

Information on Sustainalytics Corporate ESG Assessment for Var Energi AS

Var Energi AS has been provided with an indicative Corporate ESG Assessment by Sustainalytics, a Morningstar company and a globally recognized provider of ESG research, ratings, and data, who provides research based on its independent methodology, and publicly available information from issuers.

The Corporate ESG Assessment provided for Var Energi AS, and enclosed herein, is a one off point in time assessment, valid at the time of its delivery and follows the same research framework and [methodology](#) as for Sustainalytics ESG Risk Rating, however this shall not be read nor construed as an ESG Risk Rating.

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To learn more about Sustainalytics ESG Risk Rating framework, please visit: <https://www.sustainalytics.com/esg-data#framework>.

Var Energi AS

Oil & Gas Exploration and Production Norway

ESG Risk Rating

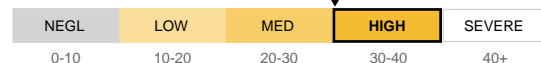
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Updated Dec 24, 2021

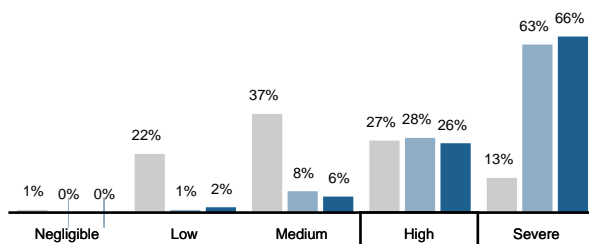
Not available

Momentum

High Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = lowest risk)
Global Universe	9115/15086	61 st
Oil & Gas Producers INDUSTRY	25/260	10 th
Oil & Gas Exploration and Production SUBINDUSTRY	14/155	9 th

Peers Table

Peers (Market cap \$0.0 - \$0.0bn)

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. Neptune Energy Group Ltd.	61.5 High	67.5 Strong	26.1 Medium
2. Pan American Energy SL	70.4 High	68.6 Strong	29.4 Medium
3. Var Energi AS	69.8 High	66.5 Strong	30.1 High
4. Noble Energy, Inc.	72.7 High	58.5 Strong	36.7 High
5. Seven Generations Energy Ltd.	66.1 High	51.2 Strong	37.3 High

Var Energi AS

Oil & Gas Exploration and Production Norway

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

69.8 **High**
 Not available
 Momentum
 Beta = 0.98

Low	Medium	High
0-35	35-55	55+

Var Energi's assets are exclusively located within the Norwegian continental shelf, with both operated and partner-operated fields across the North Sea, Norwegian Sea and Barents Sea. As a result, its exposure to ESG issues is influenced by the unique risks associated with hydrocarbon extraction within both Arctic and offshore environments. Appropriate mitigation systems and response capabilities are essential to minimize impacts to the environment and the company's employees, along with reducing exposure to potential liabilities. Cost and GHG reductions are further key issues for Var Energi, as the ongoing energy transition puts high-carbon and high-cost production types at particular risk of asset stranding.

The company's overall exposure is high and is similar to subindustry average. Carbon -Products and Services, Emissions, Effluents and Waste and Occupational Health and Safety are notable material ESG issues.

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

66.5 **Strong**
 Not available
 Momentum

Strong	Average	Weak
100-50	50-25	25-0

Although Var Energi will likely face continued meaningful exposure to transitional risks, given its fossil-fuel-dependent business model and the fact that it is not engaged in any sustainable energy solutions, ESG risks across its operations appear to be exceptionally well managed. For instance, the company provides detailed information on its approach to managing climate-related risks, which it supports with an ambition of achieving net zero emissions by 2050 for its scope 1 and 2 GHG emissions. The company also provides detailed disclosure on its approach to its key environmental and social issues, such as worker safety and the management of effluents, non-GHG air emissions and biodiversity.

The company's overall management of material ESG issues is strong.

Var Energi AS

Oil & Gas Exploration and Production Norway

Material ESG Issues

These are the Material ESG Issues driving the ESG Risk Rating.

Issue Name	ESG Risk Exposure	ESG Risk Management	ESG Risk Rating	Contribution to ESG Risk Rating
	Score Category	Score Category	Score Category	
Carbon -Products and Services	7.7 Medium	37.5 Average	5.9 Medium	19.7%
Community Relations	7.0 Medium	39.4 Average	4.5 Medium	15.0%
Corporate Governance	9.0 High	50.6 Average	4.4 Medium	14.7%
Carbon -Own Operations	9.0 High	71.9 Strong	3.8 Low	12.7%
Bribery and Corruption	6.0 Medium	73.8 Strong	2.5 Low	8.2%
Emissions, Effluents and Waste	10.5 High	86.3 Strong	2.3 Low	7.8%
Human Capital	5.0 Medium	57.5 Strong	2.3 Low	7.5%
Occupational Health and Safety	8.0 High	94.4 Strong	2.0 Negligible	6.5%
Resource Use	2.0 Low	50.1 Strong	1.2 Negligible	4.0%
Business Ethics	3.0 Low	75.0 Strong	0.9 Negligible	2.9%
Land Use and Biodiversity	2.6 Low	87.5 Strong	0.3 Negligible	1.1%
Overall	69.8 High	66.5 Strong	30.1 High	100.0%

Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

Category (Events)

 **Severe (0)**

 **High (0)**

 **Significant (0)**

 **Moderate (0)**

 **Low (0)**

Var Energi AS

Oil & Gas Exploration and Production Norway

Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

Category (Events)

None (17)

Accounting and Taxation

Anti-Competitive Practices

Bribery and Corruption

Business Ethics

Carbon Impact of Products

Community Relations

Emissions, Effluents and Waste

Employees - Human Rights

Energy Use and GHG Emissions

Intellectual Property

Labour Relations

Land Use and Biodiversity

Lobbying and Public Policy

Occupational Health and Safety

Sanctions

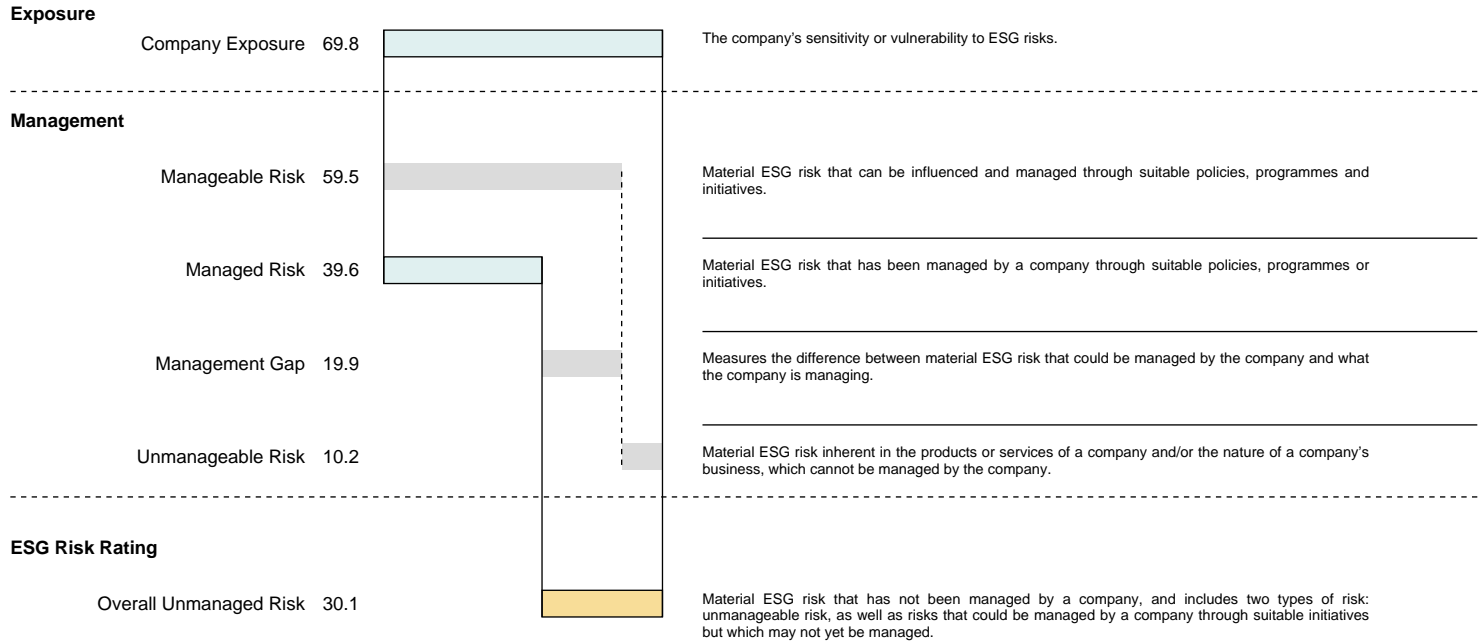
Society - Human Rights

Water Use

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Risk Decomposition



Momentum Details

Not available due to a lack of comparable historical information.

Var Energi AS

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Issue



Carbon - Products and Services

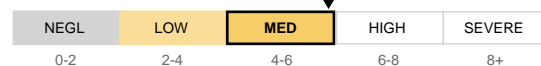
Contribution 19.7 %

Carbon - Products and Services refers to a company's management of the energy efficiency and/or GHG emissions of its services and products during the use phase.

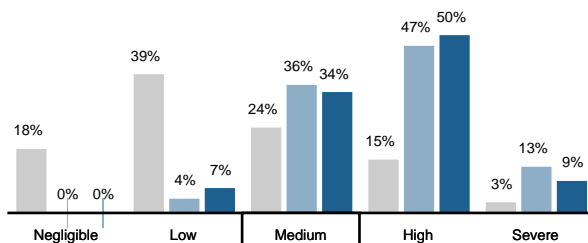
ESG Risk Rating

5.9

Medium Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = lowest risk)
Global Universe	533/651	82nd
Oil & Gas Producers INDUSTRY	37/92	40th
Oil & Gas Exploration SUBINDUSTRY	19/44	42nd

Peers Table

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. Neptune Energy Group Ltd.	5.9 Medium	80.8 Strong	3.0 Low
2. Wintershall Dea GmbH	7.7 Medium	63.8 Strong	4.7 Medium
3. Seven Generations Energy Ltd.	7.7 Medium	58.8 Strong	5.0 Medium
4. Noble Energy, Inc.	9.5 High	68.8 Strong	5.6 Medium
5. Var Energi AS	7.7 Medium	37.5 Average	5.9 Medium

Var Energi AS

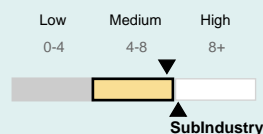
Oil & Gas Exploration and Production Norway

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

7.7
Medium



Var Energi faces business risks relating to the energy transition through its underlying economic value being tied to fossil fuel production. The firm also faces specific financing risks associated with lending restrictions imposed by institutional investors on Arctic energy, although this primarily affects project financing rather than broader corporate loans. Investor and government imperatives to address climate change also expose Var Energi to risk, particularly in the long term and as Norway balances its status as a major energy exporter with its 2050 carbon neutrality goal.

The company's exposure to Carbon -Products and Services issues is medium and moderately below the subindustry exposure.

Exposure Analysis

Subindustry Issue Exposure	9.0
Issue Beta	x 0.85
Company Issue Exposure	7.7

Beta Indicators

Beta Signal

Carbon Impact of Products	0.00
Operating Performance	0.00
Solvency	0.00
Financial Flexibility	0.00
Asset Performance	0.00
Stranded Assets	0.00
Carbon Solutions Offering	0.00
Qualitative Overlay	0.00
Subindustry Correction Factor	-0.14
Exceptional Event Adjustment	0.00
Total Beta Signal	-0.15
Baseline	+1.00
Overall Beta	0.85

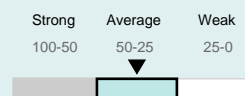
Var Energi AS

Oil & Gas Exploration and Production Norway

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.


ESG Risk Management

37.5
Average



Climate-related financial risks are integrated into Var Energi's wider business strategy and managed by its board and senior leadership through annual structured evaluations. The company also recognizes and provides commentary on climate change within the context of exposure to transitional risk, although this disclosure seemingly lacks quantitative climate scenario analysis. Additionally, Var Energi is exclusively focused on oil and gas exploration and production, and as such, does not currently engage in any sustainable or low-carbon product and service offerings.

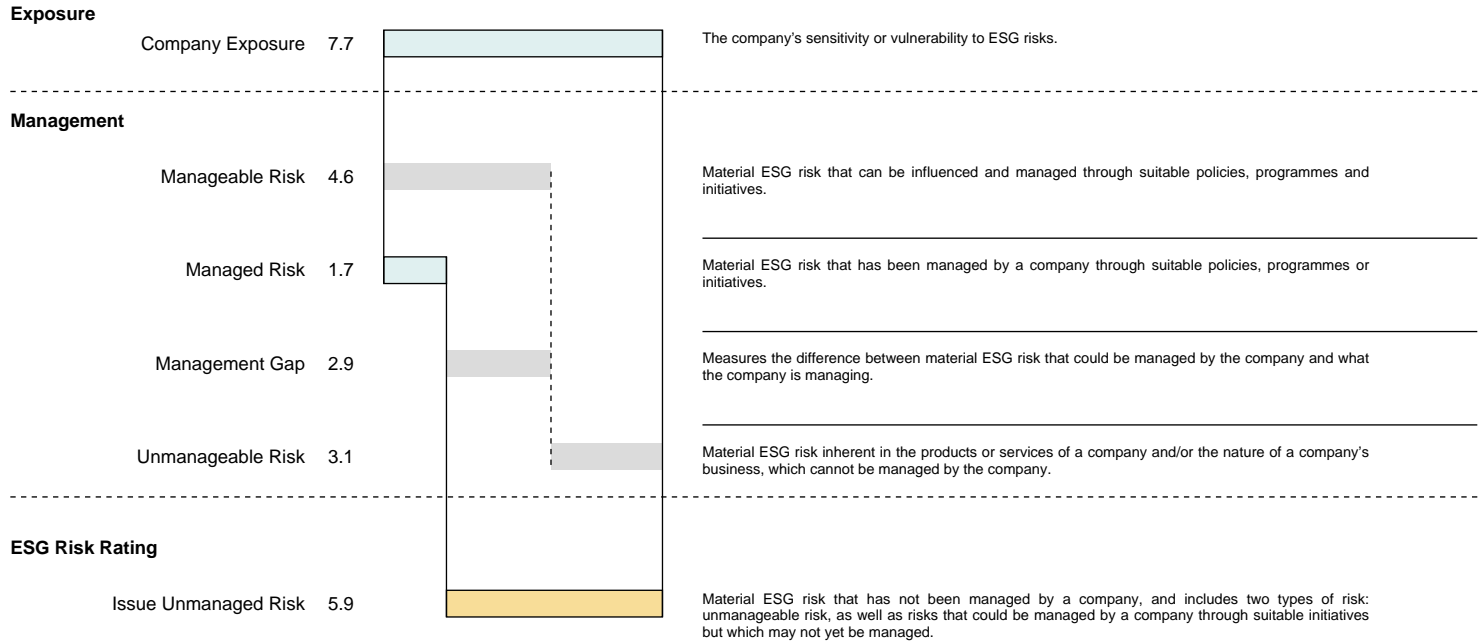
In our view, the company's management of the issue is average.

Management Indicators	Raw Score	Weight	Weighted Score
Carbon Intensity	100	10.0%	10.0
Carbon Intensity Trend	50	10.0%	5.0
GHG Risk Management	50	45.0%	22.5
Sustainable Products & Services	0	35.0%	0.0
 Carbon Impact of Products	Category 0	0%	0.0
Weighted Sum			37.5

Var Energi AS

Oil & Gas Exploration and Production Norway

Risk Decomposition



Var Energi AS

Oil & Gas Exploration and Production Norway

Issue

Contribution 15.0 %



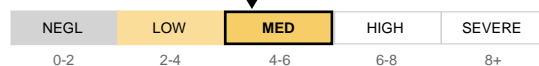
Community Relations

Community Relations focuses on how companies engage with local communities (including indigenous peoples) through both positive initiatives and mitigation of negative impacts.

