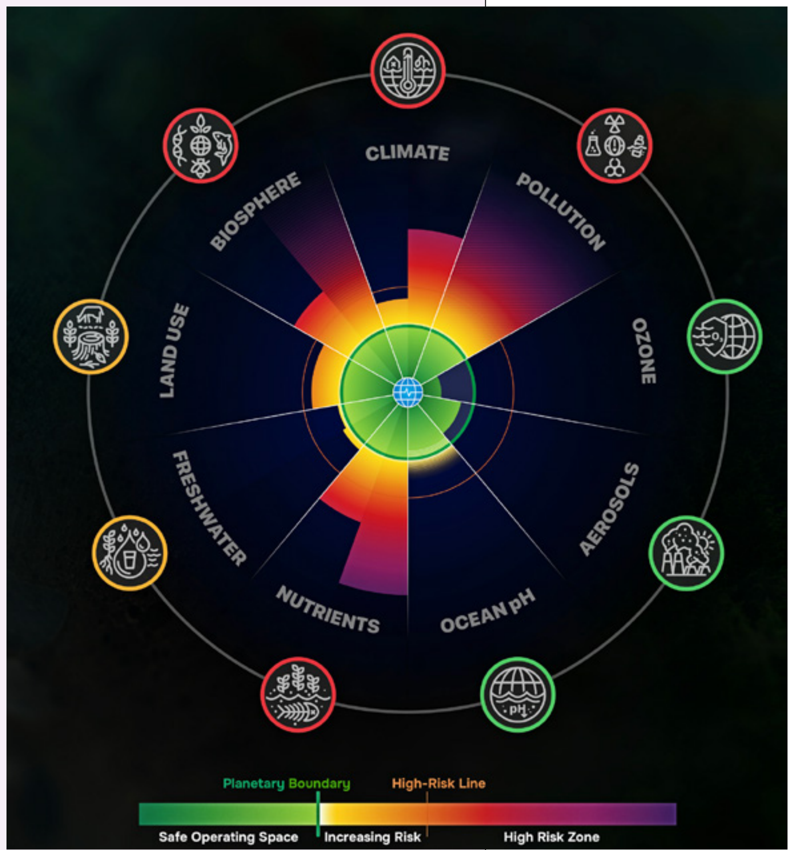
What is the use of a house if you haven't got a tolerable planet to put it on?

— Henry David Thoreau
American author, philosopher & environmental scientist, 1860

↓ State of the planet: several planetary boundary processes at risk of exceeding tipping points.



Credit: Caesar and Sakschewski et al., 2024

Tangible indications of an increasingly unstable physical environment are steadily trending in headlines, newscasts, podcasts, and social media. They come in a variety of forms. One week it's about massive wildfires; the next, abnormal mid-winter temperature swings; flash floods; droughts; missing bees; record-breaking sea surface temperatures.

Beyond the superficial, much of the science on climate and nature suggests that warning signs are flashing on these systemic and intertwined problems. Towards the end of the year, the Potsdam Institute for Climate Impact Research, launched an overview of planetary life support systems, the Planetary Health Check (PHC). The report indicates that planet earth's critical systems are severely risk, with six of nine Planetary Boundaries breached.

What's most relevant from the financial sector perspective is that these risks to the planet's health constitute a systemic risk to human life, and to our ability to sustain the economic activities that investments are based on. For these risks to be successfully addressed, the finance sector has a critical role to play, especially in ensuring that capital is directed away from activities that have the most negative impacts on nature and climate.

As an investor, we address these interlinked issues around nature and climate holistically. Our approach to integrating these considerations into our investment processes and risk management, is reflected in our first joint climate and nature report, which you can read more about in this section.

We recently announced our updated climate policy and targets, detailing: new, more ambitious short-and long-term targets; how we are addressing climate risks and opportunities; and our detailed short-term action plan.

In order to achieve these targets, engagement with companies is one of the most important mechanisms we can use to actively contribute to a net-zero transformation.

An update in this section, "Racing to net zero" reviews our ongoing engagement with the top emitters and climate laggards in our portfolios. Among the top emitters, we see many companies taking significant steps: they have established climate targets supervised at board level, are disclosing their progress in line with TCFD guidelines for reporting. However, their short-term commitments are not aligned with their claimed long-term targets; they lack credible decarbonization strategies and their capital expenditure plans remain unaligned with their stated decarbonization plans.

Through the NA100 initiative, we are collaborating with a critical mass of other investors to engage companies on nature impacts. Our update on the work indicates that the companies engaged, are still only in the awareness stage, but haven't progressed towards taking credible steps on their nature impacts and dependencies.

