Storebrand

# UK Stewardship Code

Storebrand Asset Management Stewardship Activities and Outcomes for the Reporting Year 2023

30.04.2024

# Contents

# Scope and Reporting Entity

In total, NOK1,058bn [GBP81.8bn][1] is invested in the Storebrand branded products, which are managed by Storebrand Asset Management (SAM). These funds, which follow a common stewardship strategy directed by the Storebrand Risk and Ownership Team in collaboration with portfolio managers, are the scope of this report.

SAM is a subsidiary of the ultimate parent entity Storebrand ASA. In addition to the Storebrand branded funds managed, SAM has three autonomous and separate investment and advisory entities (Cubera, SKAGEN Funds, and Capital Investment). These entities are outside the scope of this report as they have independent strategies for portfolio management and stewardship. None of the NOK1,058bn in scope for this report is managed by Cubera, SKAGEN Funds or Capital Investment.

The Storebrand Risk and Ownership Team, which sits in SAM, is responsible for stewardship actions relating to SAM's systematically and passively managed funds and for working in cooperation with SAM Portfolio Managers on SAM's actively managed funds. This team also has a group-wide responsibility to manage common sustainable investment policies and actions for SAM.

## Legal Structure of the Storebrand Group


[1] Converted using exchange rate of 12.9342 as at 29 December 2023 Source: Exchange rates (norges-bank.no)

# Introduction: Commitment in tumultuous times

Storebrand's business is built around a long-term vision for the year 2050 as a world in which 9 billion people live well, and within the earth's natural limits. We integrate this vision and its values into our core asset management business, seeking to generate the best possible risk-adjusted returns while taking sustainability considerations into account.

For SAM, sustainable investing is necessarily part of enacting our fiduciary duty. However, our disposition is enacted in a space where ESG investing has increasingly been politicised and subject to attacks, particularly in the United States but also in the United Kingdom and the Nordics. Since 2021, nearly half of all US states have instilled some kind of anti-ESG measures, ranging from statements from state legislators to divesting of ESG-oriented asset managers from public assets. In fact, as I have said many times over the past few years, Storebrand itself can be applauded for its ESG sensibility in 30 states and be reprimanded for it in 20 others.

I am certain that this hostile attitude is in the process of shifting: On September 21, 2023, a federal judge in Texas dismissed an action that brought together more than 20 Republican state attorneys in challenging the most recent Department of Labor rule favouring ESG investing. The court reiterated the Department of Labor thinking that ESG factors might have a direct relationship to the economic value of investments and confirmed that the consideration of ESG factors does not preclude the consideration of financial benefits. In fact, the court acknowledged, failing to consider ESG-related risk-return factors could constitute a violation of the duty of prudence in some circumstances[2]. This might be the beginning of the end for the ideological polarisation in the US against ESG investing, pending the results of the upcoming presidential election. And it certainly sets an example for other jurisdictions.

**The anti-ESG backlash is not about what ESG investing is seeking to achieve in the real world. Rather, it is a contestation over its narration.**

Opponents of ESG investing employ a narrow perspective on investment risks to appeal to their audiences. They frame ESG investing as conflicting with the interests of shareholders and other people who are reliant on our fossil-fuel-powered economies. In that framing, ESG investing means plight for the masses. But the problem here is not ESG investing. It is to be able to create a transition pathway that is not leaving any group of people behind, which requires governments, investors, companies, and civil society to work together. ESG investing is not the problem, its narrow framing as putting money into elite projects

[2] Texas Court Upholds Rule on ESG Factors in Retirement Plans (natlawreview.com)

and stripping the people of their standards of living is.

**Developing a counter-narrative to the critique of ESG investing requires finding a new equilibrium. We should have a good hard look at ourselves and what we are doing to make ESG investing more resilient into the future.**

This new equilibrium necessitates investors, companies, and governments rethink their way of being and working, coming up with clear goals and even clearer methodologies. Investors have some pressing tasks ahead: First, they should be more articulate about how integration of ESG factors results in better returns in the long run. Second, they should recognise the dilemmas that come with ESG integration. We will see many ESG dilemmas unravelling in the future, where different understandings of what is good for stakeholders will clash. We are already seeing a few, such as the Norwegian government's recent decision to open its continental shelf to deep-sea mining or Tesla's refusal to allow collective agreements in its repair shops in Sweden.

**Finally, investors should be better team players when it comes to corporate engagement processes. Engagement activities are more likely to succeed when there is coordinated effort on the part of investors.**

Where others see discouragement, I see three hopeful developments for investors:

1. There is now a wider recognition that ESG integration is relevant and even necessary for long-term risk-adjusted returns.

2. It is now widely accepted that ESG integration is creating additional value for clients—**value beyond return**. And that is much appreciated by clients.

3. We see improvements in transnational regulation to allow further flourishing of ESG investing. We have seen this with COP15, where the historic Kunming-Montreal Global Biodiversity Framework was agreed upon, and we are seeing it with COP28, where another landmark agreement about transitioning away from fossil fuels was accepted. These are promising developments for ESG investors—We now need national legislation and regulation to tangibly bolster sustainable investments in this vein.

As outlined in this report, policy engagement has been a key strand of our approach to stewardship for the past few years and will continue to form an important part of our strategy going forward. Along with our other stewardship activities, involving not least the dialogues with investee companies and our voting practices, I hope that this report will attest to the central role stewardship takes in our business, in delivering the best possible long-term risk-adjusted returns to our clients.

**Jan Erik Saugestad**
**CEO of Storebrand Asset Management**

# Principle 1

Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

The Storebrand Group has roots dating back to 1767 and is a leading player in the Nordic market for long-term savings, pensions, banking and insurance. Storebrand Asset Management (SAM) was established in 1981 to manage the assets of its parent Storebrand ASA. Since its inception it has acquired external mandates and incorporated autonomous boutiques to form an asset management group.

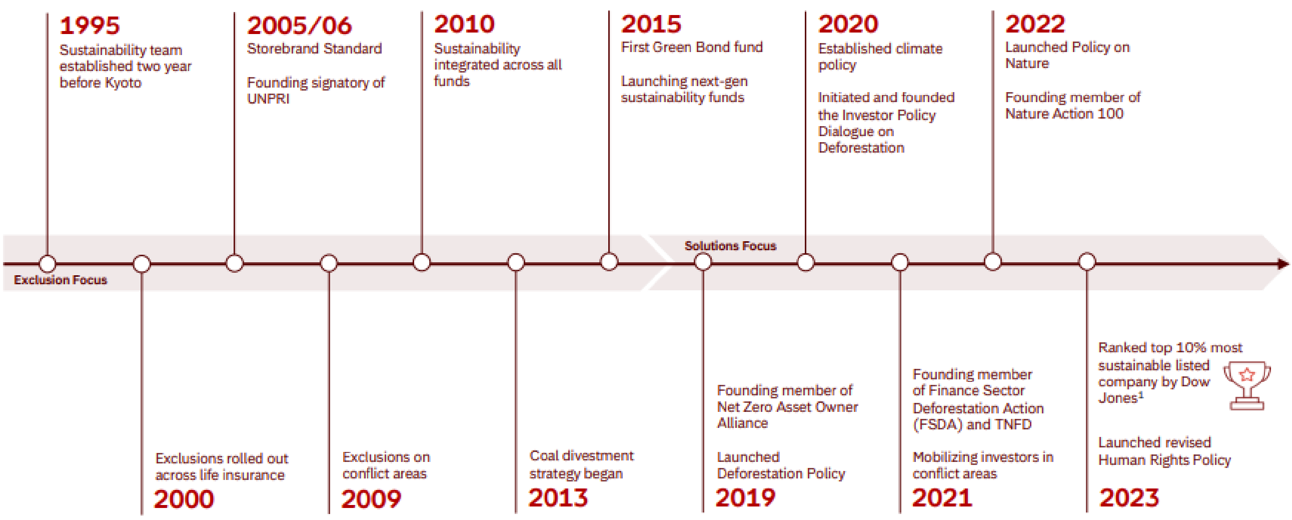
## Our Purpose and Vision

As a fiduciary, our main goal is to ensure the best possible risk-adjusted returns for our clients.

At the same time, we acknowledge that, delivering the best possible risk-adjusted returns means protecting the ability of future generations to meet their own needs. We are inspired by the 1987 Brundtland Report from the World Commission on Environment and Development (WCED), which was sponsored by the UN and chaired by former Norwegian Prime Minister Gro Harlem Brundtland. Under Brundtland, the WCED defined sustainable development and developed long term solutions linking environmental and social issues with economic growth. Owing to our Norwegian legacy, sustainability has been a key consideration for Storebrand from day one.

Storebrand was an early integrator of sustainability, creating its separate sustainability team in 1995 to ensure the incorporation of long-term environmental and social sustainability principles into our

## Figure 1: Storebrand's Sustainable Investing Journey




1 Storebrand included in Dow Jones Sustainability Index | Storebrand (mynewsdesk.com)

practices at every step of our investment process. While our sustainability focus began with excluding companies and products harmful to society and the environment, it has evolved to become more sophisticated and incorporate the consideration of ESG risks into our analyses and portfolio construction processes over time.

In addition to being sustainability pioneers with some important exclusion strategies, Storebrand has demonstrated leadership in being a founding member of the **UNPRI** and **Net Zero Asset Owner Alliance**, being early to integrate sustainability across all funds under management in the Storebrand Group, launching the first Green Bond Fund and being early to launch specific and dedicated deforestation, climate change & lobbying, and nature policies. Most recently, Storebrand ranked among the top 10% in Dow Jones Sustainability Index.

Member of
Dow Jones
Sustainability Indices
Powered by the S&P Global CSA

As you can see in Figure 1 above, our sustainability practice has evolved over time to fuse our solutions focus, investing to address environmental and social problems that we are facing, with an exclusion focus where necessary.

Our **investment beliefs** are based on the assumption that the companies which contribute to solving our societal problems in a sustainable way will also be the most profitable in the long run. Storebrand Asset Management's Sustainable Investment Policy aims to help ensure our clients' future returns.

**We believe companies that understand and utilise sustainability in their business strategies will outperform their counterparts over the longer term.** Investing sustainably is thus essential in order to achieve the best possible risk-adjusted returns for unit holders, which is our ultimate goal.

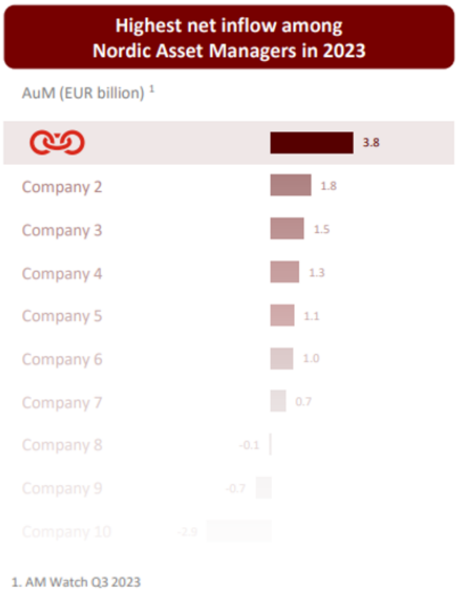
Providing the best possible risk-adjusted long-term returns to our clients obligates an utmost care for the environment and society - not compromising the ability of future generations to meet their own needs. We call this, **value beyond return**, and it helps our clients build a future to look forward to. **Storebrand's vision involves creating a future that our clients can look forward to.**

This vision gives purpose to our business strategy and, as a result, SAM has been working with sustainable investments for over 30 years.