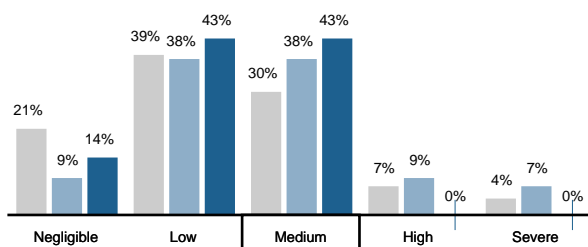
ESG Risk Rating

4.5

Medium Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK (1 st = lowest risk)	PERCENTILE (1 st = lowest risk)
Global Universe	575/825	70th
Oil & Gas Producers INDUSTRY	58/92	62nd
Oil & Gas Exploration SUBINDUSTRY	34/44	75th

Peers Table

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. Wintershall Dea GmbH	7.0 Medium	83.1 Strong	1.8 Negligible
2. Noble Energy, Inc.	7.4 Medium	65.6 Strong	3.0 Low
3. Neptune Energy Group Ltd.	7.0 Medium	53.0 Strong	3.7 Low
4. Var Energi AS	7.0 Medium	39.4 Average	4.5 Medium
5. Seven Generations Energy Ltd.	6.7 Medium	34.0 Average	4.6 Medium

Var Energi AS

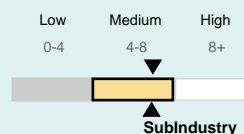
Oil & Gas Exploration and Production Norway

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

7.0
Medium



Oil & Gas exploration companies use large tracts of land and have environmental and social impacts on areas surrounding their operations, which can lead to greater scrutiny as well as potential friction with adjacent communities over natural resources such as land and water. Nuisances created by increased industrial activity next to populated areas, perceived risks related to health, safety, security or the environment, and/or disputes arising from negative impacts caused by operations can all lead to community tensions. Companies more likely to experience community conflicts include those that carry out projects with large negative impacts on ecosystems (such as oil sands mining operations or hydraulic fracking), those with operations near indigenous communities, or those operating in regions characterized by conflict, lack of security, political instability or cultural clashes. Operations near Indigenous or First Nations communities face high scrutiny in regions such as western Canada, where clear consultation is required by federal and provincial law. In cases of community conflict, protests and blockades can disrupt operations. Failure to disclose projected impacts and failure to address community concerns prior to and during operations may result in companies losing their social licence to operate, which brings additional costs to companies, including security costs, project modification costs and loss of productivity as result of temporary shutdowns. Additionally, operations may be permanently closed in cases where conflicts have escalated over time. Although most jurisdictions mandate some level of community consultation, the United Nations Guiding Principles on Business and Human Rights and the International Finance Corporation's Performance Standards have emerged as best practices that management can deploy in order to structure communication, record grievances, and provide remedy and conflict resolution.

The company's exposure to Community Relations issues is medium and similar to the subindustry exposure.

Exposure Analysis

Subindustry Issue Exposure	7.0
Issue Beta	x 1.00
Company Issue Exposure	7.0

Beta Indicators

Beta Signal

Community Relations	0.00
Society - Human Rights	0.00
Operating Performance	0.00
Solvency	0.00
Financial Flexibility	0.00
Asset Performance	0.00
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	0.00
Baseline	+1.00
Overall Beta	1.00

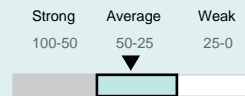
Var Energi AS

Oil & Gas Exploration and Production Norway



Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

39.4
Average



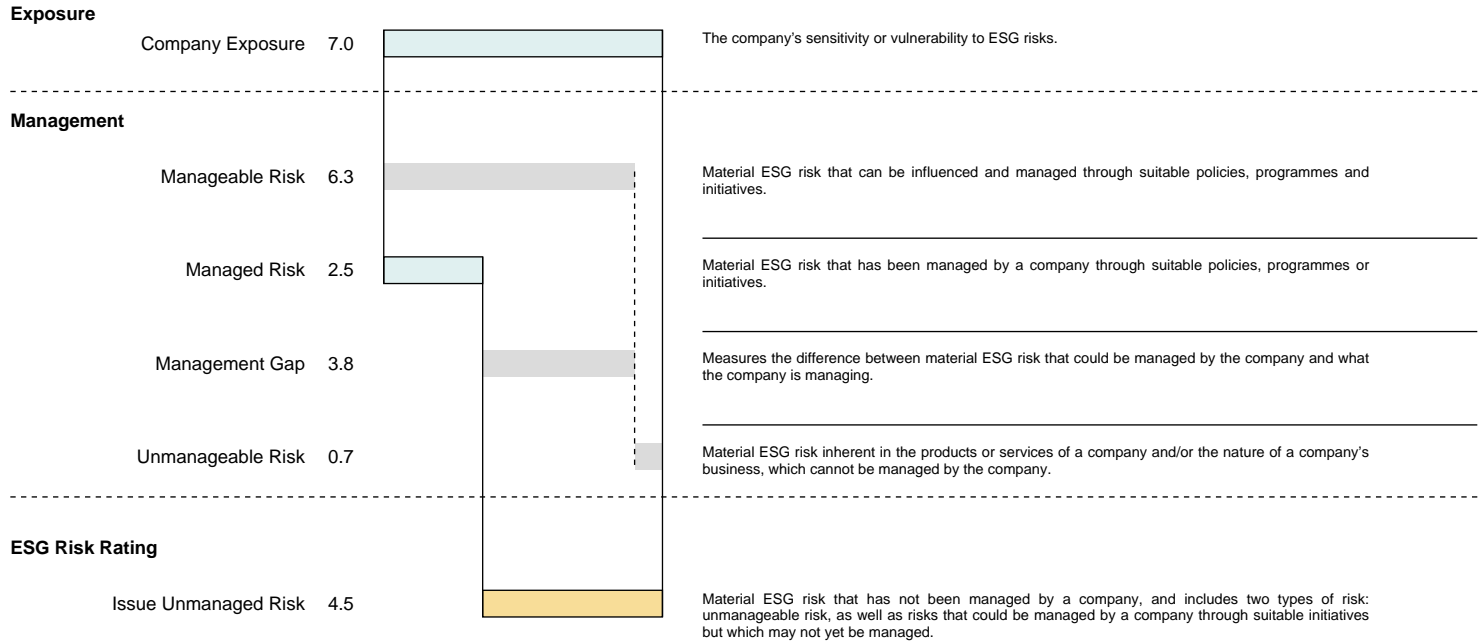
In our view, the company's management of the issue is average.

Management Indicators	Raw Score	Weight	Weighted Score
Community Involvement Programmes	50	44.4%	22.2
Human Rights Policy	40	22.2%	8.9
Community Development	25	33.3%	8.3
 Community Relations	Category 0	0%	0.0
 Society - Human Rights	Category 0	0%	0.0
Weighted Sum			39.4

Var Energi AS

Oil & Gas Exploration and Production Norway

Risk Decomposition



Var Energi AS

Oil & Gas Exploration and Production Norway

Issue

Contribution 14.7 %



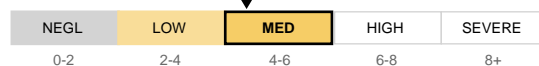
Corporate Governance

Corporate Governance represents foundational structures for the management of ESG risks.

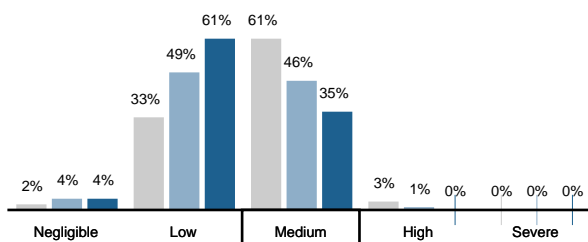
ESG Risk Rating

4.4

Medium Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK (1 st = lowest risk)	PERCENTILE (1 st = lowest risk)
Global Universe	2423/4663	52nd
Oil & Gas Producers INDUSTRY	64/94	67th
Oil & Gas Exploration SUBINDUSTRY	41/46	87th

Peers Table

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. Wintershall Dea GmbH	5.0 Medium	75.0 Strong	1.3 Negligible
2. Neptune Energy Group Ltd.	5.0 Medium	72.0 Strong	1.4 Negligible
3. Seven Generations Energy Ltd.	9.0 High	54.8 Strong	4.1 Medium
4. Noble Energy, Inc.	9.0 High	54.7 Strong	4.1 Medium
5. Var Energi AS	9.0 High	50.6 Average	4.4 Medium

Var Energi AS

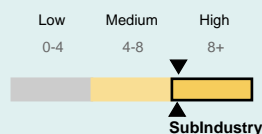
Oil & Gas Exploration and Production Norway

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

9.0
High

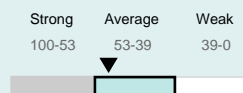


The quality and integrity of the company's board and management and its remuneration systems are identified as the highest weighted governance areas of focus. The company is publicly traded, which leads to heightened scrutiny of its governance practices and increases the importance of governance structures, practices and behaviour. This translates into high exposure to baseline Corporate Governance risk.

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

50.6
Average



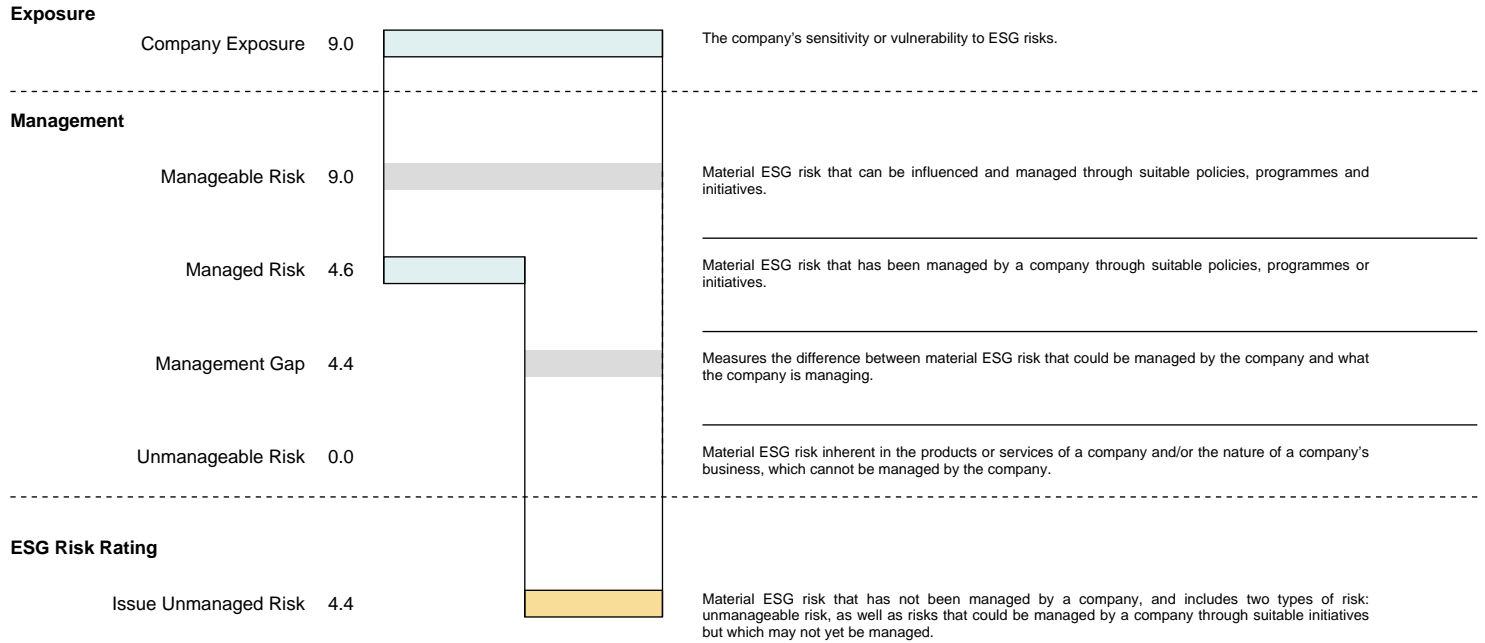
The company is noted for showing particular strength in its stakeholder governance. On the other hand, it is noted for weakness in its audit and financial performance systems. It has average management of its 4 other governance pillars. Overall, we rate the company's corporate governance management as average.

Corporate Governance Pillars	Raw Score	Weight	Weighted Score
Board/Management Quality & Integrity	54	25.0%	13.5
Board Structure	63	15.0%	9.5
Ownership & Shareholder Rights	56	17.0%	9.5
Remuneration	40	25.0%	10.0
Audit & Financial Reporting	28	8.0%	2.2
Stakeholder Governance	59	10.0%	5.9
Totals		100.0%	50.6

Var Energi AS


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Risk Decomposition



Var Energi AS

Oil & Gas Exploration and Production Norway

Issue  **Carbon - Own Operations**

Contribution 12.7 %

Carbon - Own Operations refers to a company's management of risks related to its own operational energy use and GHG emissions (scope 1 and 2). It also includes parts of Scope 3 emissions.

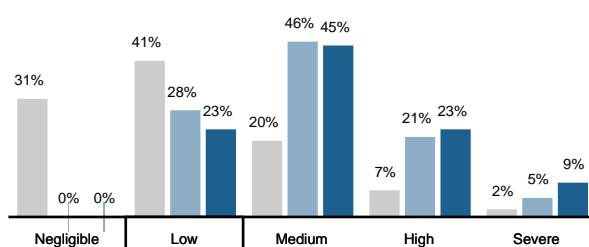
ESG Risk Rating

3.8

Low Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = lowest risk)
Global Universe	1757/2554	69th
Oil & Gas Producers INDUSTRY	25/92	27th
Oil & Gas Exploration SUBINDUSTRY	9/44	19th

Peers Table

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. Neptune Energy Group Ltd.	7.0 Medium	72.4 Strong	2.9 Low
2. Wintershall Dea GmbH	7.0 Medium	66.5 Strong	3.3 Low
3. Var Energi AS	9.0 High	71.9 Strong	3.8 Low
4. Noble Energy, Inc.	10.0 High	69.3 Strong	4.5 Medium
5. Seven Generations Energy Ltd.	8.5 High	51.5 Strong	5.0 Medium

Var Energi AS

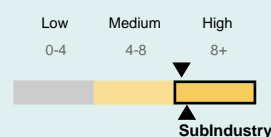
Oil & Gas Exploration and Production Norway

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

9.0
High



The production of Oil and Gas is carbon intensive, generating roughly one tenth of global GHG emissions even before the point of sale to the consumer market. While exploration and production companies are not involved in refining, a higher-emissions activity for the sector, emissions from upstream production operations can also be significant, and in some cases greater than those from refining. The sources of these emissions vary significantly based on the type of resource, but include flaring and venting; combustion of fuels by vehicles, drilling, processing and upgrading equipment; and wastewater treatment. Upstream emissions from the oil sands or extra heavy crude can be significantly larger than for the production of light oil and natural gas, and for this reason, companies involved in these forms of production generally have significantly higher carbon intensities than companies focused on gas or lighter conventional crudes. In the post-COP21 environment, sectors with high levels of emissions are likely to be subject to some form of carbon pricing in a number of jurisdictions. Those companies in the subindustry whose production processes result in the highest emissions, as well as companies operating in regions where carbon pricing regulation is more likely to occur, are more highly exposed to any future carbon pricing, though exposure also depends on production costs and the overall financial health of the business. More carbon-intensive assets will incur greater costs as a result of any form of carbon pricing, putting these assets at a greater risk of becoming uneconomical to exploit. Though exploration companies already face some financial risks associated with GHG emissions in the form of fines and penalties associated with regulatory compliance issues or major gas releases, to date these have been minimal. However, as future carbon regulations are expected to have significant effects, best practice involves proactive management of GHG risks, including the integration of market and regulatory risks associated with carbon pricing into regular risk assessment and strategy, as well as detailed reporting on contingency plans.

The company's exposure to Carbon -Own Operations issues is high and moderately below the subindustry exposure.