In addition to company engagement, policy is a vital tool for addressing systemic climate and nature risk, and pushing economic activity on to pathways that are aligned with globally agreed targets for limiting climate change and halting and reversing biodiversity loss. In this section, Storebrand Asset Management CEO Jan Erik Saugestad offers a perspective on what's needed from governments on a major aspect of these systemic risks: to nature and biodiversity loss. We also recap the recent COP16 biodiversity talks and preview the upcoming resumptions of the national level negotiations on securing public and private investment to maintain and restore biodiversity.

Opinion

Seeking alignment on nature

Photo: Fredrik Hjerling

The stalled COP16 biodiversity talks underlined the growing need to drag economic activity back onto pathways compatible with sustaining nature and its services

Text: **Jan Erik Saugestad, CEO, Storebrand Asset Management**

With the stalled COP16 biodiversity talks about to resume, it's worth taking a closer look at just what it will take to close the yawning gap in the level of financial flows currently employed in activities harmful to nature, and those employed towards activities that maintain and restore it.

Stalled biodiversity negotiations
Towards the end of 2024, the 16th meeting of the Conference of the Parties (COP16) to the Convention on Biological Diversity (CBD) took place in one of the most biodiverse countries in the world, Colombia. This major event hosted a record attendance of around 23000 people, with 3000 representatives from the business community among them

The goal of the COP16 conference was to ensure more meaningful action from governments and align public and private financial flows to halt biodiversity loss, which is a systemic risk to people, profit and planet alike.

However, the COP16 talks ultimately ended without agreement on financing by wealthier nations for action to maintain and restore nature in developing economies.

Overcoming the deficit in financial flows
To put the COP16 goals on financial flows into context, it's important to reiterate that all economic activity imposes a negative impact on nature, through vectors such as consumption of resources, pollution and land use change. The negative impacts of these economic activities on nature can result in biodiversity loss. On the other hand, activities aimed at maintaining and restoring biodiversity can have a positive impact on nature, and act as a counterweight to the negative impacts of economic activity.

Success in this considerable task, means focusing on two tracks of effort.

First, and most important, both government and the private sector must stop financing economic activities that are outright harmful to nature. In practical terms, this means eliminating subsidies and investments in business activities that for example overconsume natural resources, or lead to irreversible pollution and destruction of natural ecosystems.

Secondly it means scaling up new and additional funding for activities aimed at positive impact on nature, such as increasing funding for programmes to preserve natural ecosystems like forests and wetlands.

The crucial role of finance
The Global Biodiversity Framework adopted in Montreal at the previous COP conference in 2023 emphasizes the importance of raising finance for nature from all sources, including public and private. In Montreal, governments set a target of raising US$ 200 billion in annual financing for the protection of biodiversity between now and 2030, and reforming US$ 500 billion in economic incentives that are harmful to biodiversity.

It is widely recognized that there is a significant shortfall in financial flows into nature-positive investments. In 2022, nature-based solutions (NbS) financial flows amounted to US$ 200 billion. But these investments were overwhelmed by nature-negative payments of US$ 6.7 trillion.

COP16 witnessed several discussions about environmentally harmful subsidies, as a potential solution to meet the funding shortfall through reallocation rather than relying on new sources. Storebrand, through the Finance for Biodiversity Foundation (FfB), helped design some of these discussions before the conference, by providing clear policy recommendations to governments on alignment of financial flows and the range of financial instruments that can be used to finance nature. At the conference itself, these discussions were followed up with Ministers of Finance and International Development Banks. I was particularly encouraged to see the attendance of several Finance Ministers, as their presence implies that nature considerations are moving beyond the Environment and Agriculture Ministries.

Finance was the main point of contention at COP16: with deep divisions between developed and developing countries, agreement was unfortunately not reached between the countries on financing for nature. That gap creates uncertainty about the total level of financial support that will be available for biodiversity conservation, as well as the role of the private sector in contributing to these efforts. This February, in Rome, governments will resume discussions on this unresolved issue, aiming to bridge this gap by coming to an agreement.

However, progress was made in negotiations on sharing benefits from use of digital sequence information on genetic resources (DSI), which represent hopeful wins for nature. Furthermore, countries did manage to reach a consensus on a new benefit-sharing mechanism for genetic resources, known as the "Cali fund". Businesses in sectors utilizing genetic resources (pharmaceuticals, cosmetics, agriculture) will be required to contribute a percentage of their profits or revenue to the Cali Fund. Although the nature of these contributions is voluntary, this might not be the case in the future.