## Our Business Strategy

SAM has a strong position in the Nordic markets, as demonstrated by receiving the highest flows amongst Nordic Asset Managers in 2023 (Figure 2) and receiving high recognition by our clients in Sweden and Norway, where we are ranked as the sustainable investing leader (Figure 3), according to external verification from **Prospera**. We believe the leading inflow levels and our ranking as a sustainable investment leader indicate that we are effective in serving the interests of clients.

# Figure 2

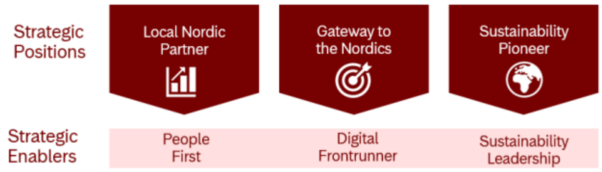



# Figure 3


We aim to build on this strong Nordic foundation and use our position and experience as a sustainability pioneer to become a **world leader in sustainability**.

SAM's business strategy is structured around three long-term strategic positions, underpinned by three foundational enablers, as illustrated in Figure 4.

**Figure 4: Long term strategic positions and enablers**




Our position as a sustainability pioneer has been central to our international success in recent years. We have sought to grow our international business through offering clients a 'Gateway to the Nordics', leading with our approach to sustainable investing. The majority of our international growth has come from sustainability focused clients seeking integration of environmental and social factors, either through systematic or active investment strategies. Our fossil-free fund range has been particularly successful in the UK, mimicking the growth of our Swedish fossil-free business.

Our experience is that international clients appreciate the holistic approach to sustainable investments offered by SAM. All products, whether systematically managed or active, integrate the Storebrand exclusion criteria and we apply a top-down approach to engagement on key sustainability themes. Stewardship is undertaken by SAM on behalf of the full AUM, and not a sub-set of 'ESG' themed funds. For example, clients invested in our systematically managed climate-aware equity fund range, the Storebrand Plus Funds, benefit from the SAM firm-wide stewardship initiatives on human rights and other social and environmental issues.

Further, we assess sustainability related risk exposures across all of our AUM and seek to establish engagement initiatives, either at a policy or corporate level, to act as responsible stewards on behalf of our clients. For example, during 2023, we undertook a piece of work to better understand our nature-related risks and opportunities as we look to implement the new **TNFD methodology** and to be in the first round of corporate disclosers on that front. This has involved supporting initiatives to improve data quality on deforestation, such as through the **Forest IQ initiative** which launched in October 2023, and engaging both with policymakers and companies on the elimination of commodity-driven deforestation from operations, supply chains and financing.

## Our Approach to Sustainable Investing

We take an integrated approach to sustainable investing, combining our sustainability strategy with our investment beliefs. To this end, we adhere to a four-pronged approach:

1. **Solutions-driven investment**: contributing to positive influence by allocating more capital to equity investments in solution companies, green bonds, bond investments in solutions, and investments in certified green real estate and green infrastructure.
2. **Active ownership**: engagement, including voting, on many dimensions and with many stakeholders, to enable or influence the companies we invest in, to reduce their negative impact on climate or society.
3. **Exclusion:** screening out and/or exiting investments that are not likely to be aligned with our sustainability principles.
4. **Portfolio Integration:** ESG analysis is used as a risk management tool in portfolio construction. We use ESG data to tilt systematic portfolios and manage active strategies with explicit sustainability related objectives.

**Solutions-driven investment**

*Solutions-driven investment is defined as investments in companies that help achieve the UN Sustainable Development Goals through products, services and operations, without causing significant harm to society or the environment.*

*We identify companies contributing to sustainable development through their products or services. We include company equity and debt investments in our calculations and estimate their solution exposure (ranging from 25% to 100%) using both external datasets and internal proprietary research. Exposure estimates at a company level are aggregated to estimate total portfolio solutions exposure.*

*Our solution exposure estimate is focused on revenues but we are mindful that smaller companies in a start-up phase may represent great opportunities – and we apply the "do no significant harm" principle.*

*Our solutions definition also encapsulates green bonds, infrastructure, certified Real Estate and impact-focused Private Equity.*

## Storebrand Exclusion List Q4 2023

| Exclusion category: | |
|---|---|
| Conduct-based exclusion - Environment | 20 |
| Conduct-based exclusion - Corruption and Financial Crime | 9 |
| Conduct-based exclusion - Human Rights and International Law | 57 |
| Tobacco | 28 |
| Controversial weapons | 40 |
| Climate - Coal | 117 |
| Climate - Oil sands | 5 |
| Climate - Lobbying | 4 |
| Arctic drilling | 0 |
| Deep-sea mining | 1 |
| Marine/riverine tailings disposal | 4 |
| Deforestation | 14 |
| Cannabis | 0 |
| State-controlled companies | 15 |
| **Total number of companies** | **314*** |
| Total number of companies | 4 |

*Companies may be excluded on the basis of several criteria

Taking this approach enables us to be a driving force for sustainable investments, contributing to positive change and development, while reducing financially material risks. It also allows us to set ambitious sustainability related commitments across our business, with clear means of addressing sustainability risks and opportunities towards achieving our goals.

## Our commitments:

SAM has an ambitious set of sustainability goals in the composition of our investment portfolio, from the near term through to 2050 (Figure 5). These targets are fundamental to our fiduciary duty in delivering strong long term returns to our clients. The significance of these commitments to our business means that they must be ambitious but achievable within the nature of our activities. We have several goals designed to meet our external commitment to the **Net Zero Asset Managers Initiative (NZAMI)**.

Further, around half of our AUM is managed on behalf of companies in the Storebrand Group, which has verified Science Based Targets (covering all AUM)[3] and is a founding member of the **Net Zero Asset Owners Alliance (NZAOA)**. The commitments are

## Figure 5: Sustainability Commitments and Target Dates

| Category | Commitment | 2025 | 2027 | 2030 | 2050 |
|---|---|---|---|---|---|
| Solutions | 15% of AUM in solutions | ○ | | | |
| Emissions | Reduce portfolio emissions by 32% | ○ | | | |
| | Net Zero Emissions | | | | ○ |
| Science-based Targets | 42% of portfolio SBTi aligned | | ○ | | |
| Biodiversity | Nature risk assessed and biodiversity targets set | ○ | | | |
| Deforestation | Zero commodity deforestation | ○ | | | |
| Human rights | Substantial alignment with UN guiding principles | | | ○ | |
| Living Wages | Living wages acknowledged in target sectors | | | ○ | |

[3] Storebrand's Science Based Targets

therefore designed in collaboration across Storebrand Group companies to ensure relevance.

Our sustainability experts in the SAM Risk and Ownership Team develop proposals for our commitments. They base these on an assessment of our assets under management (asset mix etc) and scientific pathways for net zero 2050, without overreliance on negative emissions technologies. This proposal is discussed with, and approved by, the CIOs of each business area in asset management. This group-wide commitment is fundamental to our business offering. Strategic and operational implementation of sustainability shall be anchored in, and followed up by, the management and the boards of the Storebrand Group and its subsidiaries. The boards of directors of subsidiaries have overall responsibility for ensuring that the company works with and reports on sustainability in accordance with national laws, legislation, and regulations from the EU, as well as obligations and ambitions Storebrand has undertaken. As part of the annual strategy process, the boards will consider the company's sustainability strategy.

Our sustainability commitments and targets underpin and inform our investment strategy and require that our product design and engagement approach integrate environmental and societal concerns for long term economic benefit. This is evidenced by our engagement themes (Principle 9), voting activity (Principle 12), leadership on industry developments (Principle 10) and investment outcomes (Principle 7).

At present, 13 percent of our assets are invested in solution companies that contribute to the UN's Sustainable Development Goals, green bonds and certified green property investments (as defined above). In addition, almost 50 per cent of assets under management at the end of 2023 were invested in fossil-free funds.

## Our culture and code of conduct

The Storebrand Group recognises that corporate culture is central to enabling and improving our stewardship activities. This culture applies to SAM within the Storebrand Group. The two most important aspects of our culture in this vein include emphasis on trust and transparency and on open communication allowing top-down and bottom-up synergy of ideas.

### Trust and transparency

Our business, indeed the financial sector in general, is dependent on trust from customers, authorities, shareholders and society at large. In order to gain our clients' confidence, we must display professionalism, skill and high ethical standards at all levels. This applies both to the Group's business operations and the way in which every one of us acts, with due diligence and accountability.

All companies in the Storebrand Group use e-learning tools for employee training in ethics, anti-corruption, anti-money laundering and anti-terror financing, as well as privacy and digital trust. These employee courses are mandatory each year to ensure responsible business practices are maintained in line with our Group **Code of**

**Conduct**[4]. In addition to the guidelines and internal rules that oversee employee and management behaviour, we value trust as a soft commodity, as the mutual feeling of security in the fairness, benefit, and sustainability of a business relationship. We acknowledge that trust is difficult to establish and sustain, and very easy to undermine.

To this end, we constantly seek to engage our employees on this vital aspect of their work, and our stewardship practices. A recent example of these efforts was the focus theme in our **Sustainable Investment Review for Q2 2023**[5]. We asked our colleagues across the organisation to dwell on the role of trust in what they do. They responded as follows:

**How do you prove that you are worthy of trust as an institution?**

"By showing consistency in how we work and by being predictable. By having integrity and staying true to your values. By putting effort into building long-term relations."

***Jørgen Hjemdal, Head of Institutional Client and Distribution***

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**What is the role of trust in what you do?**

"When we talk about the role of trust in my work, we are actually talking about many layers of trust operating between different people and institutions. When a client invests with Storebrand, they place their trust in us. But then, most clients I work with are large public pension funds, and they have many underlying beneficiaries who placed their trust in these institutions. So, it permeates right along the investment chain; there is the trust between Storebrand and the fund, and then trust between the fund and its beneficiaries."

***Lauren Juliff, Climate and Sustainability Product Lead, Head of UK Institutional***

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"In our business, trust is everything. Our clients are not experts on every aspect of investment, and this is a fast-evolving area, so it's important that they feel that they can outsource the management of their portfolio to us. So that means we need to first earn their trust and then live up to their expectations. An important way of doing that is through being honest and transparent, delivering on our role and our promises, and having good dialogue with all clients."

