benefits.



We have clear expectations of ourselves and the companies we invest in. These are manifested in guidelines and principles. Each company's sustainability efforts will be followed up by their individual Boards and will be part of Canica's reporting structure. All companies are required to establish and report on key performance indicators (KPIs) that measure both societal and financial value creation.

This strategy handbook has been created with inspiration from globally recognized frameworks for responsible business management:

- **UN Global Compact and its ten principles**
- **Agenda 2030 and the UN Sustainable Development Goals**



Our contribution to the global agenda



The United Nations Sustainable Development Goals (SDG) were established in 2016 and represent a global plan to end poverty, fight inequality, and combat climate change. The goals are a global call to action – for all businesses and societies.

Canica wishes to contribute both directly and indirectly to solving global sustainability challenges and to reach the SDGs. These seventeen goals are interdependent and of equal importance. However, we have decided to focus our attention on those areas where we believe we can have the greatest impact. Therefore, we have chosen seven SDGs that we find most relevant to us as a company. Additionally, we encourage our companies to utilize the SDGs as a framework for their individual sustainability efforts.



The UN Sustainable Development Goals



An essential component for future profits

When assessing new financial investments, ESG (*environmental, social and governance*) factors will be an important component of our decision-making process. As such, we will map ESG risks and opportunities before an investment decision is taken.

Working systematically with ESG in the investment process will reduce risks and provide improved financial results over time. We will enforce clear guidelines for how to assess investments from an ESG perspective. We will work continuously and systematically to ensure that our portfolio companies have relevant strategies for ESG.

We acknowledge that some of our current investments will not meet our new ESG requirements. We will therefore use our leverage, over time, to influence our investments. If unsuccessful, divestment is an option we will consider.



” We cannot choose between growth and sustainability – we must have both.

Paul Polman



” *We cannot solve our problems with the same thinking we used when we created them.*

Albert Einstein

Increased health and wellbeing



A key element of sustainability is human welfare – ensuring healthy lives and promoting well-being for all people which we consider essential for sustainable development.

The world is faced with several major health challenges, and increasing costs associated with musculoskeletal disorders and complaints. Moreover, mental health issues represent the most common reason for sick leave in the work place. These challenges highlight the importance of improved public health.

Health, nutrition, physical activity and wellness, are important areas for Canica. Through a specialised portfolio of companies, we invest in solutions that positively contribute to public health, particularly within cancer treatment research. We have also made donations to several research projects over multiple years, for example the University of Oslo and Oslo University Hospital's (Rikshospitalet) research on the liver disease PSC, which is among the most advanced research in this area globally.

Our expectations of the companies

- **Health and well-being in the workplace:** We expect companies to provide work places that contribute to positive physical and mental health and wellbeing for employees. An essential part of this is to ensure a positive working environment and we expect companies to encourage a culture of openness, respect and care for people.
- **Public health:** We expect companies to contribute to improving public health. This could be done through commercialising incremental improvements and sustainable initiatives for the benefit of both consumers and society.

Orkla

Orkla's consumer products are regularly bought by millions of consumers and influence their nutrition, health and well-being. Small changes in ingredients (e.g. salt, sugar, fat) in everyday products can have a positive impact on public health. Orkla has worked systematically on this over the years and continues to prioritise these efforts.

The Well

Medicinal research communities are increasingly focused on the effects of sauna and spa. Regular sauna baths can contribute to less headaches, reduce stress and provide positive effects on the heart.

Workplace-equality



Workplace-equality of opportunity is an important value for Canica, and we have a strong belief that all people should be treated equally, regardless of ethnicity, gender, sexual orientation, religion, or age.

We place strong emphasis on gender equality and diversity. We believe that a healthy gender balance and diversity will contribute more to creativity and critical thinking. This could result in more and/or better ideas, which in turn increase innovation and productivity, strengthen company culture, and improve corporate governance.