Bold action must follow
Bold action is needed from governments in 2025, to ensure more meaningful commitments on national implementation; cuts to subsidies for harmful activities; and stimulus for positive activities. Furthermore, its vital that governments reach agreement on the outstanding items of the COP16 agenda, during the intercessional COP sessions that are scheduled to take place in Rome this February.

Accomplishing these initial actions could lay the groundwork for success at the follow-on event, COP17, which will be held in Armenia.

It is widely recognized that there is a significant shortfall in financial flows into nature-positive investments.

Updates

Updated Climate Policy

Storebrand sets new climate targets for 2030

The initial iteration of our Climate Policy for Investments was published in August 2020, outlining our pathway towards Net Zero 2050. That long-term commitment is backed up by short-term climate targets, which we will revise at least every five years, in line with the ratchet mechanism of the Paris Agreement.

Our initial set of targets should be met by end of year 2025, and during 2024 we set new targets for 2030, building on the progress we have made so far.

Pending final approval by the Board, **our updated climate policy and targets are available on our website.** The document outlines both measures we have already taken to mitigate our exposure to climate risk while capitalizing on opportunities, and the actions we aim to take over the period 2025-2030.

Our climate targets are of three types:

- **Asset level emission reduction targets:**
  For the different asset classes we invest in, we have set quantified targets for reduction of GHG intensity. These targets are based on the guidance of the Net Zero Investment Framework of The Institutional Investor Group on Climate Change (IIGCC) and the Target-Setting Protocol of the UN-Convened Net Zero Asset Owner Alliance (NZAOA). In addition to updating and raising the targets for listed equities, corporate bonds and real estate, we have, for the first time, included the private equity and infrastructure asset classes within the scope of our short-term targets.
- **Financing target:**
  We have increased our target for the share of our total investments to be allocated to companies and activities that contribute to global climate goals and other Sustainable Development Goals.
- **Engagement target:**
  Our net zero strategy intends to maximize our contribution towards reducing emissions in the real economy. To achieve this, we will continue to implement a stewardship and engagement strategy, backed by a voting policy that is consistent with an objective for all assets in the portfolio to achieve net zero emissions by 2050 or sooner.

Our new integrated Climate and Nature Report

Follows common structure of the TCFD and TNFD while incorporating TNFD additional core disclosures and metrics

In line with our commitments as early adopters of the Taskforce on Nature-related Financial Disclosures (TNFD) disclosure recommendations, we proudly unveiled our 2024 Climate and Nature Report during the fourth quarter of 2024.

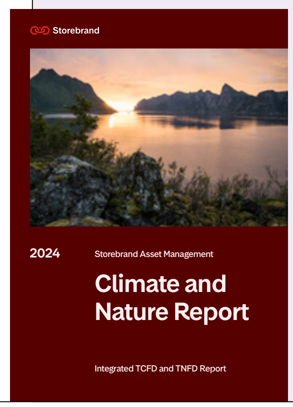
The interconnectedness of nature loss and climate change poses significant risks to the global economy and society. Climate change is a key driver of biodiversity loss, while biodiversity and ecosystems play a crucial role in mitigating and adapting to climate impacts. Since these challenges are intertwined, so must our response be too.

To align financial flows with the targets set by the Paris Agreement and the Kunming-Montreal Global Biodiversity Framework, we need to approach nature and climate holistically.

Storebrand Asset Management is a TNFD Early Adopter, committed to aligning our disclosures with the Taskforce on Nature-related Financial Disclosures (TNFD) from the reporting year 2024. We've already started implementing the TNFD methodology in our portfolios to better understand nature-related risks and opportunities, and we want to share our progress so far.

We're excited to share our first joint Climate and Nature Report, which outlines how we integrate climate and nature considerations into our investment decisions and risk management. This report follows the common structure of the TCFD (Task Force on Climate-related Financial Disclosures) and TNFD, while also incorporating TNFD's additional core disclosures and metrics.

We acknowledge that addressing nature-related data is a challenge for both financial institutions and companies. While there's much work ahead to fully meet TNFD's recommendations, we believe in learning by doing. Producing this report has offered valuable insights into areas where we can improve, and we hope that by sharing our progress, we can foster mutual learning with other stakeholders



Read the **Storebrand Asset Management 2024 Climate and Nature Report**

→ Emine Isciel at the NA100 event

Nature Action 100 results announced

First benchmark assessments reveal need for increased investor focus on nature

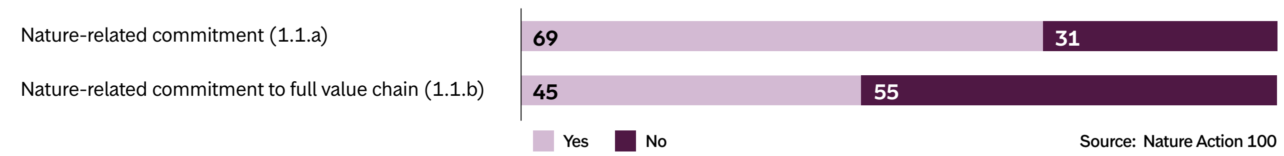
At this year's United Nations Biodiversity Conference (COP16), Nature Action 100, the first global investor-led engagement initiative to address nature and biodiversity loss, announced the results of its first benchmark assessment of corporate progress toward the initiative's Investor Expectations for Companies.