Exposure Analysis

Subindustry Issue Exposure	10.0
Issue Beta	x 0.90
Company Issue Exposure	9.0

Beta Indicators

Beta Signal

Energy Use and GHG Emissions	0.00
Operating Performance	0.00
Solvency	0.00
Financial Flexibility	0.00
Asset Performance	0.00
Carbon Emissions	-0.10
Stranded Assets	0.00
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	-0.10
Baseline	+1.00
Overall Beta	0.90

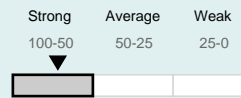
Var Energi AS

Oil & Gas Exploration and Production Norway


Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

71.9
Strong



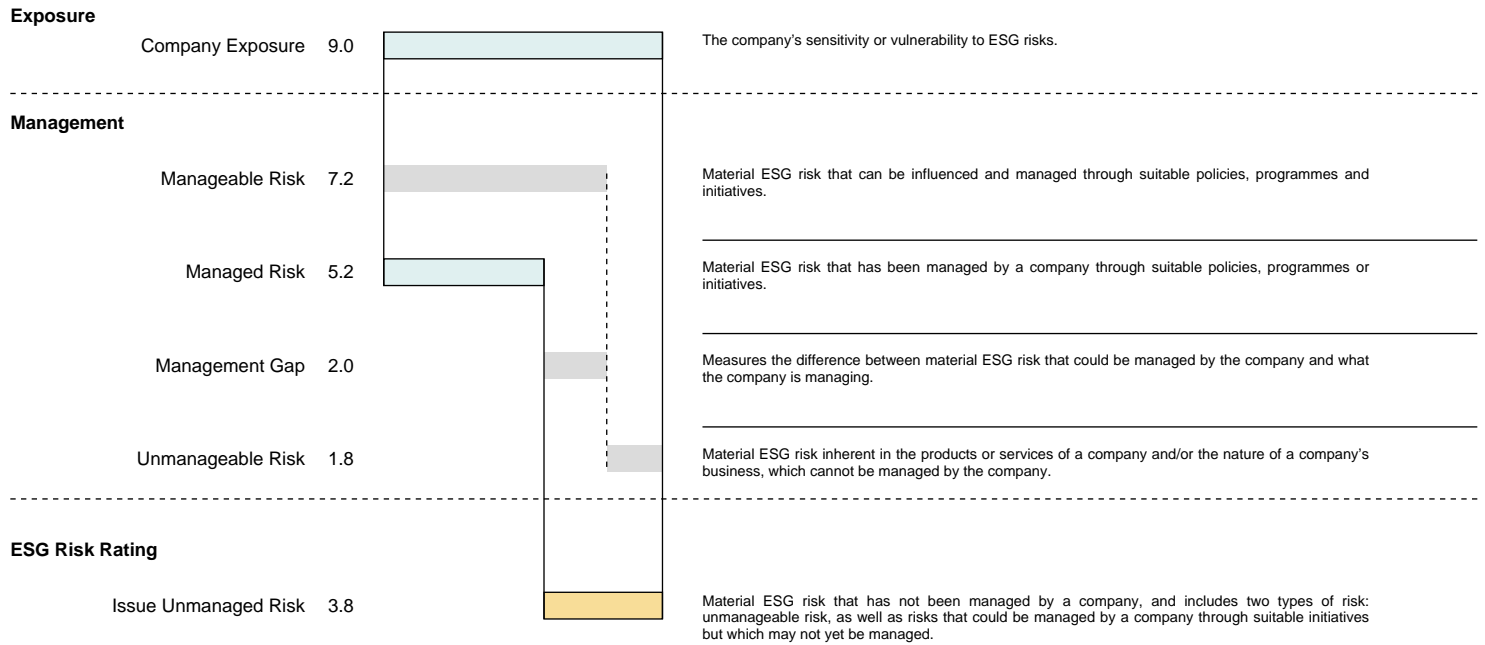
In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Carbon Intensity	100	12.5%	12.5
EMS Certification	100	5.0%	5.0
Environmental Management System	100	5.0%	5.0
Environmental Policy	75	5.0%	3.8
GHG Reduction Programme	75	25.0%	18.8
Scope of GHG Reporting	75	12.5%	9.4
Carbon Intensity Trend	50	12.5%	6.3
GHG Risk Management	50	22.5%	11.3
 Energy Use and GHG Emissions	Category 0	0%	0.0
Weighted Sum			71.9

Var Energi AS

Oil & Gas Exploration and Production Norway

Risk Decomposition



Var Energi AS

Oil & Gas Exploration and Production Norway

Issue

Contribution 8.2 %



Bribery and Corruption

Bribery and Corruption focuses on the management of risks related to illicit payments, such as kickbacks or bribes to government officials or business partners, and the receipt of those payments.

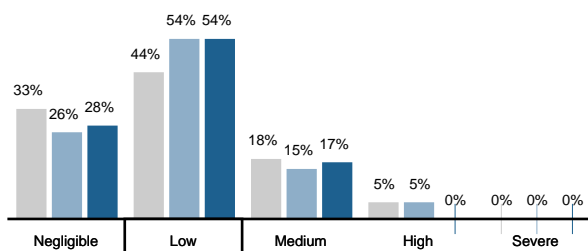
ESG Risk Rating

2.5

Low Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK (1 st = lowest risk)	PERCENTILE (1 st = lowest risk)
Global Universe	338/744	46th
Oil & Gas Producers INDUSTRY	31/81	38th
Oil & Gas Exploration SUBINDUSTRY	19/46	40th

Peers Table

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. Neptune Energy Group Ltd.	6.0 Medium	93.1 Strong	1.5 Negligible
2. Wintershall Dea GmbH	6.0 Medium	89.4 Strong	1.7 Negligible
3. Noble Energy, Inc.	6.3 Medium	76.9 Strong	2.4 Low
4. Var Energi AS	6.0 Medium	73.8 Strong	2.5 Low
5. Seven Generations Energy Ltd.	5.7 Medium	58.8 Strong	3.0 Low

Var Energi AS

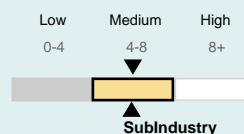
Oil & Gas Exploration and Production Norway

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

6.0
Medium



The extraction of hydrocarbons requires that Oil and Gas exploration companies, particularly when operating in emerging markets, interact with government officials, as states typically hold mineral rights and oversee regulatory approvals and permitting. Though subindustry players tend to operate in developed markets, where corruption is not a major issue, these interactions can involve large fund transfers in countries where bribery is endemic, such as those ranked lowest on Transparency International's Corruption Perceptions Index. This context creates situations in which companies may offer facilitation payments to advance project development on-site. At the national level, in order to secure contracts, companies may become involved in bribery schemes and create shell company structures that benefit government officials. While schemes may not be as complex as those that can arise with fully integrated competitors, because exploration companies tend to be less diversified, a bribery scandal can force the sale of a major percentage of a company's reserves, as has occurred in Angola, for example. The increasing sophistication of civil society organizations in exposing corruption cases, as well as stricter enforcement of anti-corruption laws by US and EU regulatory bodies, has resulted in greater litigation costs, fines, settlements and loss of revenue-generating activities for companies. Companies with activities in some African countries such as Angola, Nigeria, Algeria and Libya are particularly vulnerable to potential corruption. In order to address these issues, anti-corruption initiatives should be linked to the risk management infrastructure of companies. Best practices include management structures to carry out due diligence prior to entering new regions and establishing clear behavioural guidelines, as well as monitoring systems and ensuring accountability up to the management level. For effective on-the-ground implementation, such management systems are best deployed when employees are regularly trained, particularly those in a position to obtain contracts for the company, and when employees are given reliable mechanisms to report irregularities and to receive counsel on ethical dilemmas.

The company's exposure to Bribery and Corruption issues is medium and similar to the subindustry exposure.

Exposure Analysis

Subindustry Issue Exposure	6.0
Issue Beta	x 1.00
Company Issue Exposure	6.0

Beta Indicators

Beta Signal

Bribery and Corruption	0.00
Operating Performance	0.00
Solvency	0.00
Financial Flexibility	0.00
Asset Performance	0.00
Regional Corruption	0.00
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	0.00
Baseline	+1.00
Overall Beta	1.00

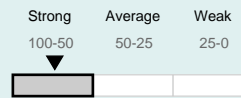
Var Energi AS

Oil & Gas Exploration and Production Norway


Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

73.8
Strong



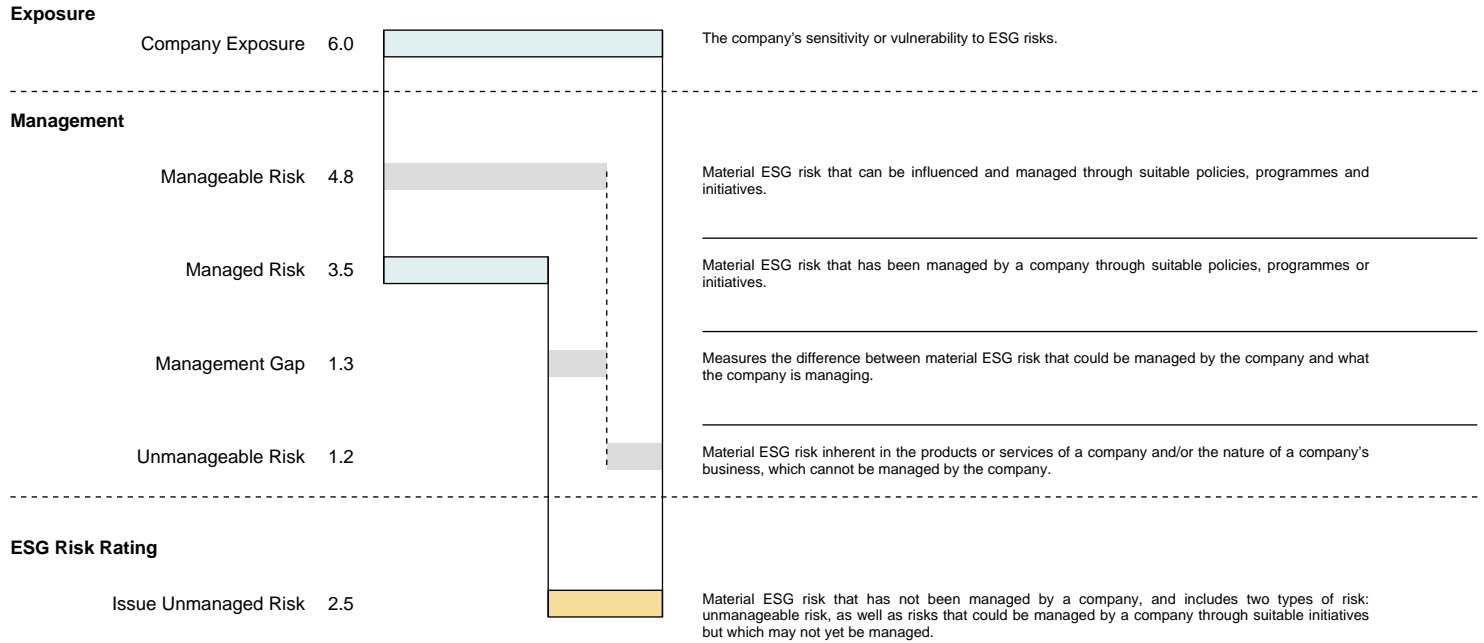
In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Bribery & Corruption Programmes	100	45.0%	45.0
Political Involvement Policy	100	5.0%	5.0
Transparency on Government	75	5.0%	3.8
Whistleblower Programmes	75	17.5%	13.1
Bribery & Corruption Policy	25	27.5%	6.9
 Bribery and Corruption	Category 0	0%	0.0
Weighted Sum			73.8

Var Energi AS

Oil & Gas Exploration and Production Norway

Risk Decomposition



Var Energi AS

Oil & Gas Exploration and Production Norway

Issue

Contribution 7.8 %



Emissions, Effluents and Waste

Emissions, Effluents and Waste focuses on the management of emissions and releases from a company's own operations to air, water and land, excluding GHG emissions.

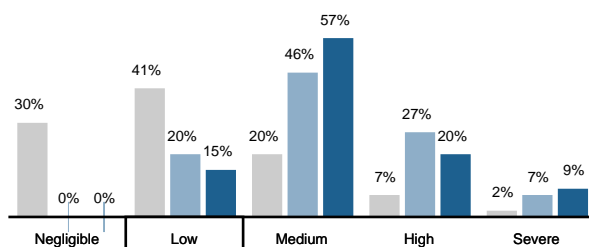
ESG Risk Rating

2.3

Low Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK (1 st = lowest risk)	PERCENTILE (1 st = lowest risk)
Global Universe	659/1645	41 st
Oil & Gas Producers INDUSTRY	3/94	3 rd
Oil & Gas Exploration SUBINDUSTRY	2/46	3 rd

Peers Table

Peers (Market cap \$0.0 - \$0.0bn)

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. Var Energi AS	10.5 High	86.3 Strong	2.3 Low
2. Wintershall Dea GmbH	10.0 High	67.0 Strong	4.0 Low
3. Neptune Energy Group Ltd.	10.0 High	62.5 Strong	4.4 Medium
4. Noble Energy, Inc.	10.0 High	51.8 Strong	5.3 Medium
5. Seven Generations Energy Ltd.	9.5 High	45.8 Average	5.6 Medium

Var Energi AS

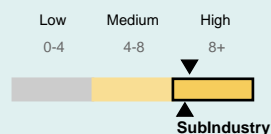
Oil & Gas Exploration and Production Norway

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

10.5
High



Arctic exploration and production pose distinct and elevated risks to the surrounding environment. Potential spills – whether relating to the release of crude oil or effluents – can have particularly negative impacts on the surrounding marine ecosystem, with operators likely facing additional scrutiny (from regulators and the public) if they have assets that are within a close proximity to vulnerable or sensitive wildlife regions. Depending on the magnitude and severity of a spill, penalties and remediation liabilities can be particularly material.

The company's exposure to Emissions, Effluents and Waste issues is high and similar to the subindustry exposure.

Exposure Analysis

Subindustry Issue Exposure	10.0
Issue Beta	x 1.05
Company Issue Exposure	10.5

Beta Indicators

Beta Signal

Emissions, Effluents and Waste	0.00
Operating Performance	0.00
Solvency	0.00
Financial Flexibility	0.00
Asset Performance	0.00
Headquarters Location	0.00
Assets Location	0.00
Qualitative Overlay	0.05
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	0.05
Baseline	+1.00
Overall Beta	1.05

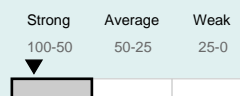
Var Energi AS

Oil & Gas Exploration and Production Norway


Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

86.3
Strong



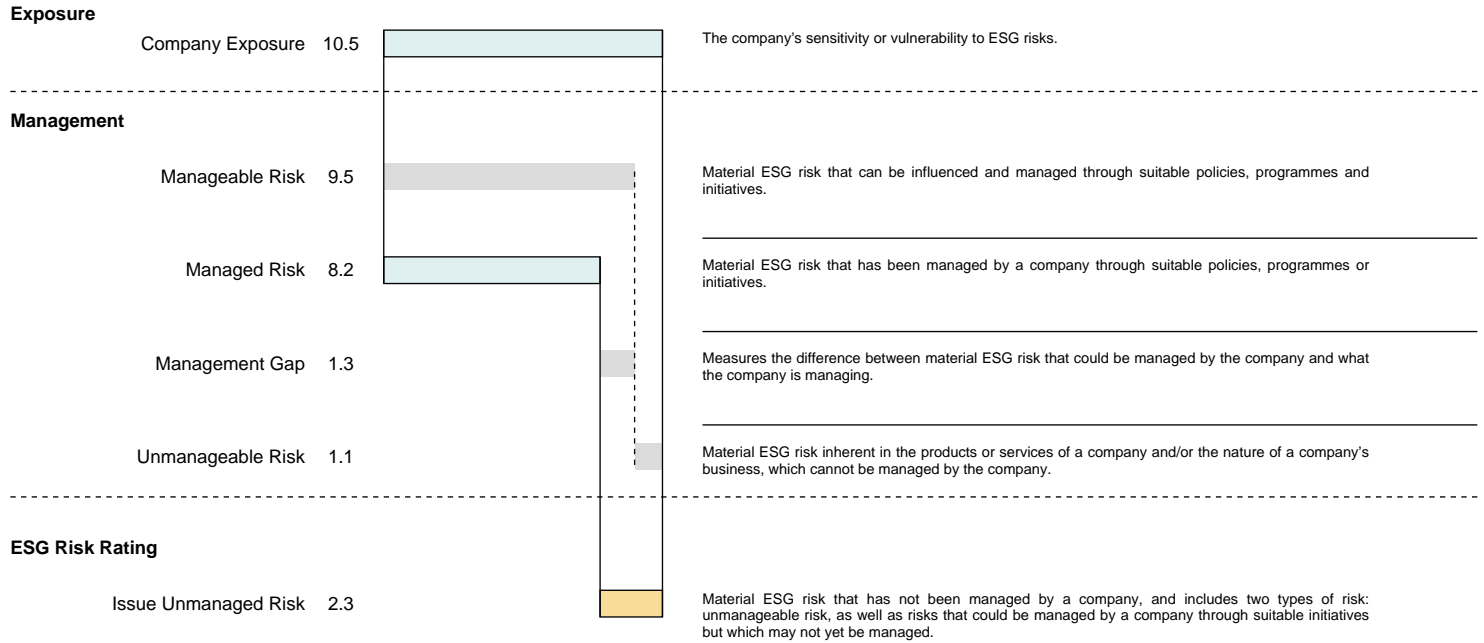
Var Energi appears to demonstrate strong oversight of potential emission and effluent releases into the environment and associated risks. The company's overall environmental management system is comprehensive and is ISO 14001 certified. Additionally, it has implemented robust management programmes relating to emergencies (such as spills or other crises) and physical climate risks (such as extreme weather events), suggesting that the company can probably limit the impacts of potential pollution-related events on its operations and bottom line. In FY2020, the company's spill rate increased somewhat (from a previous four-year average of 0.027 tonnes of oil spilled to 0.03 tonnes), although it does not appear to have been implicated in any controversies relating to accidental releases of emissions or effluent in the past few years. In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Effluent Management	100	20.0%	20.0
Emergency Response Programme	100	12.5%	12.5
EMS Certification	100	7.5%	7.5
Environmental Management System	100	7.5%	7.5
Non-GHG Air Emissions Programmes	100	7.5%	7.5
Physical Climate Risk Management	100	10.0%	10.0
Environmental Policy	75	7.5%	5.6
Offshore Well Management	75	7.5%	5.6
Oil Spill Disclosure & Performance	50	20.0%	10.0
 Emissions, Effluents and Waste	Category 0	0%	0.0
Weighted Sum			86.3

Var Energi AS

Oil & Gas Exploration and Production Norway

Risk Decomposition



Var Energi AS

Oil & Gas Exploration and Production Norway

Issue

Contribution 7.5 %



Human Capital

Human Capital focuses on the management of risks related to scarcity of skilled labour as well as labour relations, such as non-discrimination, working hours and minimum wages.