Women are currently underrepresented in management teams, boards and within the investor community. We are therefore passionate advocates for empowering women, and encouraging them to take leading positions in business and society, and we support initiatives that promote gender equality and diversity in the workplace.

Our expectations of the companies

- **Respect for individuals:** We expect that all companies share our values and respect for the individual. This includes equal pay for equal work, and equal career development opportunities for all employees. We encourage our companies to be inclusive, and promote diversity in ethnicity, gender, sexual orientation, religion, age and functional abilities.
- **Gender equality:** We expect that all companies actively work towards gender equality. Both genders should be represented throughout all levels of the organisation, including management roles and the Board of directors, with action plans for closing any gaps. We encourage our companies to adhere to the UN *Women's Empowerment Principles*.

Komplett

Komplett has always been focused on diversity, equal work and equal opportunities for men and women at all levels of the organisation. Today, the company consists of fifteen different nationalities. Moreover, the company is focused on providing opportunities to people of all ages, as well as those involuntarily unemployed. For example, one employee was hired in a permanent position at the age of seventy. Another sixty year-old employee was hired after being unemployed for several years. Both are happily employed at Komplett in a job that gives them a purpose, and contributes to the value creation of the company.

A responsible employer



As an employer we have high integrity and emphasise high ethical standards in everything we do. We work to ensure decent working conditions for all employees in the companies we own and in any of their sub-contractors.

We are proud to own companies with employees that are passionate about their work and the companies they work for. It is important for us that all employees throughout our value chains are treated decently and fairly, and that all labour rights and contracts are upheld. We aim to create strategies for growth that maximise value in our companies, and for people and the environment at the same time.

Our expectations of the companies

- **Responsible employer:** We expect that our companies are responsible employers with high ethical standards. This includes that employees are treated fairly, and that company representatives conduct themselves in an appropriate manner. Moreover, it is expected that companies build a company culture focusing on safety, with clear contractual relations, and zero tolerance for corruption across the entire value chain.
- **Safe value chain:** We expect that our companies implement appropriate systems to ensure compliance with international norms and rules, as well as local regulations for decent work, across the value chain. We set even higher standards when it comes to the production of our own brands, including more stringent controls and yearly sustainability auditing of contractors, particularly where there is a risk of rules and regulations and international norms being breached.
- **Measures to prevent breach of labour and human rights:** We expect that companies, across their value chains, have a zero tolerance for actions that are in non-compliance with internationally-recognised labour rights and human rights, or that encourage, directly or indirectly, any breach of these rights.

F & H

F&H has developed a Code of Conduct directed at all its suppliers and sub-suppliers to define and promote responsible business principles at all levels. It contains ethical guidelines related to human rights, labour rights and environmental conditions, and is controlled through a Quality Control team, as well as through membership of AMFORI (previously BSCI). Control measures include announced and semi-announced audits, visits and sanctions in the case of persistent wrongdoing.

Responsibility at all levels



Our customers increasingly demand products and services that are responsibly produced. This impacts the way we operate. Sustainable consumption and production is about making more with less resources, reducing the use of raw materials, and working to eliminate all forms of environmental destruction and climate gas emissions during the production and use of a product. A circular economy will play an important role in ensuring that resources are fully utilized. It will reduce risks and could also lead to innovative new products and services that enable our companies to increase economic value creation.

It has always been important for Canica to act responsibly, ensuring that we meet expectations from our stakeholders. A central point in the UN Agenda 2030 is that we currently consume more materials and resources than the planet can sustainably replenish. To ensure good living conditions for current and future generations we need to change our lifestyles. As an owner of industrial and retail companies, we have a responsibility for contributing to driving the transition towards more sustainable consumption and production.

Our expectations of the companies

- **Responsible consumption:** We expect that companies work towards responsible consumption. For example through ensuring quality, control of chemicals, packaging, good information, take-back solutions, as well as open and honest marketing.
- **Contributing to a circular economy:** We expect that companies work to ensure that resources stay within a closed-loop economy for as long as possible, which will reduce raw material consumption, waste, emissions and energy use, and lead to the commercialisation of new circular business opportunities and models.
- **Sustainable resource management:** We expect companies to be aware of the challenges related to resource scarcity. This could relate to extraction of limited resources or land degradation.