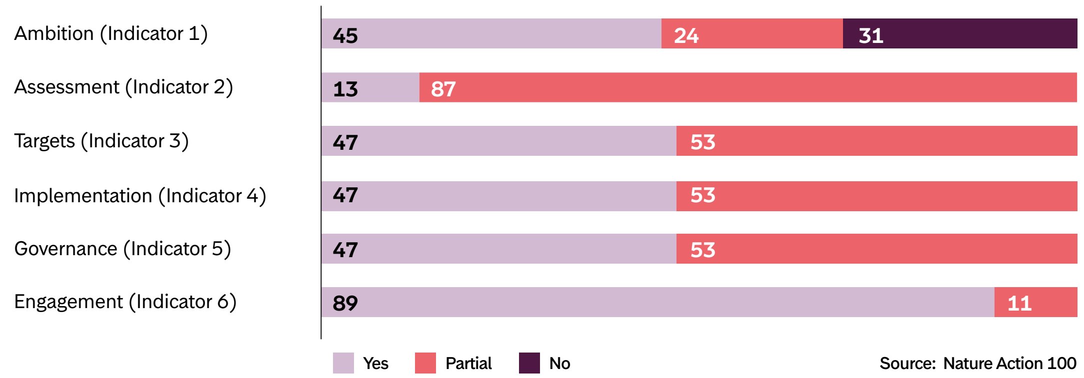
To mark the launch, the Nature Action 100 hosted an event to showcase key findings and speak more widely about the use case for investors. This included a panel discussion featuring **Emine Isciel** from Storebrand Asset Management, Joe Horrocks-Taylor from Columbia Threadneedle, Humberto Delgado-Rosa from the European Commission, and Andreas Dahl-Jørgensen from Norway's International Climate and Forest Initiative (NICFI), moderated by Jérôme Kisielewicz from ICF Investments.

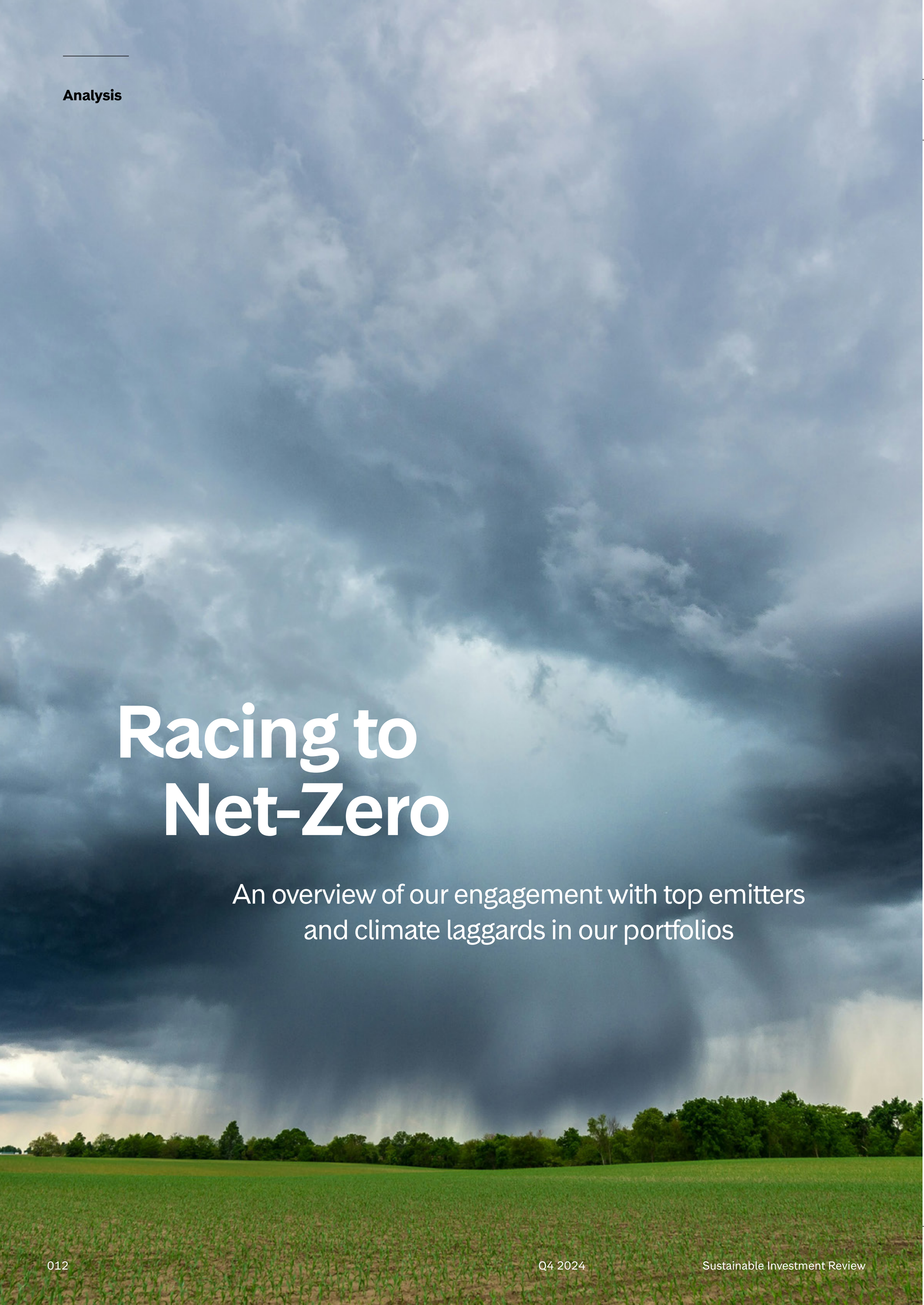
The **Nature Action 100 Company Benchmark** results show that most of the initiative's 100 companies are in the early stages of addressing their nature-related impacts and dependencies. Much more urgent and ambitious action is needed, for companies to mitigate the growing material financial risks their businesses face from nature loss, and to fulfil the private sector's role in reaching global biodiversity goals.