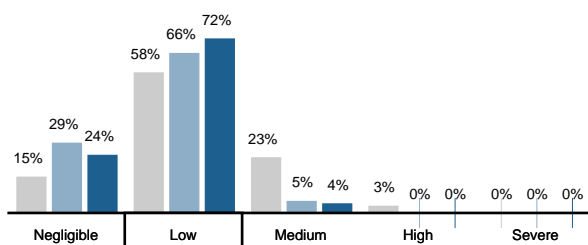
ESG Risk Rating

2.3

Low Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK <small>(1st = lowest risk)</small>	PERCENTILE <small>(1st = lowest risk)</small>
Global Universe	966/4394	23rd
Oil & Gas Producers INDUSTRY	42/94	44th
Oil & Gas Exploration SUBINDUSTRY	17/46	35th

Peers Table

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. Wintershall Dea GmbH	5.0 Medium	61.5 Strong	2.1 Low
2. Var Energi AS	5.0 Medium	57.5 Strong	2.3 Low
3. Noble Energy, Inc.	5.3 Medium	44.6 Average	3.0 Low
4. Neptune Energy Group Ltd.	5.0 Medium	38.0 Average	3.2 Low
5. Seven Generations Energy Ltd.	4.8 Medium	23.4 Weak	3.7 Low

Var Energi AS

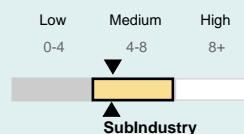
Oil & Gas Exploration and Production Norway

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

5.0
Medium



Exploration and Production companies face the challenge of attracting and retaining geologists, engineers and fieldworkers capable of technically difficult work in conditions that are often remote and physically demanding. The growth in the exploration and production of unconventional fossil fuels has raised the importance of attracting and retaining employees with specialized skills in areas such as subsea engineering, drilling supervision, and hydraulic fracture modelling. Additionally, a large percentage of employees are expected to retire over the next several years, aggravating a shortage in specialized, experienced personnel. Finally, the subindustry is increasingly depending on contract labour, due to cost pressures and the need for specialized expertise that cannot be met in-house. For some companies in the sector, the number of hours worked by contractors now exceeds that of full-time employees. Weak management of Human Capital development can lead to inconsistent maintenance and processes, leading to operational delays and increased downtime. Exposure to Human Capital issues varies by resource complexity (such as onshore vs. offshore development) as well as reliance on contractors. Subindustry companies tend to be onshore-focused, with less involvement in the forms of production with the most expensive drilling costs. Nonetheless, the subindustry is heavily involved in onshore unconventional such as shale plays, which higher completion costs, whose production levels can be greatly affected by the skills of the employees on the job. Strong Human Capital management is key to keeping downtime and projects delays to a minimum, as well as maximizing production from these more complex resources.

The company's exposure to Human Capital issues is medium and similar to the subindustry exposure.

Exposure Analysis

Subindustry Issue Exposure	5.0
Issue Beta	x 1.00
Company Issue Exposure	5.0

Beta Indicators

Beta Signal

Labour Relations	0.00
Employees - Human Rights	0.00
Operating Performance	0.00
Solvency	0.00
Financial Flexibility	0.00
Asset Performance	0.00
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	0.00
Baseline	+1.00
Overall Beta	1.00

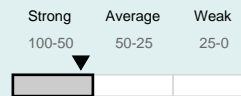
Var Energi AS

Oil & Gas Exploration and Production Norway



Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

57.5
Strong



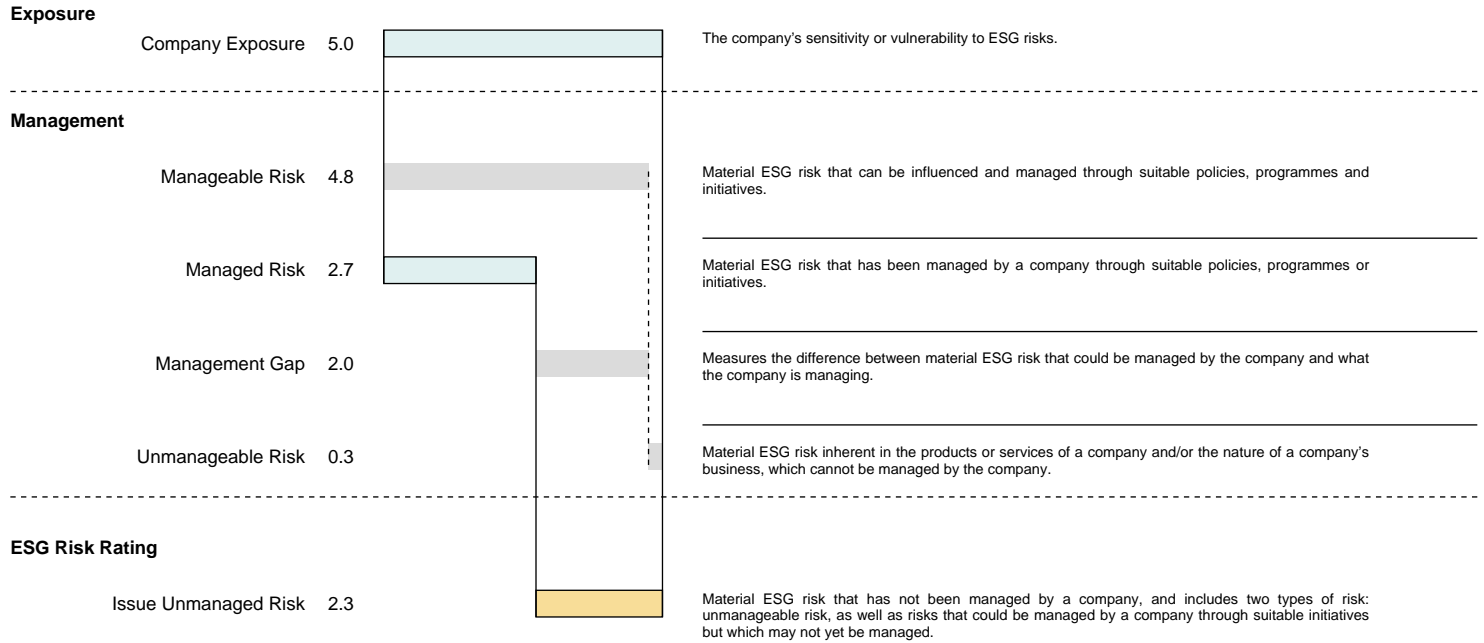
In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Employee Turnover Rate	100	20.0%	20.0
Freedom of Association Policy	75	12.5%	9.4
Human Capital Development	50	45.0%	22.5
Diversity Programmes	25	22.5%	5.6
 Employees - Human Rights	Category 0	0%	0.0
 Labour Relations	Category 0	0%	0.0
Weighted Sum			57.5

Var Energi AS

Oil & Gas Exploration and Production Norway

Risk Decomposition



Var Energi AS

Oil & Gas Exploration and Production Norway

Issue

Contribution 6.5 %



Occupational Health and Safety

Occupational Health and Safety focuses on the management of workplace hazards affecting a company's own employees and on-site contractors. Where relevant, it may also include HIV/AIDS programmes.

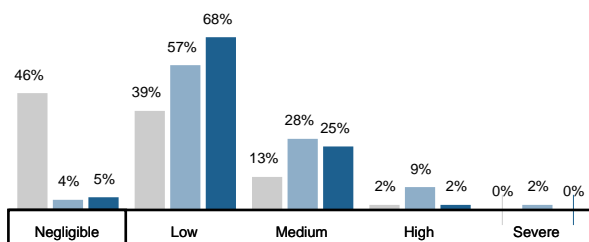
ESG Risk Rating

2.0

Negligible Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = lowest risk)
Global Universe	921/2061	45th
Oil & Gas Producers INDUSTRY	3/92	3rd
Oil & Gas Exploration SUBINDUSTRY	1/44	1st

Peers Table

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. Var Energi AS	8.0 High	94.4 Strong	2.0 Negligible
2. Neptune Energy Group Ltd.	8.0 High	83.8 Strong	2.6 Low
3. Seven Generations Energy Ltd.	7.6 Medium	68.8 Strong	3.4 Low
4. Wintershall Dea GmbH	8.0 High	71.1 Strong	3.4 Low
5. Noble Energy, Inc.	8.0 High	58.8 Strong	4.2 Medium

Var Energi AS

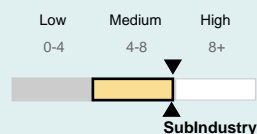
Oil & Gas Exploration and Production Norway

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

8.0
High



Exploration and production activities expose employees and contractors/project partners to various physical hazards that can lead to injuries and fatalities. Safety hazards are particularly important for Var Energi to mitigate given its offshore operations in the Barents Sea and Norwegian Sea, where responding to potential incidents can be challenging due to changing weather conditions and other factors. Injuries and fatalities can create risk for the company in the form of regulatory penalties, reprimands, litigation, or operational delays and interruptions.

The company's exposure to Occupational Health and Safety issues is high and similar to the subindustry exposure.

Exposure Analysis

Subindustry Issue Exposure	8.0
Issue Beta	x 1.00
Company Issue Exposure	8.0

Beta Indicators

Beta Signal

Occupational Health and Safety	0.00
Operating Performance	0.00
Solvency	0.00
Financial Flexibility	0.00
Asset Performance	0.00
Headquarters Location	0.00
Assets Location	0.00
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	0.00
Baseline	+1.00
Overall Beta	1.00

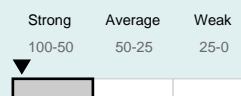
Var Energi AS

Oil & Gas Exploration and Production Norway

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.


ESG Risk Management

94.4
Strong



Var Energi has implemented comprehensive programmes and systems governing occupational health and safety across its operations, supported by specific accountability structures and aligned with ISO 45001 international standards. The company appears to have strong management of this issue based on its safety performance over the past few years. In FY2020, the company reduced its lost-time incident rate (0.21) by roughly 45% relative to its previous two-year average (0.38). Additionally, Var Energi has experienced no employee or contractor fatalities over the past three years. The company also incorporates business partners into its code of conduct, meaning that contractor safety management is an active component of its overall approach to safety.

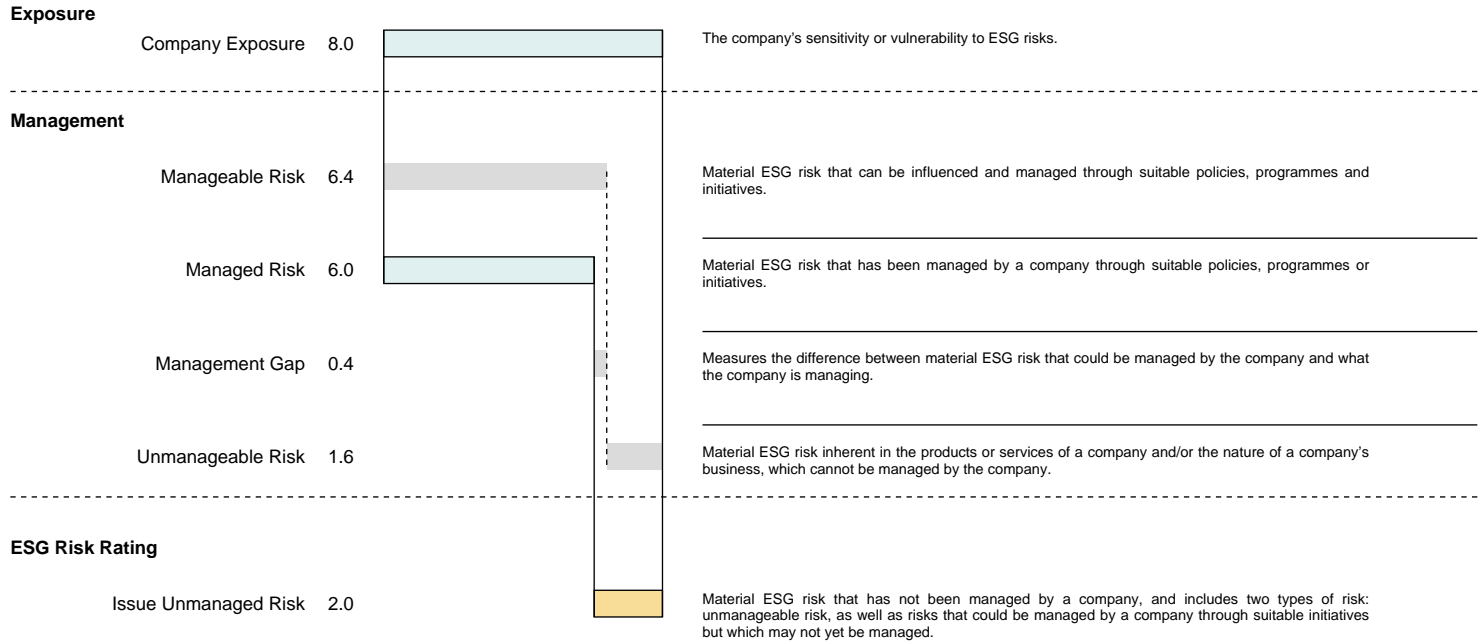
In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Contractor Fatalities	100	7.5%	7.5
Emergency Response Programme	100	12.5%	12.5
Employee Fatality Rate	100	7.5%	7.5
Health & Safety Certifications	100	7.5%	7.5
Health and Safety Management	100	27.5%	27.5
LTIR Trend	100	15.0%	15.0
Contractor Safety Programme	75	22.5%	16.9
 Occupational Health and Safety	Category 0	0%	0.0
Weighted Sum			94.4

Var Energi AS

Oil & Gas Exploration and Production Norway

Risk Decomposition



Var Energi AS

Oil & Gas Exploration and Production Norway

Issue

Contribution 4.0 %



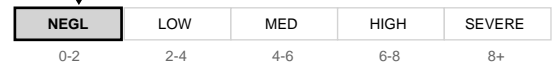
Resource Use

Resource Use focuses on how efficiently and effectively a company uses its raw material inputs (excluding energy and petroleum-based products) in production and how it manages related risks.

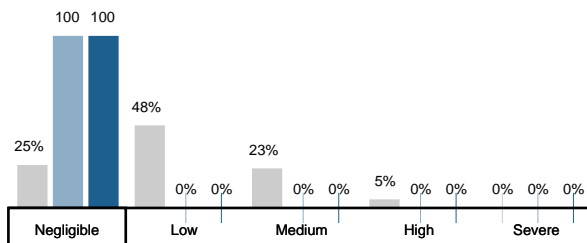
ESG Risk Rating

1.2

Negligible Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = lowest risk)
Global Universe	82/1243	7th
Oil & Gas Producers INDUSTRY	46/79	57th
Oil & Gas Exploration SUBINDUSTRY	24/44	53rd

Peers Table

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. Seven Generations Energy Ltd.	1.9 Low	51.6 Strong	1.1 Negligible
2. Var Energi AS	2.0 Low	50.1 Strong	1.2 Negligible
3. Wintershall Dea GmbH	2.0 Low	46.6 Average	1.3 Negligible
4. Neptune Energy Group Ltd.	2.0 Low	44.2 Average	1.3 Negligible
5. Noble Energy, Inc.	2.1 Low	35.1 Average	1.5 Negligible

Var Energi AS

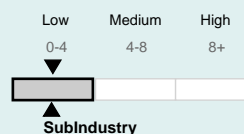
Oil & Gas Exploration and Production Norway

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

2.0
Low



Certain oil and gas operations require large volumes of fresh water, including hydraulic fracturing, oil sands mining, in-situ oil sands methods, and certain enhanced oil recovery techniques. Depending on the use and disposal technique, injected fresh water is often permanently removed from the water cycle after it has been used in the drilling process. These uses can compete with community water uses, such as municipal or agricultural uses, as well as with the volumes required for maintaining basic ecosystem functions (i.e. surface water permits). Furthermore, certain resources are located in water-stressed regions. Exploration companies using hydraulic fracturing techniques to extract hydrocarbons in the western US and Australia face particular exposure to water scarcity. Though overall water draw in relation to other uses is typically low, community perception of greater water stress can make it more difficult for companies to establish a social licence to operate and exploit resources in a particular region. Implementation of best practices such as non-potable water use and water recycling has grown rapidly in the industry. These measures can help to alleviate community concerns and have resulted in costs savings for companies, primarily through a reduction in wastewater disposal fees and hauling costs, which can exceed USD 100 million over the lifetime of a typical horizontally drilled well.