***Anna Jönsson, CEO Storebrand AM Sweden***

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**Your work involves finding new markets for Storebrand. How do you establish a trusting relationship with your new clients?**

"Long before going to the clients, I believe trust first starts here at our offices in Lysaker. To have trust with a client, we need to have trust in the office, in the systems we have in place, and the people we work with, who are central to the solutions we produce for clients. If there is trust within our

[4] Ethics and Code of Conduct

[5] Sustainable-Investment-Review-Q2-2023.pdf (storebrand.com)

organization, then it is easier to filter out this trust to the clients we work with. This also involves being able to take responsibility for the decisions you make. There should be a connection between a person and a decision made, so that you can be fully sure that everything fits well together."

***Spiros Alan Stathacopoulos, Head of International Distribution***

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**How do you trust a portfolio company lives up to its sustainability narratives?**

- "One problem that we need to pay close attention to is greenwashing. This usually happens when companies overstate their sustainability impact and try to ride the wave of sustainability orientation that clients and portfolio managers have. To make sure we do not fall prey to greenwashing, we need to ensure that the company is accurately describing and communicating its impact, both qualitatively and quantitatively. This requires us portfolio managers to really dive deep into the core of the company's product or service and see whether their future ambitions, targets, and milestones are actually aligned with reality. This is one of my favorite parts about being a portfolio manager for Solutions: I enjoy analysing and evaluating a company not just by looking at its financial statements but also through a deep dive into its business model and proposed technology."

***Sunniva Bratt Slette, Senior Portfolio Manager***

## Open Communication and Challenge

SAM prides itself on an open corporate culture. Openness is a prerequisite for motivation, trust, and safety. All employees should be able to safely raise both small and large issues with management and colleagues.

This aspect of our culture is evidenced in the way we undertake policy engagement and express ourselves externally. SAM's leadership team has been outspoken on sustainability issues, both domestically and internationally, and has been prepared to challenge policy makers.

Our CEO **Jan Erik Saugestad** has been an important figure in the financial sector's engagement on deforestation and nature and biodiversity risks.

We began 2023 with a boost for our commitments on nature, on the back of the December 2022 COP15 discussions in Montreal. Saugestad participated in the closing high-level session at COP15, sharing his view on how the finance community can act decisively on nature. He emphasised our intention to join forces with like-minded investors for influential action on nature related investment issues and promoted SAM's Nature Policy, which guides our investment decisions as we continue to work to reduce our negative impacts on nature and increase our positive contribution in 2023 and beyond. During 2023 this work continued at force, involving a number of initiatives to improve data quality and to understand our nature related risk exposures and opportunities (more in Principles 2 and 6).

In November of 2023, Saugestad spoke in a Norwegian Parliamentary hearing, condemning government proposals for opening up areas on the Norwegian continental shelf for commercial seabed mining activities. Storebrand has backed a moratorium on deep sea mining together with companies such as **Volvo, BMW** and **Google**.

**This kind of activity from our leadership team instils a sense of purpose and exemplifies our corporate culture.**

Further, it is apparent in the two-way dialogue between management and employees and between different departments within SAM.

For instance, during 2023, SAM climate experts outside of the Risk and Ownership Team identified challenges with regulatory reporting proposals related to the use of corporate climate data. Portfolio Manager of the Storebrand climate-aware equity fund range (The Plus Funds), **Henrik Wold Nilsen** and Climate and Sustainability Product Lead in the UK, **Lauren Juliff**, have written a number of whitepapers [links provided in bibliography] related to the use of climate data in portfolio construction and reporting, focusing on unintended outcomes for investors. Their commentary on the implementation of ISSB IFRS2 led to an engagement with the GHG Protocol on the design and use of their Scope 3 standard. Following this engagement, the GHG Protocol invited them to apply for their new Scope 3 advisory committee. Nilsen and Juliff raised the opportunity with the Risk and Ownership Team and one of our policy engagement experts, **Vemund Olsen**, was put forward for the committee.

As this example demonstrates, we value intra-institutional collaboration in improving our stewardship practices and outcomes for our clients. It is not a one-person or one-team job, we appreciate initiatives brought forward from all parts of the organisation, particularly those that reflect our clients' needs and views.

Finally, we believe that being a good steward starts at home. We work purposefully to reduce the environmental impact of our own operations, through investments, through procurement and property management. We have been carbon neutral since 2008, with the buying of quotas to compensate for our own on-site emissions. Our campus has been Eco Lighthouse certified since 2009. Moreover, at the Storebrand Group level, the sustainability team sets and follows targets on energy and water consumption, waste production and sorting rate in the office premises to ensure that we further reduce our footprint. We also track employee carbon footprint stemming from business trips, and we have an internal carbon price on flights taken for business, which is charged to employees' departments, and followed up by managers to gauge our travel habits.

We enable and encourage employees to reduce their environmental impact and we promote development and the adoption of environmentally friendly technology. To give a few examples, we encourage employees to reduce their plastic use by supplying alternatives, we help employees reduce their food waste by encouraging our in-house food share program "Grab & Go," and we offer e-bikes on loan at the office as well as discounts at the local bike shop.

## Diversity and Inclusion

We always strive to be an organisation characterised by inclusion and belonging. All Storebrand employees shall be treated equally, regardless of age, gender, disability, cultural background, religious beliefs, or sexual orientation, both in the recruitment processes and throughout their employment. We have zero tolerance for harassment, discrimination, and gender-based violence. Our goal is greater diversity and better gender balance in senior positions in all parts of the Group. Measures include nominating an increased proportion of women to leadership development programs and in recruitment processes for management positions. For the Board of Storebrand ASA, the requirement is that the gender balance should be 50/50 between men and women. SAM nominates 50/50 to all leadership/training programmes as well as all internships and trainee programmes.

Our Diversity and Equal Opportunities Policy[6] outlines our approach to ensuring diversity, inclusion and equality through defined processes for recruitment, organisational changes, salary adjustments and management training. The Board follows up with the CEO on several sustainability indicators, a focus for 2022-2023 was to strengthen gender equality. We have a diversity committee with participation from the entire Group. The committee has focused on diversity, inclusion and belonging, and offering courses on inclusive leadership.

In 2023, we continued our partnership with the **Women in Finance Charter**, which we signed in 2021. Companies that sign commit to set internal goals for gender balance at the management level and among specialist positions have a dedicated manager responsible for following up on such plans, publishing status and follow-up regularly, and ensuring coherence between goal achievement and compensation. Storebrand has participated in the tripartite **Inclusive Working Life (IA)** program since 2002. The program hypothesises that work promotes good health and well-being and that early, active intervention can prevent absenteeism. The Group's managers have established routines for inclusive follow-up of employees in the event of illness.

In 2023 the Storebrand Group became number 1 in the **SHE Index**[7] (**Social Human Equity)**. The She Index is a voluntary measurement of how companies perform on gender balance, gender equality policies and diversity and inclusion.

The Storebrand Group demonstrates tolerance for employees' and other stakeholders' attitudes and opinions. No one shall discriminate or harass their colleagues, partners, customers or other stakeholders. All those who feel discriminated or harassed shall be taken seriously. In connection with service assignments, for example on

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[6] Diversity and Equal Opportunities 2022 (storebrand.com)

[7] SHE Index

business trips, employees shall not behave in a manner that can violate human dignity.

In terms of gender equality, the Storebrand Group strives to ensure a balanced distribution between genders: Storebrand Group's 46% of employees are female whereas within Group Executive Management the percentage of females reaches 50%.

# Principle 2

Signatories' governance, resources and incentives support stewardship.

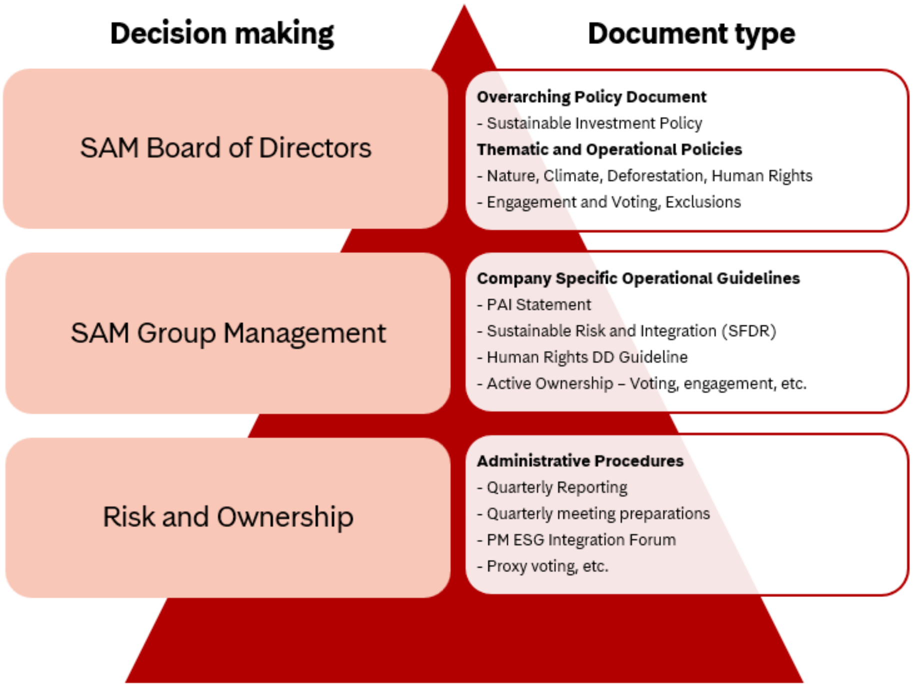
## Governance

Figure 6 illustrates the responsibilities of the SAM management team, and the Board, with regards to sustainable investment policies and decision making, including stewardship.

Sustainable Investment Policy. Storebrand Asset Management's Sustainable Investment Policy is approved annually by the SAM Board of Directors. The Sustainable Investment Policy, and the Thematic and Operational Policies, are drafted by the SAM Risk and Ownership Team, with input from the SAM CIOs and the Head of Sustainability at Storebrand ASA. They are approved by the SAM Board of Directors and are applicable to all assets managed on behalf of the Storebrand Group.

Asset owners may implement more ambitious strategies regarding ESG in their

**Figure 6: SAM Sustainable Investing Policy Governance Framework**




The Board of Storebrand ASA is responsible for the strategy for sustainability work in the Group. The Storebrand Group CEO shall ensure that asset owners and the asset manager have ambitions for sustainable investments in line with this strategy.

The CEO of SAM is responsible for ensuring that these ambitions are reflected in the investment mandates given to SAM, but all investment entities in the Storebrand Group must abide by the Sustainable Investment Policy and the underlying Thematic and Operational Policies. Each entity is individually responsible for implementation of those policies within their own businesses and according to their distinct investment approaches.