Key findings include:

- **The majority of companies disclose an ambition:**
  Over two-thirds of the group (69 companies) disclose a commitment to protect nature and two-thirds (45 companies) of those have commitments that extend through company value chains.
- **Few companies disclose robust nature-related assessments which are vital to developing credible plans:**
  Only one company discloses evidence of a comprehensive materiality assessment of nature-related dependencies, impacts, risks, or opportunities. A few others have made early-stage progress.
- **A significant number of companies disclose nature targets and plans to implement them:**
  47 companies disclose targets to avoid or reduce their impact on nature and over three-quarters (37) of these companies also disclose strategies for achieving those goals. However, no companies disclose evidence that their targets stem from assessments of material nature-related dependencies, impacts, risks, and opportunities.
- **Companies disclose limited progress towards recognizing and protecting the rights of Indigenous Peoples and local communities:**
  Only 31 companies meet at least one of the five benchmark metrics related to respecting and upholding the rights of Indigenous Peoples and local communities, who play crucial roles in biodiversity conservation, restoration, and stewardship. None of the companies met all the criteria.







Racing to Net-Zero

An overview of our engagement with top emitters and climate laggards in our portfolios

As we move into the critical period between now and 2030, we need to see accelerated action globally amongst a suite of stakeholders to significantly reduce GHG emissions. For investors that are increasingly focused on aligning their portfolios with the net-zero emission target, engagement is perhaps the most important mechanism we can use to actively contribute to a net-zero transformation.

At Storebrand, we have designed an engagement strategy where we put emphasis on both top emitters, meaning the companies that generate the biggest amounts of owned emissions in our portfolios, and "climate laggards", which are companies clearly misaligned with the transition to net zero.

Some of these dialogues have been carried out at the C-suite level and through participation in the Climate Action 100+ and the Institutional Investors Group on Climate Change (IIGCC). This approach supports companies in their transition, making it a more flexible option for those willing to work with high emitters to achieve net-zero goals. Each year, we set expectations for the target companies, outlining where they were falling short and our concerns. Our voting activity supported our approach, too. We reflected on the signal that we would be sending by voting — or declining to vote — with management.

While there is still much more to do, over the past year we saw continued progress against our climate expectations. More companies are committing to net zero and developing decarbonation strategies while explicitly committing to aligning their disclosures with the TCFD recommendations. Undoubtedly there are challenges around direct attribution of impact, but there can be little doubt that investor engagements through collaborative initiatives such as Climate Action 100+ and Net-Zero Engagement Initiative have changed the conversation in terms of putting the spotlight, globally, regionally and sectorally, on the world's largest corporate greenhouse gas emitters and the role and importance of investors in corporate engagement.