The company's exposure to Resource Use issues is low and similar to the subindustry exposure.

Exposure Analysis

Subindustry Issue Exposure	2.0
Issue Beta	x 1.00
Company Issue Exposure	2.0

Beta Indicators

Beta Signal

Water Use	0.00
Operating Performance	0.00
Solvency	0.00
Financial Flexibility	0.00
Asset Performance	0.00
Regional Water Stress	0.00
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	0.00
Baseline	+1.00
Overall Beta	1.00

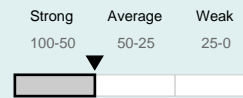
Var Energi AS

Oil & Gas Exploration and Production Norway


Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

50.1
Strong



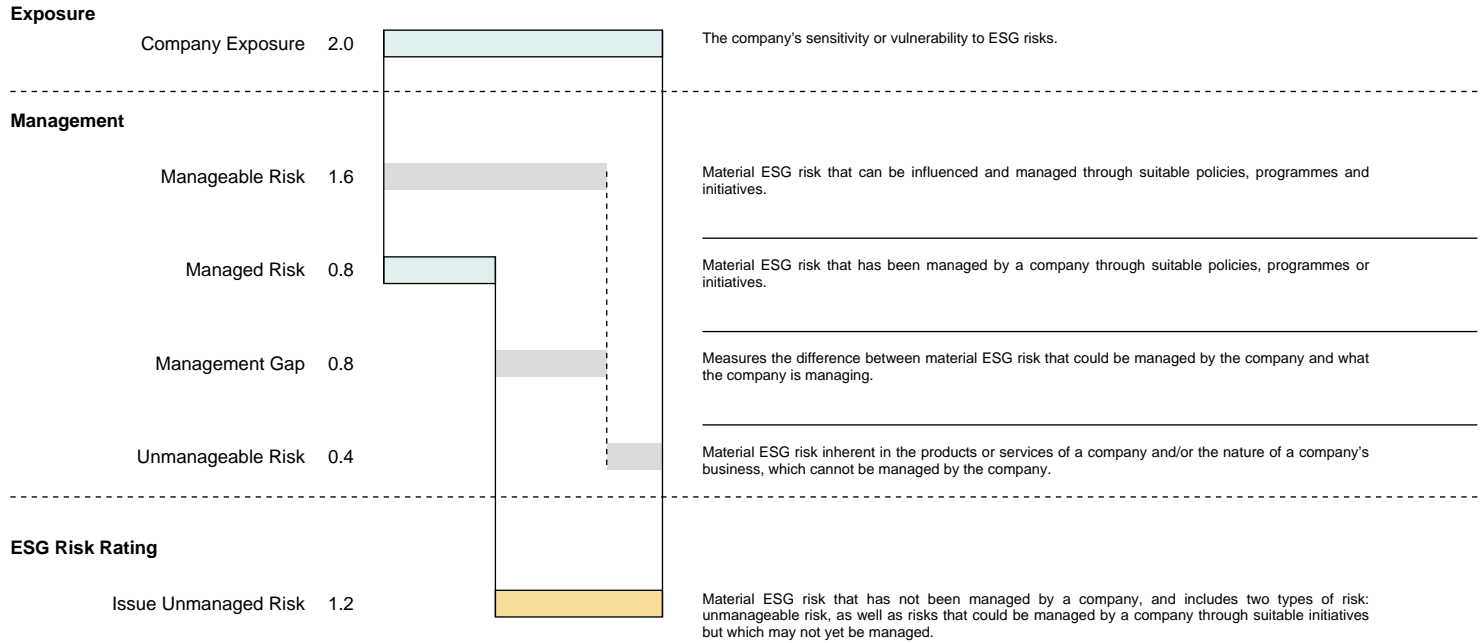
In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
EMS Certification	100	2.5%	2.5
Environmental Management System	100	10.0%	10.0
Physical Climate Risk Management	100	10.0%	10.0
Environmental Policy	75	2.5%	1.9
Water Risk Management	66	20.0%	13.2
Water Intensity Trend	50	10.0%	5.0
Water Management Programmes	25	30.0%	7.5
Water Intensity	0	15.0%	0.0
 Water Use	Category 0	0%	0.0
Weighted Sum			50.1

Var Energi AS

Oil & Gas Exploration and Production Norway

Risk Decomposition



Var Energi AS

Oil & Gas Exploration and Production Norway

Issue

Contribution 2.9 %



Business Ethics

Business Ethics focuses on the management of ethical considerations applicable to most or all sectors, such as taxation and accounting, anti-competitive practices and intellectual property issues.

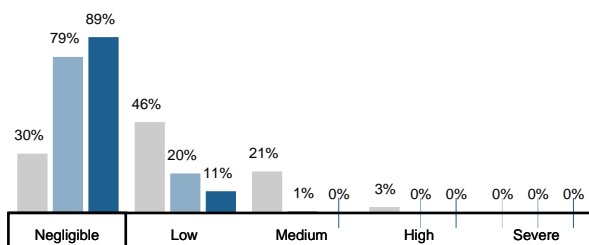
ESG Risk Rating

0.9

Negligible Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = lowest risk)
Global Universe	221/4271	6th
Oil & Gas Producers INDUSTRY	21/94	22nd
Oil & Gas Exploration SUBINDUSTRY	16/46	33rd

Peers Table

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. Neptune Energy Group Ltd.	3.0 Low	81.9 Strong	0.7 Negligible
2. Var Energi AS	3.0 Low	75.0 Strong	0.9 Negligible
3. Seven Generations Energy Ltd.	2.9 Low	68.1 Strong	1.0 Negligible
4. Wintershall Dea GmbH	3.0 Low	63.6 Strong	1.2 Negligible
5. Noble Energy, Inc.	3.2 Low	51.7 Strong	1.6 Negligible

Var Energi AS

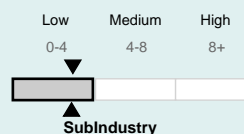
Oil & Gas Exploration and Production Norway

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

3.0
Low



For Oil and Gas Exploration companies, Business Ethics issues include anti-competitive practices and taxation, but the dominant issue is lawsuits over royalty payments. Many companies in this subindustry are based in the US, where, unlike most countries, it is common for landowners to hold mineral rights. Therefore, companies will often have thousands of contracts, with small landowners stipulating the terms of royalties they are to receive from the sale of hydrocarbons extracted from their property. Oil and gas producers have faced lawsuits alleging inflated transportation costs and deceptive accounting in order to reduce required payouts. Such lawsuits are very common, and have exceeded USD 100 million, depending on the number and scale of leaseholders in each lawsuit. Because few exploration companies may be active in a given region, anti-competition issues are also present in the subindustry, typically in the context of collusion over lease rates. However, anti-competitive actions tend to be lower impact than for fully integrated companies. Though most companies in the subindustry operate only in one or two countries, exploration partnerships frequently include offshore company structures. As a result, companies often design tax strategies to minimize costs, utilizing tax havens, transfer pricing or intra-group financing. In recent years, some companies have resorted more frequently to settlements in order to resolve outstanding royalty disputes, but it is common for large players to still face open and new lawsuits in every state in which they operate. Avoiding excessive payments to subsidiaries and robust whistleblower protection can help to limit involvement in royalty fraud and anti-competitive practices. In terms of taxes, more progressive companies have begun disclosing standalone tax policy statements in which they commit not to engage in aggressive tax planning.

The company's exposure to Business Ethics issues is low and similar to the subindustry exposure.

Exposure Analysis

Subindustry Issue Exposure	3.0
Issue Beta	x 1.00
Company Issue Exposure	3.0

Beta Indicators

Beta Signal

Accounting and Taxation	0.00
Anti-Competitive Practices	0.00
Business Ethics	0.00
Intellectual Property	0.00
Lobbying and Public Policy	0.00
Sanctions	0.00
Operating Performance	0.00
Solvency	0.00
Financial Flexibility	0.00
Asset Performance	0.00
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00

Var Energi AS

Oil & Gas Exploration and Production Norway

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

Beta Indicators	Beta Signal
Total Beta Signal	0.00
Baseline	+1.00
Overall Beta	1.00

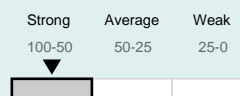
Var Energi AS

Oil & Gas Exploration and Production Norway







Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

75.0
Strong



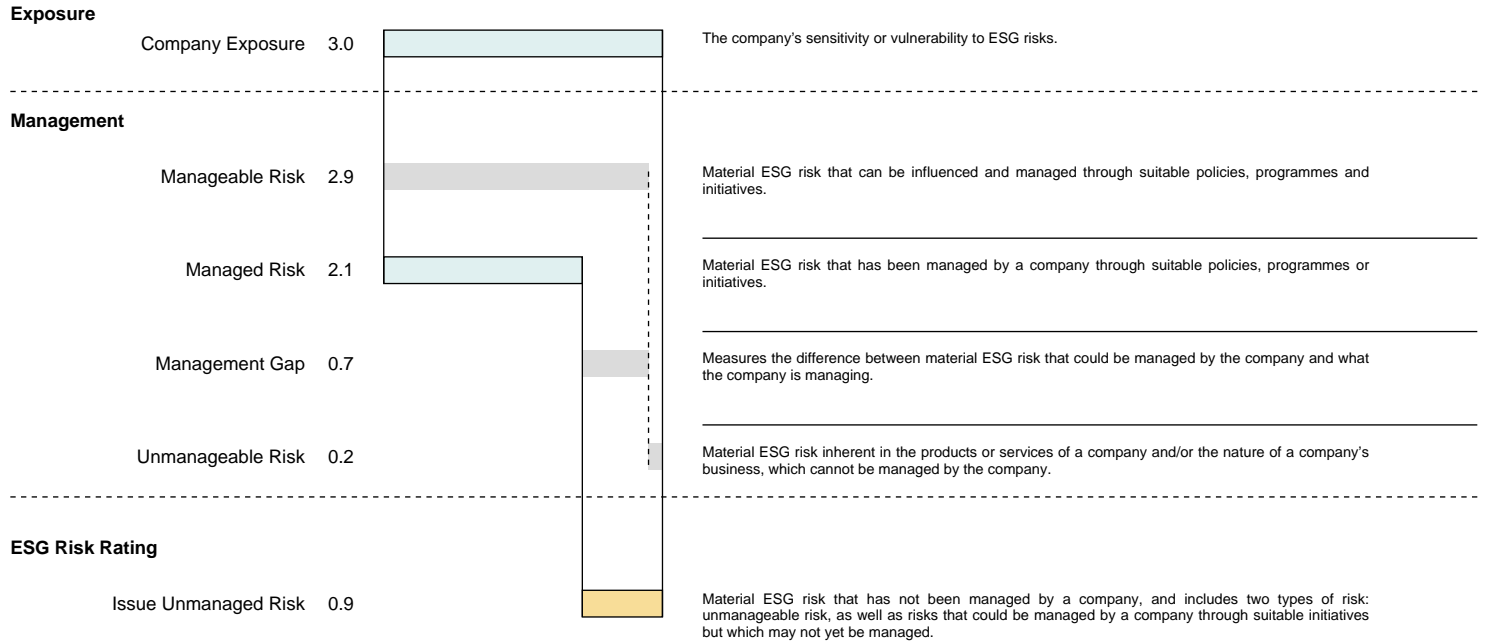
In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Political Involvement Policy	100	27.5%	27.5
Transparency on Government	75	15.0%	11.3
Whistleblower Programmes	75	30.0%	22.5
Lobbying and Political Expenses	50	27.5%	13.8
 Accounting and Taxation	Category 0	0%	0.0
 Anti-Competitive Practices	Category 0	0%	0.0
 Business Ethics	Category 0	0%	0.0
 Intellectual Property	Category 0	0%	0.0
 Lobbying and Public Policy	Category 0	0%	0.0
 Sanctions	Category 0	0%	0.0
Weighted Sum			75.0

Var Energi AS

Oil & Gas Exploration and Production Norway

Risk Decomposition



Var Energi AS

Oil & Gas Exploration and Production Norway

Issue



Land Use and Biodiversity

Contribution 1.1 %

Land Use and Biodiversity focuses on how companies' manage their impact on land, ecosystems and wildlife. Topics include land conversion, land rehabilitation and forest management.

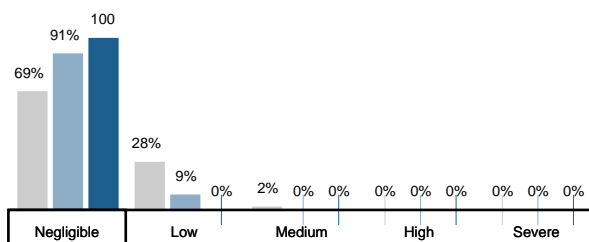
ESG Risk Rating

0.3

Negligible Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK (1 st = lowest risk)	PERCENTILE (1 st = lowest risk)
Global Universe	23/631	4th
Oil & Gas Producers INDUSTRY	10/92	11th
Oil & Gas Exploration SUBINDUSTRY	3/44	6th

Peers Table

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. Var Energi AS	2.6 Low	87.5 Strong	0.3 Negligible
2. Wintershall Dea GmbH	2.6 Low	73.6 Strong	0.7 Negligible
3. Seven Generations Energy Ltd.	2.0 Low	61.5 Strong	0.8 Negligible
4. Neptune Energy Group Ltd.	2.6 Low	48.0 Average	1.4 Negligible
5. Noble Energy, Inc.	2.1 Low	30.5 Average	1.5 Negligible

Var Energi AS

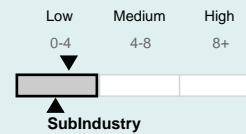
Oil & Gas Exploration and Production Norway

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

2.6
Low



The oil and gas industry's activities can have a significant impact on biodiversity through habitat loss, alteration of land, or specific detrimental activities. The industry typically operates in onshore, developed markets, where risks to biodiversity are well understood by neighboring communities and regulators. Oil and gas well sites, though not always large, are often numerous, and certain areas may have a high concentration of well pads, connecting roads and pipeline infrastructure. For instance, in shale gas basins in the United States, one five-acre wellpad every 40 acres is common. Individual projects can also have a serious impact on habitat through their sheer scale (such as oil sands mines), location (projects in or near sensitive ecological habitat) or contamination potential. Though a company's individual impact might be modest, oil and gas assets are often clustered in a certain geographic area, and collective impacts can be substantial, and can lead to significant population declines of certain species. Over time, this can lead to tighter regulation and increased compliance costs, as has occurred with bird and caribou habitat in the United States and Canada. Scrutiny is especially high for oil sands operations, due to the difficulty in restoring mined boreal forest and peat bogs back to their original state. Activities which have a direct detrimental effect on wildlife (i.e. animal fatalities) receive significant media attention and fines. Given the toxic nature of the products and waste involved, even relatively small volumes of fluids, if improperly managed, can result in animal fatalities. In severe instances of immediate biodiversity impact, such as numerous bird deaths due to tailings ponds, fines have reached several million dollars. In addition, there have been instances where despite acquiring exploration rights in sensitive areas such as national parks, public pressure over biodiversity concerns has forced companies to abandon development attempts. Best practices include following the Mining Association of Canada's Towards Sustainable Mining biodiversity management framework, as well as industry association IPIECA's Managing Biodiversity & Ecosystem Services guidance.

The company's exposure to Land Use and Biodiversity issues is low and significantly above the subindustry exposure.