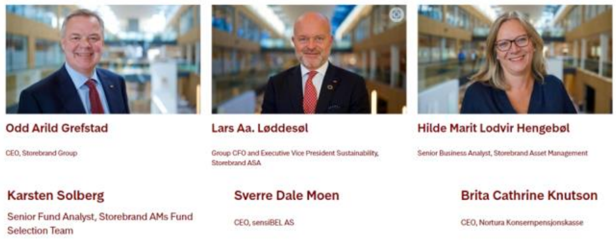
Storebrand Asset Management (SAM) is governed by SAM Group Management, consisting of 11 people responsible for leading its key business areas and leaders from independent investment entities, as shown in Figure 7. This team is responsible for SAM's Company Specific Operational Guidelines for sustainable investing, voting and engagement, in line with the **Sustainable Investment Policy** and Thematic and Operational Policies, consisting of the following:

- **Nature Policy**
- **Climate Policy**
- **Deforestation Policy**
- **Human Rights Policy**
- **Engagement and Voting Policy**
- **Exclusion Policy**

The SAM Group Management team reports semi-annually to the SAM Board of Directors, which includes the CEO of Storebrand ASA, **Odd Arild Grefstad**.

**Figure 7: SAM Group Management Team**


**Figure 8: SAM Board of Directors**




SAM's business unit goals and targets are reviewed four times a year by the management group and semi-annually by the Board of Directors in order to align investment strategy and culture with stewardship responsibilities and our long-term sustainable investment goals.

SAM's objectives are strategically linked to the Storebrand Group level objectives in that we deliver investment products to meet the sustainability commitments of the Group. We are aligned in our Group-wide commitments to net zero emissions by 2050, as outlined in Principle 1.

The overall ambitions and principles for the Group's work in sustainable finance and sustainable investments are determined by the Board of Directors. An overarching strategic goal in recent years has been to strengthen sustainability as a competitive advantage. Each business entity within the Storebrand Group has its own strategy for sustainability work which is adopted by its respective board, with Asset Management distinct from Insurance and Banking. The strategies are aggregated in a Group strategy, approved annually at Group level by the Board of Directors.

The SAM Board is responsible for ensuring that the Asset Management Group works with, and reports on, sustainability in compliance with national laws, regulations, and regulations of the European Union. It also is responsible for overseeing that the self-imposed obligations and aspirations, such as those described in Figure 5, are met. The Board determines the responsibilities and tasks of the CEO with regards to sustainability and approves the organisation of responsibilities and tasks of SAM Group Management.

The Board follows up on the company's sustainability work through business area reports, as well as status, risk and compliance reporting from independent control functions and internal audit.

Responsibility for corporate governance of SAM's funds lies with the SAM Board of Directors. The daily execution is delegated to the portfolio managers of each fund, along with the SAM Risk and Ownership Team (whose responsibilities are described below), and activities are reported back to the Board. The Board annually evaluates the execution of corporate governance and seeks to identify areas for improvement.

As part of the annual assessment the Board has in recent years identified areas for improvement to ensure good practices for management and controls of sustainability reporting. For example - due to the regulatory developments within sustainable investments, the Board determined to prioritise management and control of the Sustainable Investment Policy. This led to the formalisation of responsibilities outlined in the Sustainable Investment Policy Governance Framework in Figure 6 above, whereby the Board of Storebrand ASA is responsible for the strategy for sustainability work in the Group. The Storebrand Group CEO shall ensure that asset owners and the asset manager have ambitions for sustainable investments in line with this strategy and the CEO of SAM is responsible for ensuring that these ambitions are reflected in the Sustainable Investment Policy.

The SAM Board has appointed two committees to support its role:

1. **Management and Control Committee**

   Assists the Board by reviewing, evaluating and, where necessary, proposing appropriate measures with respect to SAM's governance, overall controls, and risk management.

2. **Compensation Committee**

   Assists the Board by monitoring the remuneration of executive personnel and proposes guidelines for fixing executive personnel remuneration, which is presented to the General Meeting annually. In addition, the Committee safeguards the areas required by the Compensation Regulations in Norway and Sweden.

SAM's Group Management team dedicates resources to integrate ESG risks into our analysis of companies and management of investment portfolios.

Our method for the exclusion of companies is defined by the **Storebrand Exclusion**

**Policy**[8], which applies to all assets managed by SAM. The exclusion process is extensive, involving external data screens and in-depth evaluations conducted by our sustainability analysts. The exclusion process is governed by the **Sustainable Investment Committee**, which meets once a quarter to decide about the process for norm-based exclusions and whether companies should be included on Storebrand's observation list, excluded or reintroduced to the investment universe. The Exclusion Policy and the process for excluding companies are described in detail under Principle 11.

The **Sustainable Investment Committee** consists of senior investment decision makers and business leaders from across the Storebrand Group.

### Sustainable Investment Committee Membership, 31/12/2023

| Name | Position |
|---|---|
| Frederic Ottesen (Chair) | Head of Distribution, Private Markets, Storebrand Forsikring AS |
| Jenny Rundbladh | CEO, SPP Pension & Försäkring AB |
| Monika Rappe | Leader for SPP Tech, SPP Pension & Försäkring AB |
| Gunnar Heiberg | Chief Legal Counsel, Storebrand ASA |
| Vivi Måhede Gevelt | Executive Vice President Corporate Markets and CEO, Storebrand Livsforsikring AS |
| Jan Erik Saugestad | CEO, Storebrand Asset Management AS |
| Margrethe Assev | Chief Sustainability Officer, Economics and Finance, Storebrand ASA |
| Alexandra Morris | CIO SKAGEN Funds |

The key focus of the Sustainable Investment Committee is analysing and reviewing cases for exclusion. Companies that are placed on the observation list require engagement and the committee must assess when active ownership has not yielded the desired result.

When companies are flagged due to breaches of our sustainability standards, such as environmental and human rights incidences, we will always attempt to engage before excluding a company. Norms based exclusions are based on product and revenues screening where engagement is not required due to the nature of the exclusion (e.g. our coal criteria or tobacco). Examples to show how we assess cases of for exclusion are provided under Principle 11.

During 2023, to support the implementation of our sustainability commitments, we set up an internal taskforce to coordinate and drive the implementation of our Climate and Nature Policies. Although we have been targeting climate risk holistically for many years, the dedicated policies were launched in 2020 and 2022, respectively. During 2023, SAM Group Management decided that the prominence and strategic importance of our targets related to climate and nature demanded the creation of a taskforce to ensure action is taken, progress is documented and accountability is clear. The

[8] Storebrand-Exclusion Policy.pdf

taskforce is led by SAM Chief Investment Officers: **Dagfin Norum** (Fixed Income) and **Bård Bringedal** (Equities) and is supported by the Risk and Ownership team, with input from investment teams across the Group as necessary. The taskforce ensures effective coordination across the investment teams towards meeting our targets, it meets regularly (bi-monthly as a minimum) with the aim of integrating climate and nature related risks and opportunities in investment decisions. The CIOs are responsible for reporting regularly to SAM Group Executive Management and twice annually to the Board on progress made towards our goals.

The initial output from this taskforce was the publication of our first **Progress Report on Climate and Nature** in September 2023[9]. Going forward this report will be produced annually to document our progress towards our commitments and provide transparency to clients.

The internal taskforce ensures our nature and climate work is prioritised at the top management level, in line with the recommendations from **Task Force on Climate-related Financial Disclosures (TCFD)** and **Task Force on Nature-related Financial Disclosures (TNFD)**. The nature and climate policies will continue to be overseen by the SAM Group Management Team. Responsibility for implementation and assessment of nature and climate-related risks and opportunities lies with portfolio managers and the Risk and Ownership Team. They report regularly on specific indicators and explain how we are managing the investment-related risks and opportunities associated with these indicators.

The following indicators are reported to the SAM Board twice a year:

- Progress on reduced emissions, based on the short-term targets that the company has set.
- Progress on investments in capital flows towards low-carbon, climate-resilient and transition companies.
- Progress on nature-related commitments.
- Progress on engagement with sectors that contribute heavily to climate change and/or nature loss.

## Resources

### The Risk and Ownership Team

The SAM Risk and Ownership team is a group of six sustainability specialists led by **Kamil Zabielski**. They are senior industry figures with backgrounds, and deep expertise, in a range of topics from deforestation and nature risk to human rights and social risks. Zabielski reports directly into the SAM Group Management Team.

**Kamil Zabielski**

**Head of Sustainable Investment**

Zabielski, who joined our Risk and Ownership team in 2021, was previously Head of

[9] Progress Report Nature and Climate 2023

Sustainability at the Norwegian Export credit Agency (GIEK), and advisor at the Council of the Ethics for the Norwegian Government Pension Fund — Global. His specialisations include human rights/ labour rights, conducting due diligence of companies, and evaluating environmental and social risks and impacts of projects. He has an L.LM in International Law and an M. Phil in Human Rights Law from the University of Oslo.

**Tulia Machado-Helland**

**Head of Human Rights and Senior Sustainability Analyst**

Machado-Helland, who joined our Risk and Ownership team in 2008, specialises in human rights, labour rights, Indigenous peoples' rights and international humanitarian law. She is responsible for SAM's active ownership strategy and company engagement, and engages with companies mainly on social issues, as well as with overlapping environmental issues. Previously, she has worked on the Council on Ethics for the Norwegian Government Pension Fund — Global, the Ministry of Finance in Norway and as an attorney in the US. She holds a Juris Doctor's Degree, a Texas State Attorney license, and has a Master's degree in International Relations and Development.

**Emine Isciel**

**Head of Climate and Environment**

Isciel, who joined our Risk and Ownership team in 2018, leads our work on climate and environment and our company engagement. Previously, Isciel worked for the Norwegian Ministry of Climate and Environment, on multilateral environmental agreements, advising the government on sustainability policies and strategies and leading the implementation of the SDGs. Isciel has worked for the United Nations and provided technical advice and content to the SDGs. She holds an MA in Political Science from the University of Oslo and has studied at University of Cape Town, New York University and Harvard Extension School.

**Vemund Olsen**

**Senior Sustainability Analyst**

Olsen joined our Risk and Ownership team in 2021. He was previously Special Adviser for Responsible Finance at Rainforest Foundation Norway, where he engaged with global financial institutions on management of risks arising from deforestation, climate change, biodiversity loss and human rights violations. Previously, Olsen has worked with the United Nations High Commissioner for Refugees in Venezuela and with human rights organisations in Colombia. He has an M. Phil in Human Rights Law from the University of Oslo.

**Victoria Lidén**

**Senior Sustainability Analyst**

Lidén, who joined our Risk and Ownership team in 2021, is based in Stockholm and works on ESG analysis and active ownership, with a focus on the Swedish/Nordic market. On behalf of Storebrand Fonder AB, she is also a member of corporate board nomination committees. Prior to joining Storebrand, Victoria had 7 years of experience in sustainability within the financial industry. She holds a B.Sc. in Business Administration and Economics from Stockholm University, including studies at National University of Singapore. In addition, she has studied sustainable development at CSR Sweden and Stockholm Resilience Centre.

**Frédéric Landré**

**Sustainability Analyst**

Landré, who joined our Risk and Ownership team in 2023, has extensive experience in analysing issuers' ESG profiles and green frameworks. Prior to joining Storebrand, Landré was with the London Stock Exchange Group, where he worked on quantitative analysis and integration of financial and ESG data. He has a M.Sc. in Business Administration from Linköping University, with a major in finance.