For investors that are increasingly focused on aligning their portfolios with net-zero emission target, engagement is perhaps the most important mechanism we can use to actively contribute to a net-zero transformation.

Climate laggards:
Building on the data from various sources, including from Transition Pathway Initiative which focuses on forward-looking indicators, has enabled us to make informed decisions about our engagement strategy and approach to stewardship, both by sector and for individual companies. We use data and tools like TPI to determine whether companies are meeting our expectations to align their targets and plans with the temperature goals of the Paris Agreement. This has enabled us to engage more strategically, based on a solid understanding of what the net zero transition really means in practical terms for companies in the real economy.

Since 2023, we have been engaging with 31 companies with low management score and carbon performance to understand companies' preparedness for the transition to net zero. In December 2024 we made a new assessment of company progress. The key findings from that assessment include:

- **Companies increasingly acknowledge climate change as a significant issue for their business.**
  Out of 31 companies, 12 companies achieved the highest score of 3, reflecting strong management practices and a clear preparedness for the net zero transition. This highlights that nearly 40% of the companies have already implemented robust management frameworks to address climate-related risks and opportunities.

- **A significant number of companies lack strategies for achieving net-zero emissions.** For short-term goals (2027), 12 companies, or 39%, are not aligned, indicating limited or no immediate action to address the transition to net zero. In the medium term (2035), 10 companies, or 32%, remain unaligned, and for long-term goals (2050), 12 companies, or 39%, are not aligned. This indicates a critical gap in their strategies for achieving net-zero emissions.

- **Some companies still do not recognize climate as a relevant risk or opportunity for their business.**
  In total, 12 companies scored 0 or 1, highlighting significant gaps in their management systems, with little to no preparedness for addressing climate-related risks. These companies may lack both transparency and a structured approach to achieving climate goals. Additionally, 11 companies, or 35%, provide no or unsuitable disclosure for all target timelines, raising concerns about transparency and preparedness for the net-zero transition.

Figure 1 – Management Score: The distribution of companies based on their Management Score, ranging from 0 to 3, where higher scores indicate better management performance

Figure 2 – Carbon Performance: This figure illustrates the carbon performance alignment of 31 companies with climate targets.

Figure 1: Management Score

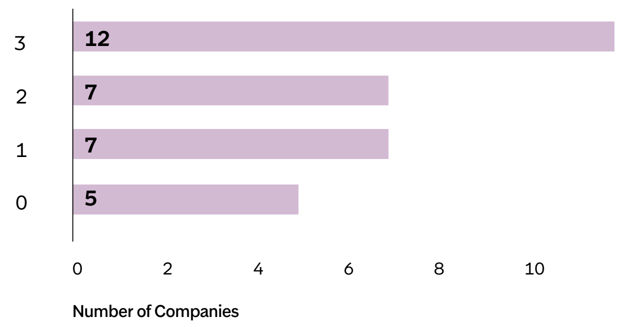
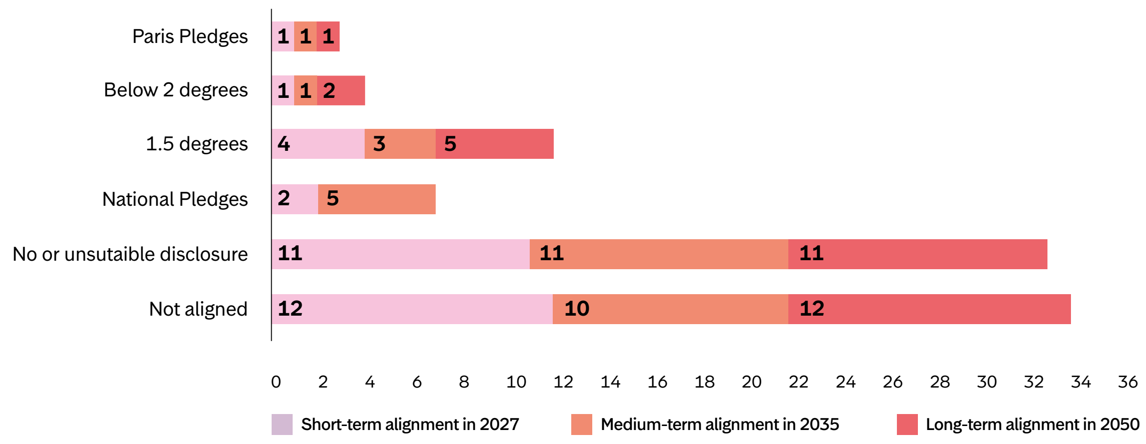


Figure 2: Carbon Performance



Top emitters:
Overall, the results of our assessment show that most companies have progressed in their decarbonation journey, but more urgent and ambitious action is needed to achieve the investor expectations and to mitigate the growing risks their business faces. Key findings include:

- **The majority of companies have made a long-term commitment to net zero:**
  Among the 20 most emitting companies, the majority—17 companies (85%)—have committed to achieving net zero GHG emissions by 2050 or earlier. One company (5%) has a partial commitment, meeting only some of the criteria. Finally, two companies (10%) do not report any long-term ambitions or commitments toward net zero.