Exposure Analysis

Subindustry Issue Exposure	2.0
Issue Beta	x 1.30
Company Issue Exposure	2.6

Beta Indicators

Beta Signal

Land Use and Biodiversity	0.00
Operating Performance	0.00
Solvency	0.00
Financial Flexibility	0.00
Asset Performance	0.00
Headquarters Location	0.00
Assets Location	0.00
Qualitative Overlay	0.25
Subindustry Correction Factor	0.06
Exceptional Event Adjustment	0.00
Total Beta Signal	0.30
Baseline	+1.00
Overall Beta	1.30

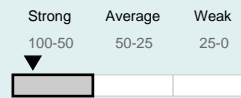
Var Energi AS

Oil & Gas Exploration and Production Norway


Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

87.5
Strong



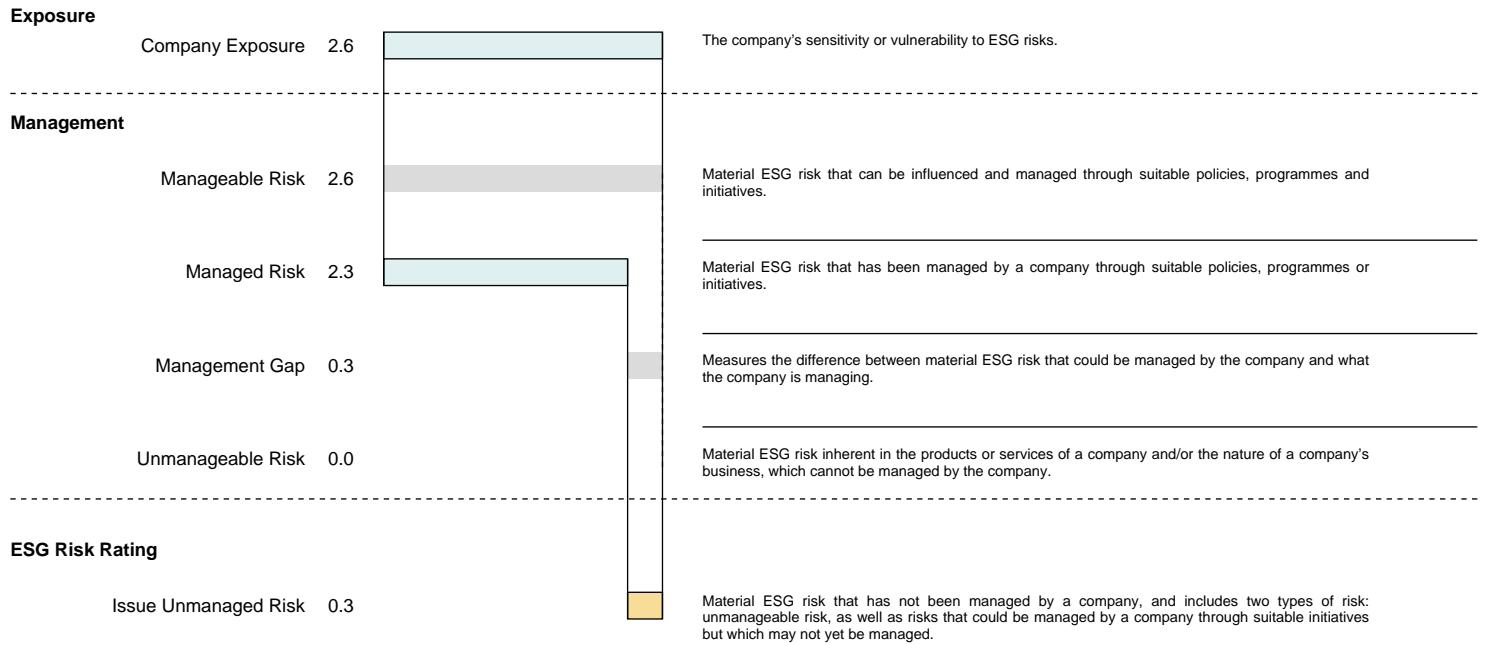
In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
EMS Certification	100	20.0%	20.0
Environmental Management System	100	30.0%	30.0
Biodiversity Programmes	75	50.0%	37.5
 Land Use and Biodiversity	Category 0	0%	0.0
Weighted Sum			87.5

Var Energi AS

Oil & Gas Exploration and Production Norway

Risk Decomposition



Appendix



Management Details



Corporate Governance

Board/Management Quality & Integrity

54 Average Performer

Raw Score



Our analysis of the quality and integrity of the company's board and management indicates the following key areas of focus for Var Energi AS:

- The company provides minimal or no disclosure of the process by which RPTs are approved and the oversight and review of RPTs raises concerns.
 - One or more non-executive directors with more than one year of tenure fail to own stock and market practice is for directors to own stock.
 - The company has not received significant (>30%) votes against company recommendations/ nominees in the two most recent AGMs and the company discloses no policy governing shareholder engagement.
- Overall, Var Energi AS positions itself as an Average Performer with regard to its Board/Management Quality & Integrity compared to peers.

Indicators

Score

Board Experience	80
Governance Controversies	50
Shareholder Engagement and Responsiveness	50
Director Track Record	80
Board Capture	70
Related Party Transactions	0
Director Stock Ownership	20
Executive/Board Misconduct	50
Business Practices Controversies	50

Board Structure

63 Average Performer

Raw Score



In reviewing the company's structural board features, we note the following for Var Energi AS:

- The board lacks an independent majority and the company has a controlling shareholder.
- Some directors are nominated by significant/strategic shareholders and groups of directors are elected by different share classes.
- There is a nominating committee outside of the board of directors, which is elected by shareholders and nominating committee independence meets market standards.

Overall, Var Energi AS positions itself as an Average Performer with regard to its Board Structure compared to peers.

Indicators

Score

Board Leadership	70
Board Tenure	80
Board Independence	0
Nominating Committee Effectiveness	50
Director Disclosure	100
Voting Structures	70
Directors not Elected by Shareholders	0
Risk Oversight	90
Board Diversity	90

Ownership & Shareholder Rights

56 Average Performer

Raw Score



Var Energi AS's Ownership & Shareholder rights regime includes the following key areas of focus:

- Not all the directors on the board are elected annually and the board can change its size without shareholder approval only within the limits set in the charter or bylaws.
- There is a controlling shareholder with 50% or more of voting rights and the dominant shareholder is an investor with board representation.
- The company has a controlling shareholder and a supermajority is required for charter/bylaw amendments, according to market regulations.

Overall, Var Energi AS positions itself as an Average Performer with regard to its Ownership & Shareholder Rights compared to peers.

Indicators

Score

Director Appointment & Removal	30
Proportionality - One Share/One Vote	60
Ownership Structure	50
Capital Issuance Risks	60
Shareholder Action	60
Poison Pill & Takeover Defences	80
Supermajority Provisions	50

Appendix



Management Details

Remuneration

40 Average Performer

Raw Score



Our analysis of executive compensation practices at Var Energi AS points to the following:

- There is insufficient information to determine the remuneration committee's constitution.
 - There is no recoupment or clawback policy disclosed and there is no recoupment or clawback policy disclosed.
 - Remuneration amounts are disclosed for the CEO however remuneration amounts are not disclosed for executives other than the CEO.
- Overall, Var Energi AS positions itself as an Average Performer with regard to its Remuneration compared to peers.

Indicators

Score

Remuneration Disclosure	10
CEO Termination Scenarios	80
Internal Pay Equity	50
Clawback Policy	0
Remuneration Committee Effectiveness	0
Say on Pay	70
Pay Controversies	50
STI Performance Metrics	50
LTI Performance Metrics	50
Pay Magnitude	60
Pay for Performance	40
Pay for Failure	60

Audit & Financial Reporting

28 Underperformer

Raw Score



In reviewing the company's Audit & Financial reporting features, we note the following for Var Energi AS:

- There is no disclosure regarding audit committee meetings and there is no audit committee, and there are no independent directors with financial expertise.
 - There is insufficient information to determine the audit committee's constitution.
 - The auditor has recently changed, with no clear reason given for the transition.
- Overall, Var Energi AS positions itself as an Underperformer with regard to its Audit & Financial Reporting compared to peers.

Indicators

Score

Audit Committee Structure	20
Audit Committee Effectiveness	10
Auditor Fees	50
Audit Rotation Policy	70
Auditor Change	30
Reporting Irregularities	50

Stakeholder Governance

59 Outperformer

Raw Score



In reviewing the company's practices regarding ESG stakeholder governance, points of attention for Var Energi AS are: ESG Governance, ESG Performance Targets and Tax Disclosure.

- ESG Governance: A management committee is responsible for overseeing ESG issues
- ESG Performance Targets: Executive compensation is not explicitly tied to ESG performance targets
- Tax Disclosure: Tax transparency is strong

Indicators

Score

ESG Governance	100
Environmental Policy	75
Whistleblower Programmes	75
Tax Disclosure	100
Discrimination Policy	50
Scope of Social Supplier Standards	75
GHG Reduction Programme	75
Green Procurement Policy	60
ESG Reporting Standards	75
Verification of ESG Reporting	25
Global Compact Signatory	0
ESG Performance Targets	0
Political Involvement Policy	100
Lobbying and Political Expenses	50
Bribery & Corruption Policy	25

Appendix

Exposure Details



Carbon - Products and Services

EA.E.46 - Carbon Impact of Products

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.F.1 - Operating Performance

0.00
Beta Signal

Data for this company is not yet available.

EA.F.2 - Solvency

0.00
Beta Signal

Data for this company is not yet available.

EA.F.3 - Financial Flexibility

0.00
Beta Signal

Data for this company is not yet available.

EA.F.4 - Asset Performance

0.00
Beta Signal

Data for this company is not yet available.

EA.P.7 - Stranded Assets

0.00
Beta Signal

Data for this company is not yet available.

EA.P.9 - Carbon Solutions Offering

0.00
Beta Signal

Information is insufficient to determine whether the company offers any carbon solutions.

EA.S.1 - Qualitative Overlay

0.00
Beta Signal

The analyst did not apply a qualitative overlay.

EA.S.2 - Subindustry Correction Factor

- 0.14
Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00
Beta Signal

Appendix



Management Details

E.1.6.1 - GHG Risk Management

50	45.00%	22.5
Raw Score	Weight	Weighted Score

The company has an adequate risk management programme

Criteria

- Management embeds and integrates transition risk into wider business processes and procedures
- Climate-related responsibilities to management level positions or committees
- Organisational responsibility for climate-related transition risk
- There is no reporting available yet, but the company does have a commitment to report on any of the above over the next three years
- Recognition and description of climate change related transition risks including downside risks and opportunities identified by the organisation over the short, medium and long term
- Description of the resilience of the strategy, taking into account different climate scenarios -utilising quantitative scenario analysis -relating to previously disclosed transition risks and opportunities
- Prioritisation of adaptation and mitigation plans and measures associated with transition risks, with integration into business and financial planning including Capex spent and/or R
- Description of the resilience of the strategy, taking into account different climate scenarios -qualitatively relating to previously disclosed transition risks and opportunities
- Board level responsibility for climate-related transition risk
- Description of the impact of climate change related transition risks including downside risks and opportunities on business strategy and financial planning

Sources

Var Energi AS Annual Report 2020 (FY2020)

E.1.9 - Carbon Intensity

100	10.00%	10.0
Raw Score	Weight	Weighted Score

The company's carbon emissions intensity is well below the industry median

E.1.10 - Carbon Intensity Trend

50	10.00%	5.0
Raw Score	Weight	Weighted Score

The company's carbon intensity trend has remained relatively stable (+/- 10% inclusive) over the last 3 years

E.3.1.1 - Sustainable Products & Services

0	35.00%	0.0
Raw Score	Weight	Weighted Score

There is no evidence of the company offering any sustainability-related products or services

Appendix

Exposure Details

Community Relations

EA.E.10 - Community Relations

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.E.48 - Society - Human Rights

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.F.1 - Operating Performance

0.00
Beta Signal

Data for this company is not yet available.

EA.F.2 - Solvency

0.00
Beta Signal

Data for this company is not yet available.

EA.F.3 - Financial Flexibility

0.00
Beta Signal

Data for this company is not yet available.

EA.F.4 - Asset Performance

0.00
Beta Signal

Data for this company is not yet available.

EA.S.1 - Qualitative Overlay

0.00
Beta Signal

The analyst did not apply a qualitative overlay.

EA.S.2 - Subindustry Correction Factor

0.00
Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00
Beta Signal

Appendix



Management Details

S.4.2.1 - Human Rights Policy

40	22.22%	8.9
Raw Score	Weight	Weighted Score

The company has a weak policy

Criteria

- Stipulation of the company's human rights expectations of personnel
- Commitment to monitor and report on human rights impacts
- Commitment to communicate the policy to personnel and external stakeholders
- Commitment to respect human rights following international standards
- Commitment to adopt grievance mechanisms
- Commitment to adopt programmes to address industry-specific human rights exposure
- Commitment to provide remedy to correct negative impacts
- Commitment to apply human rights due diligence or conduct risk assessments
- Approved at the most senior level of the business enterprise
- Stipulation of the company's human rights expectations of third parties

Sources

Prior to research start, the company sent documents on 2 November 2021
 Var Energi AS Code of Conduct, released September 2020

S.4.2.2 - Community Involvement Programmes

50	44.44%	22.2
Raw Score	Weight	Weighted Score

The company has an adequate programme

Criteria

- Accessible mechanism to collect, record and address complaints or grievances
- Policy commitment to consult with local communities
- A formal system for identifying local stakeholders or communities of interest
- Executive responsibility for community relations
- Community consultation guidelines
- Ongoing consultation mechanisms
- Operation-specific responsibility for community relations
- Consultation conducted at early stages of a project

Sources

The company provided feedback on 2 December 2021
 Var Energi AS Code of Conduct, released September 2020
 Var Energi AS Sustainability Report 2020 (FY2020)

S.4.2.11 - Community Development Programmes

25	33.33%	8.3
Raw Score	Weight	Weighted Score

The company has a weak programme

Criteria

- Reporting on community development programmes and results
- Commitment to promote community development
- Monitoring of community development programmes
- Community development initiatives
- Initiatives to promote economic development after closure
- Systematic involvement of local stakeholders in community development planning and/or monitoring
- Community development targets and deadlines

Sources

Var Energi AS Code of Conduct, released September 2020
 Var Energi AS Sustainability Policy, released September 2020
 Var Energi AS Sustainability Report 2020 (FY2020)

Appendix

Exposure Details



Carbon - Own Operations

EA.E.15 - Energy Use and GHG Emissions

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.F.1 - Operating Performance

0.00
Beta Signal

Data for this company is not yet available.

EA.F.2 - Solvency

0.00
Beta Signal

Data for this company is not yet available.

EA.F.3 - Financial Flexibility

0.00
Beta Signal

Data for this company is not yet available.

EA.F.4 - Asset Performance

0.00
Beta Signal

Data for this company is not yet available.

EA.P.1 - Carbon Emissions

- 0.10
Beta Signal

The company's carbon emissions intensity indicates moderately lower exposure to this issue

EA.P.7 - Stranded Assets

0.00
Beta Signal

Data for this company is not yet available.

EA.S.1 - Qualitative Overlay

0.00
Beta Signal

The analyst did not apply a qualitative overlay.

EA.S.2 - Subindustry Correction Factor

0.00
Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00
Beta Signal

Appendix



Management Details

E.1.1 - Environmental Policy

75	5.00%	3.8
Raw Score	Weight	Weighted Score

The company has a strong policy

Criteria

- Commitment to environmental protection
- Commitment to report regularly on environmental issues
- Approved by senior management or the board of directors
- Commitment to use natural resources or energy more efficiently
- Commitment to consult with stakeholders on environmental issues
- Commitment to reduce emissions, releases and waste
- Commitment to create environmental awareness
- Commitment to implement an environmental management system
- Commitment to monitor the company's environmental performance

Sources

Prior to research start, the company sent documents on 2 November 2021
 Var Energi AS Code of Conduct, released September 2020
 Var Energi AS Sustainability Policy, released September 2020

E.1.2 - Environmental Management System

100	5.00%	5.0
Raw Score	Weight	Weighted Score

The company has a very strong EMS

Criteria

- Managerial or board level responsibility for environmental issues
- Internal and external communications on environmental management issues
- Corrective actions to stimulate continual improvement
- Environmental performance records
- Environmental programmes
- Compliance with environmental regulation
- Monitoring and measurement
- Assigned roles and responsibilities
- Identification of products, activities and services that have significant impacts on the environment
- External environmental audits
- Objectives, targets and deadlines
- Training and awareness programmes for employees
- Internal environmental audits

Sources

Prior to research start, the company sent documents on 2 November 2021
 Var Energi AS Annual Report 2020 (FY2020)
 Var Energi AS Sustainability Report 2020 (FY2020)

E.1.3 - EMS Certification

100	5.00%	5.0
Raw Score	Weight	Weighted Score

90% or more of the company's activities have received external certification

Sources

Prior to research start, the company sent documents on 2 November 2021
 Var Energi AS Annual Report 2020 (FY2020)
 Var Energi AS Sustainability Report 2020 (FY2020)

E.1.6 - Scope of GHG Reporting

75	12.50%	9.4
Raw Score	Weight	Weighted Score

The company reports all scopes but is not fully aligned with GHG protocol

Criteria

- The company discloses scope 2 emissions
- The company only discloses total emissions, without disclosing by emission scope
- The company discloses scope 3 emissions with category split
- The company discloses scope 3 emissions as a total
- Based on available evidence, the company does not disclose any GHG emissions
- The company discloses scope 1 emissions

Sources

Var Energi AS Sustainability Report 2020 (FY2020)

Appendix



Management Details

E.1.6.1 - GHG Risk Management

50	22.50%	11.3
Raw Score	Weight	Weighted Score

The company has an adequate risk management programme

Criteria

- Management embeds and integrates transition risk into wider business processes and procedures
- Climate-related responsibilities to management level positions or committees
- Organisational responsibility for climate-related transition risk
- There is no reporting available yet, but the company does have a commitment to report on any of the above over the next three years
- Recognition and description of climate change related transition risks including downside risks and opportunities identified by the organisation over the short, medium and long term
- Description of the resilience of the strategy, taking into account different climate scenarios -utilising quantitative scenario analysis -relating to previously disclosed transition risks and opportunities
- Prioritisation of adaptation and mitigation plans and measures associated with transition risks, with integration into business and financial planning including Capex spent and/or R
- Description of the resilience of the strategy, taking into account different climate scenarios -qualitatively relating to previously disclosed transition risks and opportunities
- Board level responsibility for climate-related transition risk
- Description of the impact of climate change related transition risks including downside risks and opportunities on business strategy and financial planning

Sources

Var Energi AS Annual Report 2020 (FY2020)

E.1.7.0 - GHG Reduction Programme

75	25.00%	18.8
Raw Score	Weight	Weighted Score

The company has a strong programme

Criteria

- GHG emissions monitoring and measurement
- Adoption of key mitigation technologies
- GHG reduction target
- Demonstration of how initiatives put in place close the emissions gap between current performance and the targeted emissions reduction
- Net Zero and Science Alignment
- Initiatives in place to reduce emissions
- Initiatives are linked to wider TCFD reporting
- Regular GHG audits or verification
- Interim targets
- Emissions reduction coverage

Sources

Prior to research start, the company sent documents on 2 November 2021
 The company provided feedback on 2 December 2021
 The company provided feedback on 22 November 2021
 Var Energi AS Annual Report 2020 (FY2020)
 Var Energi AS Sustainability Report 2020 (FY2020)

E.1.9 - Carbon Intensity

100	12.50%	12.5
Raw Score	Weight	Weighted Score

The company's carbon emissions intensity is well below the industry median

E.1.10 - Carbon Intensity Trend

50	12.50%	6.3
Raw Score	Weight	Weighted Score

The company's carbon intensity trend has remained relatively stable (+/- 10% inclusive) over the last 3 years

Appendix

Exposure Details

Bribery and Corruption

EA.E.6 - Bribery and Corruption

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.F.1 - Operating Performance

0.00
Beta Signal

Data for this company is not yet available.