### Stewardship Resources and Responsibilities

The **Risk and Ownership Team** is responsible for setting SAM's framework and principles for active ownership and commitments. Their subject matter experts are a key resource for the SAM in sustainable investment policy design, governance and implementation. They are responsible for managing the SAM stewardship and exclusion activity, alongside the SAM portfolio managers, and for overseeing implementation of portfolio sustainability screens.

The Risk and Ownership team selects the priority engagement themes for SAM, focusing on strategic long-term areas requiring proactive involvement. The themes are designed to run for a minimum two-year period, after which they will be reviewed, but reflect the strategic sustainability goals of the organisation and address material systemic issues for investors. The themes are also driven by our key areas of expertise and competence and our position as both a Nordic sustainable finance leader and international sustainability pioneer. Our engagement themes for the period 2021-2023 are outlined in Principle 9.

The Risk and Ownership team prioritises proactive cases for engagement based on the themes and our involvement in industry initiatives but must also address reactively cases involving investee companies that conflict with our sustainable investment principles. The team receives information about potential cases of interest, primarily from data suppliers, but can also take up cases for analysis based on news items and/or raised by clients or by other parts of the group (managers, communications, etc.).

### Examples of reactive engagement:

1. An example of a reactive engagement is our response to a recent case involving the German-based automotive and weapons manufacturer **Rheinmetall AG**. Rheinmetall, is the largest German military equipment supplier and the fifth largest in Europe.

We conduct a quarterly screening process for all conduct and product-based exclusions. Our data providers flag when companies are in breach of, for example, the controversial weapons screen. The Risk and Ownership team then checks the source and documentation and discusses the case with portfolio managers to see whether they have any comments or relevant information to consider. In Q4 2023, Rheinmetall AG was flagged under our controversial weapons screening, based on our exclusion criteria regarding involvement in the production of white phosphorus weapons. The company has a policy not to produce or distribute phosphorus weapons which also applies to its subsidiary companies. However, it recently acquired a company that produces such items, triggering the alert. SAM engaged with the company, and received confirmation that the recently acquired company, **Expal Systems**, is to phase out the production and distribution of this product in the first half of 2024, in line with Rheinmetall AG's policy. The company was therefore placed on our observation list, in which trading up is frozen, until the subsidiary phases out the production and distribution of this product. We continue to follow up with the company and in the event that it does not carry out the expected actions we will take a decision on whether it should be excluded.

2. During 2023 the escalation of the conflict in Israel and **Occupied Palestinian Territories** presented another urgent issue for reaction by sustainable investors. At SAM, we have an ongoing approach to identify and assess companies linked to the occupation of Palestinian territories. This process is a continuation of enhanced human rights due diligence that we have conducted on this issue since 2009 and is managed by our Head of Human Rights, Tulia Machado-Helland. Tulia has previously relied on a screening tool from our data provider, which in turn sourced data from the UN Human Rights Council. Based on these ongoing processes, we have been engaging with, and divesting from, many companies and publishing updates for our clients. However, during 2022, our existing provider discontinued their product due to concerns about 'anti-Israel bias' raised by political groups in the US. Throughout 2023 we have been engaging with our data provider to encourage them to reinstate the product and to raise our concerns due to political interference.

Our OPT portfolio screening process is conducted manually on an on-going basis but systematically at least once a year across all companies within our portfolios. During 2023 this has been a more manual and increasingly demanding task as we were using the only available product providing screening for companies in occupied territories. This thereby requires our human rights expert to manually screen against all UN and NGO lists, evaluate the links to occupation, contact relevant companies to establish facts and consider exclusions.

During 2023 we received an increased number of client requests on this topic. Our well established and thorough process in this area, managed by a specialist human rights expert, means we can respond effectively. However, we continue to challenge our data provider and actively seek alternative data providers to improve this manual process and allow us to continue responding to client requests in an effective manner.

SAM manages NOK 853bn of its assets (80%) in systematically and passively managed portfolios. Due to the nature of these types of strategies, which invest in hundreds of companies and are managed by quantitative investment specialists, stewardship is managed from a top-down perspective by the Risk and Ownership Team. This ensures that our clients invested in passive or systematically managed funds experience good quality stewardship of their assets, in line with our organisational sustainable investing principles. We do not carve out a separate range of 'ESG' or 'sustainable' funds for priority engagement on environmental or social issues. We engage on behalf of our total AUM to achieve our stated firm-wide sustainability goals.

Portfolio managers, primarily those managing active strategies, will also independently engage with investee companies on a range of issues, and within our corporate governance and sustainable investment policy guidelines. All company dialogue, whether managed centrally by the Risk and Ownership team or independently by a portfolio manager, is logged and tracked in our engagement management platform, **Esgaia** (more information provided under 'Systems' below). This supports effective stewardship as it ensures coordination and information flow between the Risk and Ownership Team and the portfolio management teams. Engagement activity and progress on engagement milestones are tracked in Esgaia for effective follow up. Further, all emails and documents related to stewardship activity are logged and archived in the system, where a real-time record of engagement activity is maintained. This enables strong governance of our stewardship processes and effective client reporting on stewardship activity and outcomes. Esgaia feeds anonymised data into our internal sustainability reporting tool, **PowerBI**, which can be used by client facing teams to create fund-specific reports as required.

The Risk and Ownership team discusses progress on engagements in their weekly team meetings. This includes: engagement strategy, alternative methods for achieving or improving engagement, and whether an engagement requires escalation. This ensures the Head of Sustainable Investment can monitor and oversee engagement progress, assess effectiveness of strategy, review targets and follow up specific cases with portfolio managers.

Collaboration and coordination across the different resources within the organisation is key to ensure effective stewardship.

All portfolio managers within SAM are responsible for integrating ESG according to their mandates, and work in close collaboration with the Risk and Ownership Team. The approach to ESG integration may vary depending on asset class and strategy but we take a **Whole Portfolio Approach** to stewardship as illustrated in Principle 7. During 2023 the Risk and Ownership Team developed a tool in Bloomberg for all issuer-specific sustainability information to be available in one place for portfolio managers. For example: exclusion data, engagements, SFDR data (PAI flags), solutions, controversies, ESG ratings and more. This ensures PMs are aware of any ongoing work being conducted by the Risk and Ownership Team on an issuer before an investment, for example if we have an ongoing dialogue with the issuer.

Looking to 2024, recognising that communication across organisations can always be improved, a member of our Risk and Ownership Team is in the process of setting up a **Portfolio Manager Integration Forum** to enhance collaboration with portfolio managers on issuer/sector-specific or thematic research.

**Additional Sustainability Resources:**

All employees at SAM have sustainability in their action plans to varying degrees and all portfolios are subject to a certain level of sustainability criteria. Many of our portfolio managers have sustainability related mandates and specialisms. We have highlighted below some additional sustainability resources that engage in stewardship activity, both at a company level and a policy level:

Our **quantitative equity team**, of four portfolio managers, has deep insights into the use and impacts of ESG data and policy in portfolio construction, due to their expertise and many years' experience of ESG data integration. This also feeds into our policy engagements and participation in industry initiatives.

The quant team is responsible for updating and developing the **Storebrand Sustainability Score** and also manages the Storebrand ESG Plus fund range, which has a climate focus and higher level of ESG integration.

**Henrik Wold Nilsen, Senior Portfolio Manager**

Henrik is the Lead Portfolio Manager of the Storebrand ESG Plus Fund range. He joined Storebrand in 2010 and is a climate specialist and Senior Portfolio Manager. Henrik has a long-term interest in the environment, specifically climate science. He believes that climate change is a significant financial risk that investors should seek to mitigate and being responsible for the design and management of the Global ESG Plus strategy, he is devoted to providing a sustainable investment solution which reflects the best available climate science. He therefore monitors developments in climate science closely and incorporates these into his management of the strategy. Prior to joining Storebrand, Henrik held a post-doctoral position in Freiburg in connection with research lab CERN, Geneva. He has a Masters in theoretical high energy physics from the University of Bergen and a Doctorate in experimental high energy physics from the University of Freiburg.

Henrik is supported by a climate and sustainability product lead in the UK, Lauren Juliff. Lauren is focused on ensuring we can assist clients in meeting their sustainable investment goals, and that we develop and deliver communication and reporting tools to help them document their progress and meet their regulatory requirements. Lauren works closely with Henrik to research, and develop communications related to, the use of climate data in portfolio construction, as well as discussing the impacts of this data and related regulatory requirements on our clients' portfolios. Lauren and Henrik have together engaged in policy development related to climate reporting and regulation, responding to a number of UK government consultations throughout 2023, more information in Principle 6.

**Lauren Juliff, Climate and Sustainability Product Lead, Head of UK Institutional**

Lauren joined Storebrand as part of the SKAGEN merger in 2018. She is a climate change specialist and a product specialist on the Storebrand Plus Fund range. Lauren is responsible for working with clients on their sustainability goals, specifically how Storebrand can develop and deliver tools to help clients meet and demonstrate progress on their goals. She joined SKAGEN in 2013 as Head of UK Institutional and has over 20 years' experience working with UK institutional investors. Previously Lauren was Head of DC Business Development at Schroders, she joined the financial services industry with Fidelity International in 2001. Lauren has a BSc (hons) in Mathematics from the University of Leeds and an MSc in Climate Change: Environment, Science and Policy from King's College London.

**The Storebrand Global Solutions Team**

The **Global Solutions team** is responsible for analysing sustainability data from a solutions perspective, identifying solution companies, and managing our dedicated solutions related equity funds.

**Philip Ripman – Head of Solutions**

Ripman joined Storebrand Asset Management's sustainable investments team in 2006 and has been Fund Manager for Storebrand Global Solutions since May 2015. The fund focuses on companies with solutions to the challenges presented by the sustainable development goals. Ripman has held a numerous position within the company including Group Head of Sustainability. Through his engagement with Sustainability he has advised several governments and institutions on topics ranging from coal exclusions, environmental impacts of human activities to policy requirements to achieve international climate agreement targets. He holds an MA in Chinese Studies and a Master's in Political Science. Ripman specialises within the areas of politics, climate change, the commercialisation of sustainability and how to integrate the Sustainable Development Goals as investment themes.

**Sunniva Bratt Slette – Portfolio Manager**

Slette joined Storebrand Asset Management's sustainable investments team in 2017. Her specialty areas are SDG 11 Sustainable Cities and Communities, carbon footprint, green bonds and solution stocks. She has a MSc in Industrial Economics and Technology Management (NTNU, 2016 and Ajou University in South Korea, 2014). Bratt Slette has previously worked for the strategic research area NTNU Sustainability, with particular expertise in climate finance and smart cities (2016 — 2017).

**Ellen Grieg Andersen – Portfolio Manager**

Ellen joined Storebrand Asset Management as a project Leader Trainee in 2019 and has been Fund Manager for Storebrand Equal Opportunities since November 2021. She has a MA in International Economics with a focus on China (Lund University in Sweden,

2018) and a BSc in International Business in Asia from Copenhagen Business School (2017), including a semester at Fudan University in Shanghai (2016).