- **Half of companies have developed a sufficient decarbonization strategy:**
  Half (50%) of the 20 companies have adopted a comprehensive decarbonization strategy that outlines the measures they will take to achieve their medium- and long-term GHG reduction targets. The remaining companies have partially sufficient strategies that meet some, but not all, of the established criteria. None of the companies lack a decarbonization strategy altogether.

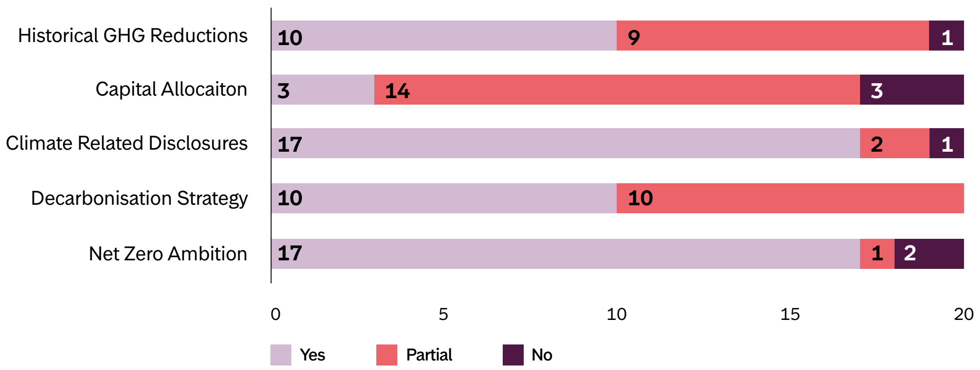
- **Majority of companies disclosure climate-related information:**
  Of the total 20 companies, 17 (85%) have committed to implementing and reporting according to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) or International Sustainability Standards Board (ISSB) Standards. Additionally, 2 (10%) of the companies report in a manner that partially meets the criteria, while only 1 (5%) company does not report at all.

- **A minority of companies have fully decarbonized their capital expenditures:**
  Only 3 out of 20 companies (15%) have implemented comprehensive measures. The majority, 14 companies (70%), have partially decarbonized their capital expenditures. Meanwhile, 3 companies (15%) have not undertaken any decarbonization efforts.

- **A slight majority of companies have achieved reductions in their historical emissions:**
  Specifically, 10 companies (which together make up 50% of the highest-emitting companies) have demonstrated a decrease in both emissions' intensity and absolute emissions. Additionally, 9 companies, (which together make up 45% of the highest-emitting companies) have shown partial reductions in their historical emissions intensity and absolute emissions. However, 1 company (which accounts for 5% of the highest-emitting companies) have not exhibited any decrease in their historical emissions, neither in intensity or in absolute terms.

Figure 3: The following graph presents the results from the company benchmark analysis

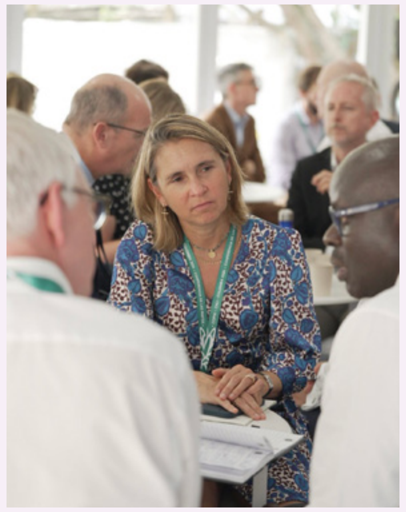
Top emitters benchmark results



Update

Storebrand at COP16

A recap of our participation and activities



← The FfB lunch event gathered stakeholders for informal roundtable discussion on how to advance the Global Biodiversity Framework (GBF)

Nature and climate change have long been two of Storebrand Asset Management's engagement focus themes, and as such, the COP16 conference held in Cali, Colombia this November, was of major importance for our work. This sixteenth meeting of the Conference of the Parties (COP) to the Convention on Biological Diversity, assembled high-level government representatives for negotiations on implementing previously agreed frameworks to align global development with pathways compatible with halting and reversing biodiversity loss.