EA.F.2 - Solvency

0.00
Beta Signal

Data for this company is not yet available.

EA.F.3 - Financial Flexibility

0.00
Beta Signal

Data for this company is not yet available.

EA.F.4 - Asset Performance

0.00
Beta Signal

Data for this company is not yet available.

EA.G.4 - Regional Corruption

0.00
Beta Signal

Data for this company is not yet available.

EA.S.1 - Qualitative Overlay

0.00
Beta Signal

The analyst did not apply a qualitative overlay.

EA.S.2 - Subindustry Correction Factor

0.00
Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00
Beta Signal

Appendix



Management Details

G.1.1 - Bribery & Corruption Policy

25	27.50%	6.9
Raw Score	Weight	Weighted Score

The company has a weak policy or a general statement addressing the issue

Criteria

- Prohibition of bribery
- Guidelines of what is considered acceptable behaviour
- There is no evidence of a formal policy but the company has a general statement addressing the issue
- Definition of conflicts of interest and commitment to minimize these
- Definition of bribery or corruption
- Definition and prohibition of facilitation payments

Sources

Prior to research start, the company sent documents on 2 November 2021
 The company provided feedback on 10 December 2021
 The company provided feedback on 2 December 2021
 The company provided feedback on 22 November 2021
 The company provided feedback on 3 December 2021
 The company provided feedback on 6 December 2021
 The updated ESG Report was sent by email to Var Energi AS on 16 November 2021.
 Var Energi AS Code of Conduct, released September 2020

G.1.1.1 - Bribery & Corruption Programmes

100	45.00%	45.0
Raw Score	Weight	Weighted Score

The company has a very strong programme

Criteria

- Managerial responsibility for bribery and corruption
- Regular training on bribery and corruption
- Operating guidelines addressing record keeping, approval procedures and appropriate behaviour
- Internal monitoring system to detect corruption
- Regular bribery and corruption risk assessments
- Annual signoff of the policy on bribery and corruption by employees
- Mechanisms for employees to consult on ethical issues

Sources

Var Energi AS Anti-Corruption Guidelines, released June 2020
 Var Energi AS Code of Conduct, released September 2020
 Var Energi AS Sustainability Report 2019 (FY2019)
 Var Energi AS Sustainability Report 2020 (FY2020)

G.1.2 - Whistleblower Programmes

75	17.50%	13.1
Raw Score	Weight	Weighted Score

The company has a strong programme

Criteria

- Proactively communicated to employees
- Available in local languages
- Non-retaliation policy
- An independent, reporting hotline available 24/7
- Structures in place to process whistleblower reports
- Available to suppliers, customers and other third parties
- Possibility for anonymous reporting and reports are treated confidentially
- Disclosure on the number of reports received, the types of misconduct and measures taken

Sources

Prior to research start, the company sent documents on 2 November 2021
 Var Energi AS Code of Conduct, released September 2020
 Var Energi AS Sustainability Report 2020 (FY2020)

G.3.1 - Political Involvement Policy

100	5.00%	5.0
Raw Score	Weight	Weighted Score

The company has a strong policy

Criteria

- Prohibits political involvement of any kind on the company's behalf
- Approved by senior management
- Partially prohibits political involvement
- Commits the company to disclose political donations and/or lobbying expenditures

Sources

Var Energi AS Anti-Corruption Guidelines, released June 2020
 Var Energi AS Code of Conduct, released September 2020

Appendix



Management Details

G.3.3.1 - Transparency on Government Payments

Raw Score	Weight	Weighted Score
75	5.00%	3.8

The company does not support the EITI, but it is highly transparent on payments to host governments

Sources

The Extractive Industries Transparency Initiative, www.eiti.org; accessed 4 November 2021

Var Energi AS Annual Report 2020 (FY2020)

Appendix

Exposure Details



Emissions, Effluents and Waste

EA.E.14 - Emissions, Effluents and Waste

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.F.1 - Operating Performance

0.00
Beta Signal

Data for this company is not yet available.

EA.F.2 - Solvency

0.00
Beta Signal

Data for this company is not yet available.

EA.F.3 - Financial Flexibility

0.00
Beta Signal

Data for this company is not yet available.

EA.F.4 - Asset Performance

0.00
Beta Signal

Data for this company is not yet available.

EA.G.1 - Headquarters Location

0.00
Beta Signal

Data for this company is not yet available.

EA.G.2 - Assets Location

0.00
Beta Signal

Data for this company is not yet available.

EA.S.1 - Qualitative Overlay

0.05
Beta Signal

The analyst increased the beta for this company.

Var Energi AS has slightly higher exposure to Emissions, Effluents and Waste issues for the following reason:

Var Energi AS has operations in the Arctic region through its Goliat asset, located in the Barents Sea. Based on production data, it is estimated that approximately 9% of the company's revenues come from this region. Oil and gas production in the Arctic region is technically complex, posing increased operational risks. Consequently, as opposed to companies with no Arctic involved, Var Energi AS is more exposed to emissions, effluents and waste risk.

Appendix



Exposure Details

EA.S.2 - Subindustry Correction Factor

0.00
Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00
Beta Signal

Appendix



Management Details

E.1.1 - Environmental Policy

75	7.50%	5.6
Raw Score	Weight	Weighted Score

The company has a strong policy

Criteria

- Commitment to environmental protection
- Commitment to report regularly on environmental issues
- Approved by senior management or the board of directors
- Commitment to use natural resources or energy more efficiently
- Commitment to consult with stakeholders on environmental issues
- Commitment to reduce emissions, releases and waste
- Commitment to create environmental awareness
- Commitment to implement an environmental management system
- Commitment to monitor the company's environmental performance

Sources

Prior to research start, the company sent documents on 2 November 2021
 Var Energi AS Code of Conduct, released September 2020
 Var Energi AS Sustainability Policy, released September 2020

E.1.2 - Environmental Management System

100	7.50%	7.5
Raw Score	Weight	Weighted Score

The company has a very strong EMS

Criteria

- Managerial or board level responsibility for environmental issues
- Internal and external communications on environmental management issues
- Corrective actions to stimulate continual improvement
- Environmental performance records
- Environmental programmes
- Compliance with environmental regulation
- Monitoring and measurement
- Assigned roles and responsibilities
- Identification of products, activities and services that have significant impacts on the environment
- External environmental audits
- Objectives, targets and deadlines
- Training and awareness programmes for employees
- Internal environmental audits

Sources

Prior to research start, the company sent documents on 2 November 2021
 Var Energi AS Annual Report 2020 (FY2020)
 Var Energi AS Sustainability Report 2020 (FY2020)

E.1.2.4 - Oil Spill Disclosure & Performance

50	20.00%	10.0
Raw Score	Weight	Weighted Score

The company reports on the total volume of oil spills, which has remained stable (+/- 25%) over the last 5 years

Sources

The company provided feedback on 6 December 2021
 Var Energi AS Sustainability Report 2020 (FY2020)

E.1.2.6.3 - Effluent Management

100	20.00%	20.0
Raw Score	Weight	Weighted Score

The company has a strong programme

Criteria

- Policy commitment to manage or reduce effluents
- Incident investigation and corrective action
- Monitoring and measurement of effluent and effluent management
- Reporting on effluent issues
- Initiatives to reduce, reuse or recycle effluents
- Objectives or targets related to effluent management

Sources

Var Energi AS Sustainability Policy, released September 2020
 Var Energi AS Sustainability Report 2020 (FY2020)

Appendix



Management Details

E.1.2.6.4 - Offshore Well Management

75	7.50%	5.6
Raw Score	Weight	Weighted Score

The company has a strong programme

Criteria

- Recognition that regulatory and reputational changes related to well management are a business risk
- Objectives or targets related to offshore well management
- Well integrity operating guidelines and procedures aligned with best practice
- Participation in relevant multistakeholder or industry initiatives
- Managerial responsibility for offshore well management
- Monitoring and measurement of offshore well integrity and stability

Sources

The company provided feedback on 22 November 2021

E.1.3 - EMS Certification

100	7.50%	7.5
Raw Score	Weight	Weighted Score

90% or more of the company's activities have received external certification

Sources

Prior to research start, the company sent documents on 2 November 2021
 Var Energi AS Annual Report 2020 (FY2020)
 Var Energi AS Sustainability Report 2020 (FY2020)

E.1.3.1 - Emergency Response Programme

100	12.50%	12.5
Raw Score	Weight	Weighted Score

The company has a very strong programme

Criteria

- Policy commitment to prepare for and respond to emergencies
- Regional, site or unit level emergency response teams in place
- Identification of potential risks requiring emergency response
- Mechanisms for stakeholders to report emergencies
- Protocols for communicating with external stakeholders
- Managerial responsibility for emergency preparedness, response and investigation
- Company-wide guidelines on how to prepare for and respond to emergencies
- Emergency training for employees or communities, including regular testing of the emergency response plans

Sources

Prior to research start, the company sent documents on 2 November 2021
 The company provided feedback on 22 November 2021
 Var Energi AS Annual Report 2020 (FY2020)
 Var Energi AS Sustainability Report 2020 (FY2020)

E.1.3.3 - Non-GHG Air Emissions Programmes

100	7.50%	7.5
Raw Score	Weight	Weighted Score

The company has a strong programme

Criteria

- Commitment to reduce non-GHG air emissions
- Deadlines to reduce non-GHG air emissions
- Initiatives to reduce non-GHG air emissions
- Non-GHG air emission monitoring
- Identification of relevant non-GHG air emissions
- Targets to reduce non-GHG air emissions

Sources

The company provided feedback on 22 November 2021
 Var Energi AS Sustainability Report 2020 (FY2020)

Appendix



Management Details

E.1.6.2 - Physical Climate Risk Management

100	10.00%	10.0
Raw Score	Weight	Weighted Score

The company has a strong programme

Criteria

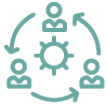
- Recognition of the physical risks related to climate change
- Initiatives to manage or adapt to physical climate change risks
- Integration of physical climate change into regular risk assessments and business strategy
- Managerial or board level responsibility for climate change risks
- Detailed reporting on physical climate change risk drivers

Sources

The company provided feedback on 2 December 2021
 Var Energi AS Annual Report 2020 (FY2020)

Appendix

 **Exposure Details**

 **Human Capital**

EA.E.22 - Labour Relations

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.E.47 - Employees - Human Rights

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.F.1 - Operating Performance

0.00
Beta Signal

Data for this company is not yet available.

EA.F.2 - Solvency

0.00
Beta Signal

Data for this company is not yet available.

EA.F.3 - Financial Flexibility

0.00
Beta Signal

Data for this company is not yet available.

EA.F.4 - Asset Performance

0.00
Beta Signal

Data for this company is not yet available.

EA.S.1 - Qualitative Overlay

0.00
Beta Signal

The analyst did not apply a qualitative overlay.

EA.S.2 - Subindustry Correction Factor

0.00
Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00
Beta Signal

Appendix



Management Details

S.1.1 - Freedom of Association Policy

75	12.50%	9.4
Raw Score	Weight	Weighted Score

The company has an adequate policy on freedom of association

Sources

Var Energi AS Code of Conduct, released September 2020

S.1.3 - Diversity Programmes

25	22.50%	5.6
Raw Score	Weight	Weighted Score

The company has a weak programme

Criteria

- Managerial or board level responsibility for diversity initiatives
- Diversity monitoring or audits
- The company has a programme that applies to less than 50% of operations
- Employee affinity groups, diversity councils, or networking groups
- Training and guidance regarding diversity
- Mentorship programmes
- Initiatives to recruit from diverse talent
- Initiatives supporting a diverse workforce

Sources

Prior to research start, the company sent documents on 2 November 2021
Var Energi AS Sustainability Report 2020 (FY2020)

S.1.5 - Employee Turnover Rate

100	20.00%	20.0
Raw Score	Weight	Weighted Score

The company's employee turnover rate is low

Sources

Var Energi AS Sustainability Report 2020 (FY2020)

S.1.5.2 - Human Capital Development

50	45.00%	22.5
Raw Score	Weight	Weighted Score

The company has an adequate programme

Criteria

- Initiatives for talent development
- Formal mechanisms to promote an open feedback culture
- Initiatives for talent retention
- Regular formal performance reviews for all permanent employees aligned with career development
- Reporting on human capital development metrics
- Quantitative targets related to human capital development
- Reporting on human capital risk assessment
- Initiatives for talent recruitment

Sources

The company provided feedback on 22 November 2021
Var Energi AS Annual Report 2020 (FY2020)
Var Energi AS Sustainability Report 2020 (FY2020)

Appendix

Exposure Details



Occupational Health and Safety

EA.E.20 - Occupational Health and Safety

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.F.1 - Operating Performance

0.00
Beta Signal

Data for this company is not yet available.

EA.F.2 - Solvency

0.00
Beta Signal

Data for this company is not yet available.

EA.F.3 - Financial Flexibility

0.00
Beta Signal

Data for this company is not yet available.

EA.F.4 - Asset Performance

0.00
Beta Signal

Data for this company is not yet available.

EA.G.1 - Headquarters Location

0.00
Beta Signal

Data for this company is not yet available.

EA.G.2 - Assets Location

0.00
Beta Signal

Data for this company is not yet available.

EA.S.1 - Qualitative Overlay

0.00
Beta Signal

The analyst did not apply a qualitative overlay.