**Nader Hakimi Fard – Portfolio Manager**

Nader joined Storebrand Asset Management as a Portfolio Manager in September 2022. He holds a Master of Science in Business Administration from Linkoping University (2003-2008). He has previously worked as a portfolio manager at Danske Bank (2012-2017) managing Swedish Equity funds. Upon joining the Solutions Investment Team in 2022 Nader was a portfolio manager at Söderberg & Partners (2017-2022).

## Systems

SAM invests heavily in systems, processes, research and analysis to ensure our stewardship standards are upheld. As a sustainable investing pioneer, we have progressed rapidly, adapting to new market conditions over the past 30 years. The market for sustainable investment data and analysis has grown markedly over that period and we have gone from creating our own ESG company profiles via direct Q&As, in the days before ESG ratings, to pivoting towards the best available external providers of such data. We seek the best possible data sources for assessing each required sustainability feature. Our expert resources can then put those external data sources to use, objectively and independently, in portfolio construction and sustainability analysis. We continuously monitor the market and challenge our providers, our independence means we can change those providers if better options become available.

The **Storebrand Sustainability Score** is comprised of two main building blocks: ESG risks and SDG opportunities.

**ESG Risks**: the score assesses companies' exposure to, and management of, financially material sustainability risks.

**SDG opportunities:** we analyse sustainability data sources and use internal research on solution companies to find companies whose products and services contribute positively to the achievement of financially relevant SDGs.

The Sustainability Score is relevant across asset classes. The data sources underpinning the scores are external sources from quality-controlled data providers, coupled with internal research. We currently use the following providers:

ESG Risks: Sustainalytics ESG Risk Rating (50%)

SDG Opportunities - Products & Services: FTSE Russell Green Revenue Streams plus internal research (40%)

SDG Opportunities - Operations: Equileap data on Gender Equality (10%)

At present we use the following service providers:

**Esgaia**: All company dialogues are tracked and logged in our system, Esgaia, where the results and ongoing progress of engagements are classified according to an internal scale. This system enables easy tracking and provides an overview of which dialogues have been conducted, with which companies, on which themes, and their outcomes.

Specific goals for the engagement process are established before each engagement to ensure clear communication with investment targets and facilitate the measurement of engagement success. ESG analysts in the Risk and Ownership team record the success factor for each engagement process and coordinate with portfolio managers where relevant.

**PowerBI**: our internal interface for product level sustainability data and engagement. This system is used by client-facing employees to access verified sustainability metrics for clients. It can also be used to create reports on engagement activity at a fund level by topic.

**Sustainalytics**: we monitor all companies in our investment universe (approx. 4,500) via Sustainalytics (product screen, controversies and global standards screen) to receive their ESG risk rating. This rating corresponds to up to 50 points out of the maximum of 100 points that we give to a company in our proprietary sustainability rating. We also access Sustainalytics Global Standards Screening (GSS) which identifies companies that violate or risk violating international standards under the UN Global Compact. Sustainalytics is also our supplier of taxonomy data.

**FTSE Russell**: our supplier for data on ‘green revenues’, where income exposure for products that deliver environmental solutions is classified and measured. We use FTSE Green Revenues data in portfolio construction for some of our products. This data is also integrated into our sustainability rating.

**ISS-ESG:** used as the Group's supplier for proxy voting at general meetings internationally. We use ISS-ESG (product, standard and controversy) to conduct ESG screening on exclusions of controversial weapons, tobacco, cannabis, alcohol, pornography, weapons, commercial gaming activities and exposure to fossil fuels. We also use the ISS-ESG Norm Screen which and red flags companies that violate the UN Global Compact. Further, our Swedish fund range (as well as our Article 9 funds) use the ISS ESG norm screen and product screens as standard enhanced exclusions across all AUM.

**Equileap:** our supplier for gender equality data which is used in the Storebrand Sustainability rating and for reporting purposes.

**S&P Trucost:** our primary provider for corporate carbon emissions data. This is used in portfolio construction, for products that use optimisation for decarbonization, and is analysed for fossil fuel exclusions. Carbon footprint data is also a crucial element of our sustainability reporting to clients.

**Morningstar Direct:** used to analyse and monitor the sustainability of internal and external funds, as well as collect fund holdings for external funds. It is not used for screening rather as a data check and for competitor analysis.

**Bloomberg:** we use this as an ad hoc supplementary source, rather than for exclusions and ratings. Given ESG Ratings and corporate carbon emissions data, can vary materially according to provider, it is useful to have alternative sources for comparison.

**InfluenceMap:** used to inform the Storebrand climate policy which states that we will not invest in companies that actively oppose and lobby against the Paris Agreement and climate legislation, in addition to other norms and product criteria. Data on this is taken from InfluenceMap, which evaluates the extent to which a company works against regulations aimed at achieving the Paris Agreement.

**MercerInsight:** used for qualitative evaluation of external fund managers to complement our view of how our external managers work with sustainability.

**Other:** for government bond exclusion we use publicly available sources such as Transparency International and The World Bank Worldwide Governance Indicators (data on corruption), UN Security Council sanctions list and Freedom House (human rights).

## Incentives

We believe that we can be the most effective stewards on behalf of asset owners for long-term growth within their investments by focusing on the sustainability of companies.

All SAM fund managers have sustainability within their action plans, to varying degrees depending on which products they manage. In practice, this means that PMs are continuously followed up on the following:

1) To further develop sustainability for commercialisation and customer value creation

2) To concretise the use of ESG in the investment process

3) Integrate by documenting processes and updating materials used for e.g., reporting and customer meetings

4) Some managers also have explicit direction in their mandate to make active decisions for more sustainable investments, e.g. sustainability optimisation, in the Storebrand Plus funds and identifying companies that will be necessary to lead a low carbon transition. The Storebrand Global Solutions strategy invests in companies aligned with the delivery of the UN SDGs.

We are keen to improve the way we align our incentives with sustainability, continuously learning from other industries and organisations to ensure our policies and practices are relevant and applied appropriately.

## Remuneration

The SAM Board of Directors decides the structure of the remuneration for senior executives, and the guidelines on remuneration are presented at the Annual General Meeting every year. The remuneration consists of fixed salary, pension scheme and other personnel benefits that are common for a financial group and are determined based on the responsibilities and complexity of the position held. The remuneration is intended to motivate consistent efforts for long-term value creation and resource optimalisation.

Our senior executive-level staff in general do not have variable compensation linked to KPIs. However, integration of ESG in management is given special weight within our overall assessment for remuneration, where compliance with SAM's sustainability standards and policies is the minimum level within all management areas. Furthermore, we place emphasis on the individual team and the individual employee's contribution to further development, in the form of improvements to Storebrand's standards, and in existing and new products.

The Board's stance is that the total remuneration should be competitive, but not leading within the industry. To this end, regular comparisons are undertaken with similar roles in the wider financial services industry of Norway. Such a view of competitive-but-not-leading salaries is widely shared within the Norwegian financial sector, held by many financial institutions including the Norges Bank Investment Management, the sovereign wealth fund of Norway.

As opposed to its counterparts in the United States and United Kingdom, the financial services industry in Norway, and more widely in Scandinavia, emphasises fixed wages as an instrument in ensuring the best interests of customers, clients, and shareholders, including the long-term value creation through stewardship activities and sustainability integration. For this reason, there is limited use of variable remuneration, in the shape of sustainability bonuses and such. In the case of senior management, there are only fixed salaries.

Storebrand wants to encourage long-term thinking in line with its sustainability beliefs. One way this is encouraged is through incentive schemes for senior executives that coincide with the long-term interests of our business. A significant proportion of gross fixed salary is tied to the purchase of physical Storebrand shares with a three-year lock-in period. Senior executives are also encouraged to own shares in Storebrand ASA beyond the lock-in period.

When making annual individual assessments of employee remuneration, execution of Storebrand's strategy and achievements of operational objectives are taken into account. This strengthens the alignment of interests between owners and the administration further. And since sustainable solutions are a key part of Storebrand's business strategy, they are also a key part of the assessment of employees. While lack of variable remuneration connected to sustainability and stewardship activities might be unusual in the Anglo-American markets, it is a common practice in Scandinavian markets. It might even be considered a positive for stewardship as stewardship activities are delinked from monetary expectations and incentives, and instead integrated into the overall business practice and culture of Storebrand Asset Management.

Our belief is that corporate culture, established business practices and both corporate and personal integrity are more important indicators for securing actions in line with client interest and stewardship.

Remuneration is of course also important, and we do use incentive-schemes to direct attention and align personal interest with both client and corporate interest – and stewardship for certain roles. Portfolio Managers and sales teams have certain KPIs linked to these activities in their bonus schemes. However, variable pay throughout Storebrand is otherwise very limited.

# Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Storebrand Asset Management has established guidelines for handling conflicts of interest to ensure safeguarding of customers' interests and compliance with relevant provisions laid down in laws and regulations. The document is managed by the Head of Corporate Administration, reviewed and updated annually, and is owned by the CEO. The guidelines are applicable to all employees and the document is made available on our intranet.

The guidelines intend to help SAM organise and manage its activities in a way that minimises potential conflicts of interest, contributes to establishing satisfactory internal control measures to identify and manage conflicts of interest, and to manage conflicts effectively. In addition to complying with legislation and licensing requirements that apply, it is important that all employees have the necessary expertise to identify possible conflicts of interest so that these are handled in accordance with our guidelines.

The guidelines require that conflicts of interest are identified in different business contexts and relationships to prevent negative consequences for the Company's or the Group's customers.

These cover relationships:

1. between Clients, including between different funds/ portfolios and clients

2. between the Company/Group and its customers,

3. between the company's employees/employee representatives and customers, and

4. between legal and operational responsibilities and between roles/functions in the Group.

Certain principles prevail, such as customers/ portfolios shall be treated equally, and the interests of the customers/portfolios shall take precedence in relation to the interests of the company or its associated persons. Further, customers shall receive information about any conflicts of interest that, despite measures, are considered to affect the service the customer receives. Such information shall be provided in a durable medium and a standardised format. Unitholders may, for example, receive such information in fund prospectuses, and active management clients may receive such information in the terms of business or in the management agreement.

The Risk and Ownership Team sets the stewardship and voting strategy for all of the Storebrand products managed by SAM in scope for this report. They engage with companies on behalf of total AUM and in line with our sustainability principles to achieve the firm's climate, nature and social commitments outlined in Figure 5. Similarly, voting is conducted on behalf of the SAM AUM of NOK1,058bn. This single approach to stewardship across the funds is central to SAM's sustainable investment principles. We aim to be consistent across our strategies and do not manage a separate sleeve of sustainability funds – all funds are subject to the Storebrand Exclusion Policy and are covered by the SAM net zero, nature and human rights commitments. Most of our external client assets are managed in pooled funds - our clients choose SAM for our sustainability principles and targets.

We regularly receive voting alerts from our clients, asking that we consider certain information when voting on an upcoming AGM. We will always take these into account and assess the information provided when making voting decisions, but we do not offer funds which contradict one another in terms of voting, and we will always vote in alignment with our engagement and voting policy and sustainability principles. Clients cannot override our policies as that could diminish our ability to meet our sustainability goals.

