

# Analysis Criterion

# Government Bonds

Storebrand Sustainability Team



Storebrand aims to invest in companies and countries that contribute actively to sustainable development. We believe that, when integrated in core business, such practices will be financially rewarded. As such, Storebrand will not invest in government bonds from countries that:

- a. Are systematically corrupt
- b. Systematically suppress basic political and civil rights
- c. Are subject to sanctions imposed by the UN Security Council

Storebrand can neither invest in companies controlled by a country excluded from sovereign bond investments. Control is defined as ownership of more than 33 % of the shares, but Storebrand can also make an assessment based on the corporate governance structure if the question of control is in doubt. This applies to all asset classes.

## Introduction

A government bond is a debt investment in which an investor lends a certain amount of money to a country for a certain amount of time.

As a responsible long-term investor with a geographically diverse investment portfolio, it is in Storebrand's interests to promote good governance, stability and the maintenance of basic political and civil rights. Storebrand's goal is therefore to avoid purchasing bonds from governments that are systematically corrupt, unstable and/or oppressive. To achieve this goal, Storebrand uses two corruption indexes: a political and civil rights index and the list of countries subject to UN Security Council sanctions. The selected indexes and lists are issued by reliable and well-respected sources, are methodically rigorous and are updated regularly.

## Corruption indexes

1. Transparency International's *Corruption Perceptions Index (CPI)*, published annually since 1995, has been widely credited for putting the issue of corruption on the international policy agenda. The CPI ranks almost 200 countries in terms of perceived levels of corruption, as determined by expert assessments and opinion surveys. These assessments and surveys include questions relating to bribery of public officials, kickbacks in public procurement, embezzlement of public funds, and questions regarding the strength and effectiveness of public sector anti-corruption efforts. [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi](http://www.transparency.org/policy_research/surveys_indices/cpi)
2. The World Bank *Worldwide Governance Indicators; Control of Corruption Index* has been published annually since 1996. The index captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption and "capture" of the state by elites and private interests. To compile the index, information is obtained from business providers, surveys of firms and households, non-governmental organisations and public sector data providers.

<http://info.worldbank.org/governance/wgi/index.aspx#home>

Exclusion criterion: Countries ranking among the 10 percent worst performers on the Transparency International CPI index and/or the World Bank Control of Corruption index will be excluded from investments at Storebrand. The 10 percent threshold includes any country with the same numerical score as the best performer of the group.

## Political and Civil Rights Index

Freedom House's *Freedom in the World Index* has been published annually since 1972 and ranks over 200 countries and disputed territories according to political and civil rights and freedom. To compile the index, analysts used a broad range of sources of information, including foreign and domestic news reports, academic analyses, non-governmental organisations and visits to the region.

<http://www.freedomhouse.org/reports>

Exclusion criterion: Countries and territories which are given the lowest rating of 7 will be excluded from investments at Storebrand. Countries are given a rating of 7 when political and civil rights are absent or virtually nonexistent and the nature of the regime is characterised by severe oppression.

## UN Sanctions

Under Article 41 of the UN Charter, the UN Security Council may call upon Member States to apply measures not involving the use of armed force in order to maintain or restore international peace and security. Such measures are commonly referred to as sanctions. Current practice at the UN Security Council is to impose targeted measures aimed at removing the circumstances that have led to a threat to, or breach of, international peace and security.

Exclusion criterion: Countries that are subject to sanctions imposed by the UN Security Council will be excluded from investments at Storebrand. Countries will not be excluded in cases where sanctions are targeted specifically at independent groups within a country and not at the government of the country.

**Sustainability data providers:** The main research used to trigger an exclusion by Storebrand's Sustainability team comes from the UN Sanctions list, the World Bank's Governance Indicators and Freedom House's Freedom of the World Index.

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Criterion enforced since: 2005

Storebrand Asset Management

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