Storebrand's delegation to the COP16 event consisted of our CEO Jan **Erik Saugestad** and our Head of Climate and Environment **Emine Isciel**. In total, they were asked to take the floor at 14 events, in addition to participating in the formal negotiations.

Plenary speech and FfB engagement

Saugestad spoke at the plenary of the second Finance and Biodiversity Day on Monday 28 October 2024, at COP16. Building on the success of the inaugural event in Montreal, this event aimed to foster meaningful engagement among CEOs, Finance Ministers, and other leaders in biodiversity and finance, providing a platform for high-level debate and collaboration on meeting society's nature goals. It was planned just ahead of the High-Level Segment of the COP attended by Heads of State and Ministers.

COP16 in Colombia also marked the second time the Finance for Biodiversity Foundation (FfB) and its partners (the Secretariat of the Convention on Biological Diversity, the Inter-American Development Bank, United Nations Development Programme, the United Nations Environment Programme, and the World Bank Group) brought together finance ministries, heads of international development organizations and CEOs of leading finance organizations to discuss the potential solutions to successful implementation of the Global Biodiversity Framework (GBF).

On October 28, CEOs of Finance for Biodiversity Foundation engaged diverse groups informally over lunch to discuss key barriers and challenges to advancing the Global Biodiversity Framework (GBF). Inger Andersen, UNEP Executive Director, opened the session, followed by a short setting-the-stage discussion between Olha Krushelnytska, Technical Lead, Coalition Secretariat, The World Bank; Jan Erik Saugestad, CEO, Storebrand Asset Management; and Anita de Horde, Executive Director, Finance for Biodiversity Foundation. The discussion was then followed by roundtable discussions among participants.

High-level closed-door event on nature-positive finance

On October 29, the Finance for Biodiversity Foundation brought the wider group together for a high-level closed-door breakfast focused on solutions and opportunities to drive nature-positive finance forward. This multi-stakeholder dialogue highlighted the need for a whole-of-government approach to address key targets and goals of the GBF on the alignment of financial flows, and, in particular, to include finance ministries into the design and implementation of Nationally Determined Contributions (NDCs) and National Biodiversity Strategies and Action Plans (NBSAPs). The participants also agreed that it is essential to embed nature and climate considerations across all policies and investments, as well as to step up efforts on scaling up financing for nature.

The meeting was attended by a diverse group of stakeholders. These included coalition members such as a government minister from Colombia, Uganda and the UK; and State Secretaries from France, Finland, Germany. CEOs attended representing Storebrand Asset Management, Mirova, Fondaction, Church Commissioners of the Church of England, and Arkea Capital. Also present were the coalition's institutional partners, Chief Sustainability Officers (CSOs) and Heads of Sustainable Investing of lead finance organizations, and representatives of government ministries of environment.

Event on sustainable land use and deforestation

Storebrand also organized an event on deforestation with key partners. The event, "Bridging the gap: How effective policy can promote sustainable land use and mitigate deforestation", took place on Tuesday, 29th October 2024.

At the gathering, representatives from government, the private sector, and civil society, were able to foster a deeper understanding of how policies can promote sustainable land use, combat deforestation and discuss the role of multi-stakeholder partnerships in driving systemic change. Manuel Pulgar-Vidal, a former Minister of the Environment of Peru and CBD Action Agenda Champion for Nature and People, held the keynote remarks. In his remarks, Pulgar-Vidal highlighted the importance of the food-nature nexus and the importance of redirecting investments that drive commodity-driven deforestation, conversion, and associated human rights abuses from their portfolios.

A panel discussion followed, moderated by Niki Mardas, Executive Director, Global Canopy. Reflecting a cross section of stakeholder groups, the panel participants included Garo Batmanian, Director General of Brazilian Forestry Service at the Brazilian Ministry of Environment and Climate Change; Hugo Schally, Advisor for International Negotiations, European Commission; Leonardo Colombo Fleck, Senior Head of Sustainable Innovation, Santander Brazil; Rob Cameron, Global Head of ESG Engagement, Nestle; and Kiran Sehra, Nature and Biodiversity Lead, Aviva Investors. Together, they engaged in a discussion addressing the role and effectiveness of regulation in promoting sustainable land use, product traceability, and combating deforestation.

↑ Storebrand Asset Management CEO Jan Erik Storebrand speaking at the plenary of the second Finance and Biodiversity Day of COP16 in Cali, Colombia

↑ The FfB high-level closed-door breakfast was a rare opportunity for diverse group of stakeholders to share thoughts and learnings in person

↑ Manuel Pulgar-Vidal, former Minister of the Environment of Peru delivering the keynote remarks at Storebrand's event on deforestation at COP16