Jernia

Jernia aims to contribute to the transition to a circular economy. In 2019, Jernia established a take-back program for old saucepans, frying pans, and cutlery. Consumers do not need to buy a new product when they return their old product, but if they do, they can buy the same product for a reduced price. This initiative will also expand to porcelain and ceramics in the spring of 2020. Jernia will work systematically with all of its suppliers to reduce packaging, especially plastic and polystyrene. In its online store, Jernia has replaced plastic with recycled cardboard, which includes incoming and shredded cardboard. Jernia has the ambition to eliminate all plastic packaging by 2021.

Action for climate



Climate change is widely considered to be a significant threat to future world economic growth and prosperity. It will impact us all regardless of national borders. At the same time, it is often the most vulnerable and weakest in society that will be impacted the most. The global challenge of climate change requires that we all take responsibility to combat climate change and its consequences.

Through our companies, we wish to contribute to the 1,5 Celsius target set by the Paris agreement. It is also clear to us that action towards climate change mitigation and adaptation can have financial benefits. To create sustainable growth and manage resources responsibly, we also depend on a sustainable environmental development. Companies that do not take climate change into their development plans will potentially end up as less competitive, with unprofitable business models, and with operational disturbances related to emissions and costs of taxes and regulations.

Companies can contribute positively by developing solutions that provide the customers with the opportunity to make “good” climate choices, and by taking action to embrace the business opportunities provided by the transition to a low emission economy.

Our expectations of the companies

- **Companies shall reduce their greenhouse gas emissions:** We expect that companies reduce emissions directly connected to their operations, and indirectly through the value chain. This involves setting concrete goals and implementing measures to meet these goals.
- **Mapping and handling climate risks are integrated into the core of business operations:** We expect that companies understand the importance of climate risks – through mapping, gaining knowledge and adapting to material risks related to climate change. This could include new policies and regulations, expected changes in consumption patterns, and physical risks due to climate change.
- **Companies seek to benefit from opportunities in the wake of climate change:** We encourage our companies to investigate the opportunities connected to climate change adaptation, and to develop climate friendly products and services, so their customers can make choices that are climate friendly.

Orkla

Around half of us want to eat more climate friendly, but we think it is hard to find information. Orkla, in collaboration with the Swedish research institute RISE, has launched a new climate certification for food based on the UNs climate goals. Toro’s climate scale makes it possible to arrange products by high, medium, low and very low climate footprint. This climate certification will make it easier for consumers to take informed choices and find climate smart solutions.

Cooperation as a catalyzer



Cooperation has always been important to us. We acknowledge that with support and collaboration with good partners, we will be able to achieve more of our goals. The World Economic Forum has been a partner for many years. With them, we have built competences and networks to international business communities, academia, civil society and political communities.

We believe that collaboration is an important tool that can function as a catalyst for sustainable development. We need stronger partnerships locally, nationally and globally – across societal sectors.

For our part, we facilitate cooperation and actively look for synergies between our companies to ensure that we work as sustainably and effectively as possible. We actively encourage our companies to look for new partnerships and to share knowledge with others to scale up impact, collectively.

Sustainability as a driver for innovation



Our history is based on innovation and entrepreneurship. This has led us to be at the forefront of new trends and markets as they develop. Innovation is vital for reaching the UN's Sustainable Development Goals. For us, innovation is a tool to solve challenges related to environmental and social issues, as well as to achieve economic growth.

We wish to invest in our companies to help them become more efficient and to adopt new sustainable solutions. At the same time, we also encourage our companies to adopt new technology that will contribute to sustainable development and a green transformation.

We are proud to contribute
to the UN's Sustainable
Development Goals.



Notes