EA.S.2 - Subindustry Correction Factor

0.00
Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00
Beta Signal

Appendix



Management Details

E.1.3.1 - Emergency Response Programme

100	12.50%	12.5
Raw Score	Weight	Weighted Score

The company has a very strong programme

Criteria

- Policy commitment to prepare for and respond to emergencies
- Regional, site or unit level emergency response teams in place
- Identification of potential risks requiring emergency response
- Mechanisms for stakeholders to report emergencies
- Protocols for communicating with external stakeholders
- Managerial responsibility for emergency preparedness, response and investigation
- Company-wide guidelines on how to prepare for and respond to emergencies
- Emergency training for employees or communities, including regular testing of the emergency response plans

Sources

Prior to research start, the company sent documents on 2 November 2021
 The company provided feedback on 22 November 2021
 Var Energi AS Annual Report 2020 (FY2020)
 Var Energi AS Sustainability Report 2020 (FY2020)

S.1.6.2.1 - Health and Safety Management System

100	27.50%	27.5
Raw Score	Weight	Weighted Score

The company has a very strong management system

Criteria

- Managerial responsibility for health and safety issues
- Emergency preparedness procedures
- Procedures for hazard identification and risk assessment
- Operating guidelines or procedures that are relevant for the industry
- Regular health and safety training programmes for employees
- Reporting on health and safety programmes and performance
- Performance monitoring and measurement
- Targets to reduce health and safety incidents
- Internal or external health and safety audits conducted at least every three years
- Formal health and safety policy commitment

Sources

Prior to research start, the company sent documents on 2 November 2021
 Var Energi AS Annual Report 2020 (FY2020)
 Var Energi AS Sustainability Report 2020 (FY2020)

S.1.6.4 - Health & Safety Certifications

100	7.50%	7.5
Raw Score	Weight	Weighted Score

90% or more of the company's facilities have received external certification

Sources

Prior to research start, the company sent documents on 2 November 2021
 Var Energi AS Annual Report 2020 (FY2020)
 Var Energi AS Sustainability Report 2020 (FY2020)

S.1.6.5 - LTIR Trend

100	15.00%	15.0
Raw Score	Weight	Weighted Score

The company's lost-time incident rate has declined

Sources

Var Energi AS Annual Report 2018 (FY2018), available online at www.varenergi.no; accessed 4 August 2021
 Var Energi AS Sustainability Report 2020 (FY2020)

S.1.6.6 - Employee Fatality Rate

100	7.50%	7.5
Raw Score	Weight	Weighted Score

No fatalities have occurred in the last three years

Sources

The company provided feedback on 2 December 2021
 The company provided feedback on 22 November 2021

S.2.2.5 - Contractor Safety Programme

75	22.50%	16.9
Raw Score	Weight	Weighted Score

The company has a strong programme

Criteria

- Prescreening of contractors for safety performance and risks
- Monitoring of contractor safety performance
- Operating guidelines on contractor safety management
- Compliance with safety guidelines included in contractual agreements.
- Safety training for contractors
- Reporting on contractor safety management
- Objectives or targets regarding contractor safety

Appendix



Management Details

- Policy commitment to protect the safety of contractors

Sources

Prior to research start, the company sent documents on 2 November 2021
 The company provided feedback on 22 November 2021
 Var Energi AS Annual Report 2020 (FY2020)
 Var Energi AS Code of Conduct, released September 2020
 Var Energi AS General Terms and Conditions for Purchase Order, released September 2021
 Var Energi AS Sustainability Report 2020 (FY2020)

S.2.2.6 - Contractor Fatalities

Raw Score	Weight	Weighted Score
100	7.50%	7.5

No fatalities have occurred among contractors in the last three years

Sources

The company provided feedback on 22 November 2021

Appendix

Exposure Details



Resource Use

EA.E.33 - Water Use

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.F.1 - Operating Performance

0.00
Beta Signal

Data for this company is not yet available.

EA.F.2 - Solvency

0.00
Beta Signal

Data for this company is not yet available.

EA.F.3 - Financial Flexibility

0.00
Beta Signal

Data for this company is not yet available.

EA.F.4 - Asset Performance

0.00
Beta Signal

Data for this company is not yet available.

EA.G.5 - Regional Water Stress

0.00
Beta Signal

Data for this company is not yet available.

EA.S.1 - Qualitative Overlay

0.00
Beta Signal

The analyst did not apply a qualitative overlay.

EA.S.2 - Subindustry Correction Factor

0.00
Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00
Beta Signal

Appendix



Management Details

E.1.1 - Environmental Policy

75	2.50%	1.9
Raw Score	Weight	Weighted Score

The company has a strong policy

Criteria

- Commitment to environmental protection
- Commitment to report regularly on environmental issues
- Approved by senior management or the board of directors
- Commitment to use natural resources or energy more efficiently
- Commitment to consult with stakeholders on environmental issues
- Commitment to reduce emissions, releases and waste
- Commitment to create environmental awareness
- Commitment to implement an environmental management system
- Commitment to monitor the company's environmental performance

Sources

Prior to research start, the company sent documents on 2 November 2021
 Var Energi AS Code of Conduct, released September 2020
 Var Energi AS Sustainability Policy, released September 2020

E.1.2 - Environmental Management System

100	10.00%	10.0
Raw Score	Weight	Weighted Score

The company has a very strong EMS

Criteria

- Managerial or board level responsibility for environmental issues
- Internal and external communications on environmental management issues
- Corrective actions to stimulate continual improvement
- Environmental performance records
- Environmental programmes
- Compliance with environmental regulation
- Monitoring and measurement
- Assigned roles and responsibilities
- Identification of products, activities and services that have significant impacts on the environment
- External environmental audits
- Objectives, targets and deadlines
- Training and awareness programmes for employees
- Internal environmental audits

Sources

Prior to research start, the company sent documents on 2 November 2021
 Var Energi AS Annual Report 2020 (FY2020)
 Var Energi AS Sustainability Report 2020 (FY2020)

E.1.2.7 - Water Intensity

0	15.00%	0.0
Raw Score	Weight	Weighted Score

The company's water intensity is well above the industry median

	2019
Water Intensity (cubic meters/million)	3610.7
Industry Median	1925.5

E.1.2.7.1 - Water Risk Management

66	20.00%	13.2
Raw Score	Weight	Weighted Score

The company has an adequate programme

Criteria

- Recognition of the risks posed by water scarcity or the absence of such risks
- Reporting on contextualized water metrics
- Integration of water scarcity into regular risk assessments and business strategy
- Participation in relevant multistakeholder or industry initiatives
- Managerial or board level responsibility for addressing risks posed by water scarcity
- Detailed reporting on risks posed by water scarcity or their absence

Sources

Prior to research start, the company sent documents on 2 November 2021
 The company provided feedback on 22 November 2021

Appendix



Management Details

E.1.2.7.2 - Water Intensity Trend

50	10.00%	5.0
Raw Score	Weight	Weighted Score
The water intensity of the company has remained roughly stable, compared to the previous three-year average		
	2019	
Water Intensity Trend		3.99

E.1.3 - EMS Certification

100	2.50%	2.5
Raw Score	Weight	Weighted Score
90% or more of the company's activities have received external certification		
Sources		
Prior to research start, the company sent documents on 2 November 2021		
Var Energi AS Annual Report 2020 (FY2020)		
Var Energi AS Sustainability Report 2020 (FY2020)		

E.1.3.4 - Water Management Programmes

25	30.00%	7.5
Raw Score	Weight	Weighted Score
The company has a weak programme		

Criteria

- Policy commitment to reduce water use
- Water use monitoring and measurement
- Initiatives to reduce fresh water use
- Water use reporting
- Managerial responsibility for water use
- Water reduction targets and deadlines

Sources

Var Energi AS Sustainability Report 2020 (FY2020)

E.1.6.2 - Physical Climate Risk Management

100	10.00%	10.0
Raw Score	Weight	Weighted Score
The company has a strong programme		

Criteria

- Recognition of the physical risks related to climate change
- Initiatives to manage or adapt to physical climate change risks
- Integration of physical climate change into regular risk assessments and business strategy
- Managerial or board level responsibility for climate change risks
- Detailed reporting on physical climate change risk drivers

Sources

The company provided feedback on 2 December 2021
 Var Energi AS Annual Report 2020 (FY2020)

Appendix

Exposure Details



Business Ethics

EA.E.2 - Accounting and Taxation

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.E.4 - Anti-Competitive Practices

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.E.7 - Business Ethics

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.E.21 - Intellectual Property

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.E.23 - Lobbying and Public Policy

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.E.30 - Sanctions

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.F.1 - Operating Performance

0.00
Beta Signal

Data for this company is not yet available.

EA.F.2 - Solvency

0.00
Beta Signal

Data for this company is not yet available.

EA.F.3 - Financial Flexibility

0.00
Beta Signal

Data for this company is not yet available.

EA.F.4 - Asset Performance

0.00
Beta Signal

Data for this company is not yet available.

Appendix



Exposure Details

EA.S.1 - Qualitative Overlay

0.00
Beta Signal

The analyst did not apply a qualitative overlay.

EA.S.2 - Subindustry Correction Factor

0.00
Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00
Beta Signal

Appendix



Management Details

G.1.2 - Whistleblower Programmes

75	30.00%	22.5
Raw Score	Weight	Weighted Score

The company has a strong programme

Criteria

- Proactively communicated to employees
- Available in local languages
- Non-retaliation policy
- An independent, reporting hotline available 24/7
- Structures in place to process whistleblower reports
- Available to suppliers, customers and other third parties
- Possibility for anonymous reporting and reports are treated confidentially
- Disclosure on the number of reports received, the types of misconduct and measures taken

Sources

Prior to research start, the company sent documents on 2 November 2021
 Var Energi AS Code of Conduct, released September 2020
 Var Energi AS Sustainability Report 2020 (FY2020)

G.3.1 - Political Involvement Policy

100	27.50%	27.5
Raw Score	Weight	Weighted Score

The company has a strong policy

Criteria

- Prohibits political involvement of any kind on the company's behalf
- Approved by senior management
- Partially prohibits political involvement
- Commits the company to disclose political donations and/or lobbying expenditures

Sources

Var Energi AS Anti-Corruption Guidelines, released June 2020
 Var Energi AS Code of Conduct, released September 2020

G.3.2 - Lobbying and Political Expenses

50	27.50%	13.8
Raw Score	Weight	Weighted Score

Based on available evidence, the company made less than USD 0.5 million in political contributions or political spending in the last three years

Sources

EU Transparency Register. www.ec.europa.eu; accessed 4 November 2021
 LobbyFacts, www.lobbyfacts.eu; accessed 4 November 2021
 Prior to research start, the company sent documents on 2 November 2021

G.3.3.1 - Transparency on Government Payments

75	15.00%	11.3
Raw Score	Weight	Weighted Score

The company does not support the EITI, but it is highly transparent on payments to host governments

Sources

The Extractive Industries Transparency Initiative, www.eiti.org; accessed 4 November 2021
 Var Energi AS Annual Report 2020 (FY2020)

Appendix

Exposure Details



Land Use and Biodiversity

EA.E.12 - Land Use and Biodiversity

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.F.1 - Operating Performance

0.00
Beta Signal

Data for this company is not yet available.

EA.F.2 - Solvency

0.00
Beta Signal

Data for this company is not yet available.

EA.F.3 - Financial Flexibility

0.00
Beta Signal

Data for this company is not yet available.

EA.F.4 - Asset Performance

0.00
Beta Signal

Data for this company is not yet available.

EA.G.1 - Headquarters Location

0.00
Beta Signal

Data for this company is not yet available.

EA.G.2 - Assets Location

0.00
Beta Signal

Data for this company is not yet available.

EA.S.1 - Qualitative Overlay

0.25
Beta Signal

The analyst increased the beta for this company.

Var Energi AS has significantly higher exposure to Land Use and Biodiversity issues for the following reason:

Var Energi AS has operations in the Arctic region through its Goliat asset, located in the Barents Sea. Based on production data, it is estimated that approximately 9% of the company's revenues come from this region. The Arctic region is warming at a rate almost twice the global average, and the development of oil and gas fields involves seismic surveys, transportation of heavy equipment, high traffic of tankers, installation of drilling and production infrastructure, and subsea systems. These activities pose an additional threat to the ecosystem. The controversial nature of O&G development activities in the Arctic poses significant reputational, regulatory and legal risks to companies, and can also lead to greater shareholder scrutiny. Compared to companies with no Arctic activities, Var Energi AS is more exposed to land use and biodiversity risks.

Appendix



Exposure Details

EA.S.2 - Subindustry Correction Factor

0.06
Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00
Beta Signal

Appendix



Management Details

E.1.2 - Environmental Management System

100	30.00%	30.0
Raw Score	Weight	Weighted Score

The company has a very strong EMS

Criteria

- Managerial or board level responsibility for environmental issues
- Internal and external communications on environmental management issues
- Corrective actions to stimulate continual improvement
- Environmental performance records
- Environmental programmes
- Compliance with environmental regulation
- Monitoring and measurement
- Assigned roles and responsibilities
- Identification of products, activities and services that have significant impacts on the environment
- External environmental audits
- Objectives, targets and deadlines
- Training and awareness programmes for employees
- Internal environmental audits

Sources

Prior to research start, the company sent documents on 2 November 2021
 Var Energi AS Annual Report 2020 (FY2020)
 Var Energi AS Sustainability Report 2020 (FY2020)

E.1.2.1 - Biodiversity Programmes

75	50.00%	37.5
Raw Score	Weight	Weighted Score

The company has a strong programme

Criteria

- Managerial or board level responsibility for biodiversity issues
- Reporting on biodiversity programmes or impacts
- Formal commitment to 'no net loss' or having a 'net positive impact' on biodiversity
- Implementation of best-practice mitigation hierarchy
- Biodiversity management plans for priority areas
- Formal policy commitment to avoid operating in areas with the highest biodiversity value
- Targets and deadlines related to biodiversity
- Identification of biodiversity priority areas
- Formal commitment to minimise impact on biodiversity or to consider biodiversity in planning
- Systematic consideration of local threats to biodiversity beyond the company's business activities
- Engagement with local residents or biodiversity experts

Sources

The company provided feedback on 22 November 2021
 Var Energi AS Sustainability Policy, released September 2020
 Var Energi AS Sustainability Report 2020 (FY2020)

E.1.3 - EMS Certification

100	20.00%	20.0
Raw Score	Weight	Weighted Score

90% or more of the company's activities have received external certification

Sources

Prior to research start, the company sent documents on 2 November 2021
 Var Energi AS Annual Report 2020 (FY2020)
 Var Energi AS Sustainability Report 2020 (FY2020)

Var Energi AS

Oil & Gas Exploration and Production Norway

GLOSSARY OF TERMS

Beta (Beta, β)






A factor that assesses the degree to which a company's exposure deviates from its **subindustry's** exposure on a **material ESG issue**. It is used to derive a company-specific issue exposure score for a material ESG issue. It ranges from 0 to 10, with 0 indicating no exposure, 1 indicating the subindustry average, and 10 indicating exposure that is ten times the subindustry average.

Corporate Governance Pillar

A pillar provides a signal about a company's management of a specific Corporate Governance issue.

ESG Risk Category

Companies' **ESG Risk Rating scores** are assigned to five ESG risk categories in the **ESG Risk Rating**:

-  **Negligible risk:** enterprise value is considered to have a negligible risk of material financial impacts driven by ESG factors
-  **Low risk:** enterprise value is considered to have a low risk of material financial impacts driven by ESG factors
-  **Medium risk:** enterprise value is considered to have a medium risk of material financial impacts driven by ESG factors
-  **High risk:** enterprise value is considered to have a high risk of material financial impacts driven by ESG factors
-  **Severe risk:** enterprise value is considered to have a severe risk of material financial impacts driven by ESG factors

Note that because ESG risks materialize at an unknown time in the future and depend on a variety of unpredictable conditions, no predictions on financial or share price impacts, or on the time horizon of such impacts, are intended or implied by these risk categories.

ESG Risk Rating Score (Unmanaged Risk Score)

The company's final score in the **ESG Risk Rating**; it applies the concept of **risk decomposition** to derive the level of **unmanaged risk** for a company.

Event Category

Sustainalytics categorizes events that have resulted in negative ESG impacts into five event categories: Category 1 (low impact); Category 2 (moderate impact); Category 3 (significant impact); Category 4 (high impact); and Category 5 (severe impact).

Event Indicator

An indicator that provides a signal about a potential failure of management through involvement in controversies.

Excess Exposure

The difference between the company's **exposure** and its **subindustry** exposure.

Exposure

A company or **subindustry's** sensitivity or vulnerability to ESG risks.

Idiosyncratic Issue

An issue that was not deemed material at the **subindustry** level during the **consultation process** but becomes a **material ESG issue** for a company based on the occurrence of a Category 4 or 5 event.

Manageable Risk

Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

Managed Risk

Material ESG Risk that has been managed by a company through suitable policies, programmes and initiatives.

Management

A company's handling of ESG risks.

Management Gap

Refers to the difference between what a company has managed and what a company could possibly manage. It indicates how far the company's performance is from best practice.

Management Indicator

An indicator that provides a signal about a company's management of an ESG issue through policies, programmes or quantitative performance.

Material ESG Issue

A core building block of the **ESG Risk Rating**. An ESG issue is considered to be material within the rating if it is likely to have a significant effect on the enterprise value of a typical company within a given **subindustry**.

Subindustry

Subindustries are defined as part of Sustainalytics' own classification system.

Unmanageable Risk

Material ESG Risk inherent from the intrinsic nature of the products or services of a company and/or the nature of a company's business, which cannot be managed by the company if the company continues to offer the same type of products or services and remains in the same line of business.

Unmanaged Risk

Material ESG risk that has not been managed by a company, and includes two types of risk: **unmanageable risk**, as well as risks that could be managed by a company through suitable initiatives, but which may not yet be managed (**management gap**).

Var Energi AS

Oil & Gas Exploration and Production Norway

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To learn more about Sustainalytics ESG Risk Rating framework, please visit: <https://www.sustainalytics.com/esg-data#framework>.