Where we manage discretionary accounts for internal clients in the Storebrand Group, there is the potential for the asset owner to set different sustainability targets to the asset manager (SAM). At present our commitments and targets are aligned and are designed to meet the NZAOA and NZAMI principles, as described in Principle 1 and Figure 5. Voting and engagement is conducted in unison across all AUM for Storebrand ASA and external clients in the Storebrand branded funds. Any divergence by Storebrand ASA from the SAM commitments may only be in a more ambitious direction and cannot undermine the SAM sustainability commitments.

Similarly, we design pooled funds for clients with more ambitious exclusion objectives than the SAM Group and Storebrand ASA. For example, our Swedish business is entirely fossil free in line with our clients' requirements in that market – this approach aims to avoid conflicts as it contributes to our net zero goals but does not undermine the SAM Group policy to engage with higher emitters in our Norwegian domiciled funds for Norwegian clients (e.g. Equinor) and encourage them to align their own businesses with net zero.  Additionally, our Swedish funds exclude for such products as alcohol, gambling, defence contracts/conventional weapons, and adult entertainment.

The SAM Head of Sustainable Investments, **Kamil Zabielski**, leads the Risk and Ownership Team, as outlined in Principles 1 and 2. He works within the governance structure outlined in Principle 1 to develop stewardship strategies aligned with the Sustainable Investment Policy and the underlying Thematic and Operational Policies for all Storebrand branded funds. Kamil and the Risk and Ownership Team work with the Storebrand CIOs and the Head of Sustainability at Storebrand ASA to ensure that the stewardship activity across products is aligned with our objectives and to avoid conflicts between products and clients.

The separate investment entities within SAM (Cubera, SKAGEN Funds and Capital Investment) conduct their own engagement and voting in line with their distinct investment approaches. The CIOs of these separate entities are responsible for ensuring their stewardship actions are aligned with the SAM Group Sustainable Investing Policy and the underlying Thematic and Operational policies described in Principle 1. These are autonomous entities and may vote differently to the SAM branded funds based on their independent engagement and escalation objectives. They will also conduct independent company engagements based on their active relationships and investment strategies – however, as part of the SAM Group they have the same overall sustainability objectives which are monitored by the SAM Board of Directors and their leaders sit in the SAM Group Management Team with SAM CIOs. The SAM Group Management Team is responsible for overseeing the compliance of each SAM Group entity with the policies to avoid conflicts of interest between entities when engaging in stewardship.

**SAM has further identified the following potential conflicts of interest:**

1. Between clients, including between funds/portfolios and clients

   • Differential treatment of funds/portfolios/clients in the event of a shortage of available investment, or in the event of a shortage of buying interest in the market

   • Cross-subsidisation of unitholders: – between clients in the event of uncertain prices for internal trading between funds/portfolios managed by the Company – between unitholders in the event of uncertain prices for instruments in collective portfolios – between unitholders at subscription and redemption

2. Between the Company/Group and its customers

   • Trades in the Group's own products on behalf of funds/portfolios/clients

   • Trading in financial instruments issued by companies in the Storebrand Group on behalf of funds/portfolios/clients

   • Advising or trading in products from which the Company/ Group will benefit financially contrary to the customer's best interest

   • When choosing a counterparty

3. Between the company's employees/employee representatives and customers

   • Employees' own trading/own holdings in financial instruments

   • Remuneration of employees

   • Impartiality among SAM's employees/employee representative

4. Conflicts of interest between different roles/functions within the Group/Group companies

   • Through the organisation of different roles/functions, conflicts of interest may arise.

   • Processes are being carried out to identify these, as well as document how these can be handled.

Clear responsibilities and reporting lines have been established within the Group's legal structure via job descriptions. Where roles/functions provide services to several group companies, this is regulated in intercompany agreements.

SAM has implemented measures to limit the identified potential areas of conflict of interests. These measures are tailored according to asset class within the Real Estate and Manager Selection, in addition to the measures introduced in the asset management activities related to equities and bonds.

For example, we have detailed principles to address potential conflicts of interest between customers in the following areas:

- Equal treatment of customers/portfolios/funds
- Subscription and redemption of units
- Order timestamping
- Aggregated orders
- Anonymisation of customers
- Internal trading
- Pricing of financial instruments
- Pricing of funds

The Compliance function in SAM regularly assesses Group management to ensure it adequately identifies, assesses, documents and manages conflicts of interest. This assessment is presented to the Board of Directors at least annually. The register of conflicts of interest is also reviewed by the Compliance function on an annual basis.

In 2023, the following changes were made to our conflicts of interest guidelines:

- Explicit consideration of sustainability risk integration has been addressed in the document. Conflicts of interest that may arise as a result of the integration of sustainability risk in the company shall be taken into account.
- Conflicts of interest that may arise between legal/operational responsibilities and conflicts of interest between roles/functions in the SAM Group have been addressed in the document.
- The document highlights that the administration function shall, annually as a minimum, provide the Board of Directors with information about the administration's assessment of whether identified conflicts of interest are adequately managed.

### Insider information

SAM is dependent on access to information about investee companies in order to assess any challenges companies have with their corporate governance. It is also important to retain flexibility with respect to funds' investments so that one can act in the best interests of the unit holders. SAM has a clear understanding of information provided to us by third parties, and its relation to the rules on inside information, also in relation to the exercise of corporate governance. It is expected that investee companies, and their advisors, also have an awareness of this legislation and do not put SAM in an insider position without consent. If in doubt it should, as far as possible, be clarified by the declarant whether the relevant information is inside information before it is received.

When working with other investors to influence companies, SAM will be acutely aware of conflicts of interests and of being put in an insider position.

## Conflicts in relation to stewardship activities

There are a number of potential conflicts of interest that we must be mindful of when undertaking stewardship activities. These conflicts can be both internal - between SAM boutiques and/or between portfolio management teams and the Risk and Ownership Team - or external - between companies taking part in collaborative engagement initiatives or between SAM and its clients.

### Examples –Stewardship Conflicts

We have provided below some examples of stewardship conflicts. A couple of these are examples from the reporting period (2023) but due to sensitivities they are anonymised. Other examples relate to potential conflicts, or previous conflicts, which we must remain cognisant of and manage appropriately.

#### Conflicts in Coalitions

1. There may be a conflict of interest between asset owners and investors taking part in engagement coalitions. This can occur when investors in a coalition ask a company to act on a specific risk and one or several investors in the coalition are themselves also involved in the same risk situation through direct operations (i.e. not equity investments). This can occur when an Asset Owner may be providing other services, such as banking or insurance activities, and is involved in the same specific high risk situation as the company in question. They may then not be willing to encourage the company to adopt appropriate mitigation measures, in line with what other investors expect.

   This is managed by: having an open discussion about the conflict among investors in the group; having external experts explain the risk to the investor group; and deciding as a group how to proceed with expectations of the company in question.

2. There can be conflicts between investors in coalitions due to varied approaches to escalation and exclusion. Not all investors exclude companies, some rather have a policy to continue engagements, even if the company is not taking appropriate steps to address or mitigate risks. This can create challenges for the investor group strategy, particularly if the company is not responsive to dialogue and the threat of divestment could be used as leverage over the company to take action.

   This can be managed by pre-defining the engagement period. If the dialogue does not yield positive results after a set time, each investor may then follow its own strategy. This may include divestment, escalating via other methods, or continuing the dialogue outside of the investor group.

   Another way to manage this conflict is if the investor group agrees that investors are not required to be invested in the company in question throughout the entire engagement period and are free to divest and drop out of the engagement when they see fit.

3. A conflict can arise when different investors in a coalition have different transparency reporting requirements for engagements. This can create tension on how to achieve progress, where some investors believe that less transparency will lead to more constructive engagement, and others are of the view that being open and transparent about the challenges and progress made may push the company to go further.

   Transparency rules can differ according to the initiative and can conflict with individual investors' own reporting polices and requirements.

   This is managed by having clear expectations and criteria for reporting from the establishment of the investor initiative. If the reporting criteria for an investor is more open than the initiative is willing to allow, then investors must decide whether they want to join, whether they want to take it bilaterally, or to propose exceptions / flexibilities for a specific engagement for a particular company (when both the company and the specific investor engaging that company agree to enhanced transparency by publishing progress). This is a situation that we have experienced in the 2023 reporting period. It was resolved by proposing an exception for one of the companies, where both the investor group and the company agreed to an enhanced level of transparency.

## Proxy Voting

Proxy voting providers often have other services (such as controversial screening, third party engagement services, etc.) which may influence their voting recommendations. We do not outsource any of our engagement activities in order to avoid potential conflicts where the same service provider may be issuing voting recommendations.

We may also disagree with the voting recommendations, or believe it is in the best interests of our clients to escalate certain issues through voting. Therefore, in order to identify and manage any potential conflict a member of the Risk and Ownership team is dedicated to leading on, and monitoring, voting activity. With support from portfolio managers, the Risk and Ownership team manually reviews all E&S resolutions against the proxy voter's recommendations to ensure alignment with our own policy and avoid conflicts.

An example from 2023 of voting against ISS recommendations was our decision to vote against TotalEnergies' Sustainable Development and Energy Transition Plan, which we deemed to not be ambitious enough. In particular, we wanted the company to include short- and medium-term absolute emissions reductions targets for scope 1-3.

### Sensitive Information

We must be careful as to what information we share internally regarding the nature of our dialogues with companies, as some of this can be considered as insider information. To manage this potential conflict, we have Chinese walls to ensure sensitive information is not shared publicly. We also limit internal access to this information. Our internal system for registration and tracking progress of our engagements is only accessible by members of the Risk and Ownership team and the portfolio managers. Externally facing teams such as sales, distribution and communications do not have access to this system.

Further, it can be important to the constructiveness and progression of company dialogues in many instances to keep both the company names and substance of the discussion private for a period of time. In order to balance a need for transparency and client communication with this potential conflict, we provide accessible real time aggregated and anonymised information on, for example: number of engagements, type of engagements (direct or through coalitions), ESG issues for engagement, link to SDGs, relevant PAIs, etc. Detailed information on the nature and substance of the engagements is not shared unless deemed not to be sensitive and that it will not impact the constructiveness of the dialogue. We also produce case studies for client communication on a quarterly basis via our **Quarterly Sustainable Investment Review** [links provided in Bibliography].

Conflicts could arise where portfolio managers have access to the engagement records for a company they may be interested in. For this reason, and to prevent internal influence, the Risk and Ownership team is an independent expert group responsible for decisions regarding whether to continue or change the trajectory of a dialogue.

### Potential Conflicts arising from exclusions

Our exclusion process is designed to avoid conflicts of interest where possible. For example, when cases are sent to the Sustainable Investment Committee for a decision regarding whether a company will be excluded, requires further engagement or will go onto the Observation list, they are anonymised. This prevents the committee from being influenced by company names in the decision-making process.

However, we acknowledge that certain companies are more strategically important to the business and our clients, and this creates a potential conflict for exclusion purposes. Where large companies are flagged under our exclusion criteria and would lead to substantial tracking error deviations in our 'passive' / systematically managed funds upon exclusion, then we must abide by the same exclusion principles, but we may put more resources into escalating dialogue and exhausting potential escalation measures before exclusion. For example, by finding alternative collaborative investor initiatives if bi-lateral engagement is not progressing or supporting or co-filing shareholder resolutions on the issue at hand. We have demonstrated over time that we are prepared to escalate dialogue and exclude strategically important companies when they engage in business activities that do not meet our sustainable investing principles – for example large oil and gas companies that are engaging in anti-climate friendly lobbying activity[10].

Exclusions can also create potential conflicts of interest in relation to our supply chain. We do not enter new purchasing agreements with companies on our exclusion list. We acknowledge however that exclusions of strategically important companies delivering critical systems and services to the Storebrand Group presents a challenging situation. We aim to maintain integrity and abide by our exclusion principles in such cases but have considered that more time and resources may be required for escalation and engagement dialogues in these circumstances.

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[10] Storebrand dumps oil and mining stocks on climate change lobbying (ft.com)

# Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

SAM promotes a well-functioning financial system as a global investor by addressing risks **through a mature internal risk management framework and healthy external collaborations**. It is in the best interests of all market participants to have a level playing field in place, where no single entity benefits at the cost of other participants. SAM is an active contributor protecting the integrity and sustainability of the financial markets for our investors, clients, counterparties, and other stakeholders' long-term interests.

As a prominent Nordic investor in global financial markets, representing universal asset owners in many countries, we have the opportunity to contribute to a well-functioning financial system through responsible investment practices. In this section we will describe:

1. How we use Enterprise Risk Management to identify and manage all risks, and promote a well-functioning financial system.
2. How we respond to market-wide and systemic risks and promote a well-functioning financial system through our responsible investment strategy and stewardship approach.

## 1. Enterprise Risk Management

Our risk management framework is designed to take the appropriate risks to deliver returns to customers and owners. At the same time, the framework will ensure that we protect our customers, owners, employees and other stakeholders from unwanted incidents and losses. The framework covers all risks to which Storebrand may be exposed. Despite geopolitical unrest and difficult global economic conditions, the Storebrand Group delivered good results and strengthened its solidity in 2023.

Overall risks, including climate risk, are described in a risk analysis report addressed by SAM Group Management and the Board twice a year. The risk analysis includes assessments of business and reputation risks related to the Storebrand Group's strategy to uphold a leading sustainability position. Climate risk also is addressed in the annual ORSA-report, which is sent to Norway's Financial Supervisory Authority following approval by the Storebrand Board.

Our risk management processes ensure cost-effective operations, reliable reporting, and compliance with internal and external regulations. Based on our strategic plans, SAM works systematically to identify risks and implement necessary risk-reducing actions to ensure that our objectives are achieved. A governance and control structure has been established for all management processes in the Storebrand Group companies and covers all processes from the signing of client agreements to the execution of the individual trades in the portfolios and funds. Each Portfolio Manager in SAM has mandates assigned to them by the Chief Investment Officers to ensure that the responsibility is as clear as possible and with solid segregation of duties between Portfolio Managers and between the different Front Office teams. A structured and solid control environment is based on culture, awareness, company values, and integrity. SAM's principles governing internal controls and the administration of activities are intended to support internal governance. This is reflected in the clear segregation of duties between teams, sections, and departments.

## Principle risk categories

SAM has identified the following principal risk categories relevant to our business and our participation in financial markets:

1. **Business risk** – Unexpected changes in terms and conditions for operating the business, such as social conditions and economic fluctuations. Business risk includes strategic risk, reputational risk and other unexpected changes due to external conditions.

2. **Financial risk** - Risk of changes due to financial market fluctuations or volatility beyond expectations.

3. **Liquidity risk** – Risk of not being able to meet payment obligations in a timely manner.

4. **Operational risk** - Risk of financial loss, reputational damages or sanctions related to breaches of internal or external regulations as a result of ineffective, inadequate or failing internal processes or systems, human error, external events or non-compliance with rules and guidelines.

5. **Compliance risk** - The risk of incurring public sanctions, financial loss, compensation claims and/or loss of reputation due to non-compliance with external and internal regulations.

Many of these risk categories include a wide variety of subcategories, but all of them are relevant to SAM's clients, counterparties and other stakeholders and must be addressed to ensure SAM is a robust and resilient service provider and market participant. Our approach to managing business risks is further described in our annual report[11].

The Storebrand Group conducts an annual materiality analysis. Defining material topics based on environmental, social and corporate governance factors has gained increased importance and has become a requirement for companies. Increased data availability and quality, stakeholder engagement and expectations, and stricter regulations are shaping the need to assess material topics to understand business impacts, risks and opportunities.

During 2023 we conducted a new materiality analysis in line with the principles of **double materiality** as stated in the **CSRD** (more information in Principle 6). The principle of

[11] 2023-annual-report-storbrand-asa.pdf (storebrand.no)

double materiality acknowledges both the risks and opportunities that sustainability topics pose to our own business and the impacts we can have on the planet and society. This approach represents our belief that sustainability risks related to climate change, nature degradation and human rights issues are market-wide, financially material systemic risks that must be considered in order to ensure both long term risk adjusted returns for our clients – and a well-functioning financial system. The materiality analysis guides the reporting of our impacts and is connected to our company wide risk assessments and strategy work.

Systemic risks manifest in SAM's principal risk categories of business, financial, liquidity, operational, and compliance risk. This was reaffirmed by the double materiality analysis conducted during 2023 which found climate change, nature degradation and human rights as key systemic risks for SAM to respond to.

Enterprise Risk Management offers SAM processes and controls to manage and positively influence these systemic risks at the entity level, which is important and significant given SAM's influence within the Nordic financial system.

For example, we are vocal proponents of sustainability reporting regulations, such as the **Corporate Sustainability Reporting Directive (CSRD)**, and we are committed to improving the environment for enhanced corporate disclosures through initiatives such as **Forest IQ** and the **Taskforce for Nature Related Financial Disclosures (TNFD)**[12]. These actions are key to managing business, operational and compliance risks going forward. Further, as we have highlighted in Principle 1, long term environmental and social sustainability principles are deeply embedded in our beliefs, business strategy and investment process. This is because they are **financial risks** which we must manage in order to achieve the best possible risk adjusted returns for our clients. Our method for managing these risks is further described below.

## 2. Managing Risks through our Responsible Investment Strategy and Stewardship Approach

As a prominent Nordic asset manager SAM has the opportunity to influence companies and policy makers towards more sustainable development, thus addressing systemic risks and contributing to a well-functioning global financial system. As detailed in Principle 1, we take a four-pronged approach to sustainable investing, encompassing:

1. **Solutions-driven investment**
2. **Active ownership**
3. **Exclusion**
4. **Portfolio integration**

[12] Storebrand becomes inaugural TNFD Early Adopter - www.storebrand.com

Our Sustainable Investment Policy[13] and the Storebrand Exclusion Policy[14] incorporate our guiding principles on how to perform engagement with, and exclusion of, companies in our investment universe. Our policies and standards are aligned with the PRI. Here we will discuss how SAM addresses the systemic issues of climate change, nature degradation and human rights and contributes to a well-functioning global financial system by using our position as a prominent Nordic asset manager to influence companies and policy makers towards more sustainable development. We achieve this through 1) collaboration and policy-based initiatives and 2) integrating sustainability into our asset management processes:

## First – Collaborative and policy-based initiatives to address systemic sustainability issues:

While voluntary action by companies is important to achieve progress, the regulatory frameworks for sustainable business, as well as our main engagement themes, are determined by international treaties and national policies. Engaging with policymakers and other stakeholders in a transparent and responsible manner is an essential part of our strategy to promote business practices aligned with the SDGs and global agreements on climate, nature and human rights. This may entail direct engagements with relevant policymakers, standard setters or trade associations, participating in consultation processes, co-signing open letters or presenting investor alliance statements at UN summits.

Where we take part in collaborative initiatives we play an active role, leading on company dialogues, particularly in the Nordics where we have a strong corporate brand and a home advantage. A full list of initiatives we are involved in is provided in the **Appendix**.

We consider policy level engagement an important factor in stimulating change since many sustainability issues are **systemic** and require regulatory input. For example, as highlighted in Principle 1, our CEO **Jan Erik Saugestad** participated in the closing high-level session at **COP15**, sharing his view on how the finance community can act decisively on nature, emphasising our intention to join forces with like-minded investors for influential action on nature related investment issues. Further, in November 2023, Saugestad spoke in a **Norwegian Parliamentary hearing**[15], condemning government proposals for opening up areas on the Norwegian continental shelf for commercial seabed mining activities. Storebrand has backed a moratorium on deep sea mining together with companies such as **Volvo, BMW** and **Google**.

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[13] Sustainable Investment Policy.pdf (storebrand.com)
[14] Storebrand-Exclusion Policy.pdf

[15] A voice to parliament - www.storebrand.com

During 2023 we have continued our focus on policy level dialogues, collaborating with other asset managers and NGOs. We have addressed issues such as: due diligence law (CSDDD, DD law in Norway); reporting (CSRD, TNFD, TCFD); and Deforestation (IPDD).

**Examples of collaborative and policy-based initiatives to address systemic sustainability issues:**

1. **Deforestation:** Storebrand established (in 2020) and continues to co-chair the collaborative engagement initiative titled **the Investor Policy Dialogue on Deforestation (IPDD)**. Through IPDD we engage with policy makers in selected countries such as Brazil, Indonesia and consumer countries (EU, UK and China) to promote sustainable land use and forest management and respect for human rights, with an initial focus on tropical forests and natural vegetation.

   During 2023, the PRI used the IPDD as a case study to illustrate public policy dialogue and collaborative engagement seeking to ensure long-term financial sustainability of investments.

   In April 2023, representatives of the IPDD Brazil Working Group, including Storebrand, travelled to São Paulo, Brasilia, and Alta Floresta in April 2023 for a series of in-person engagements and visits to private and public sector actors. One of the government ministries the IPDD met was the Ministry of Indigenous Peoples. President Lula created a Ministry of Indigenous People in January 2023 on his first day of his new term in office, naming Sonia Guajajara, the leader of the main Indigenous umbrella organisation APIB, as head. About 300 Indigenous groups live on 730 territories that they consider ancestral lands, mainly in the Amazon rainforest, but only 434 of those territories have been officially recognised.

   Another institution that investors met with, to discuss traceability, was IBAMA, the Brazilian Institute of Environment and Renewable Natural Resources. Traceability is crucial, to ensure that commodity production is not linked to deforestation or forest degradation. However, the era of the previous government, led by Jair Bolsonaro, has left a severely weakened and underfunded state apparatus. As a result, the IBAMA is severely defunded and dismantled from within.

   We will continue to support ongoing efforts to improve traceability in Brazil. This will be even more important, now that stricter requirements from consumer countries are put into place. The EU's legislative body — the European Parliament — adopted the new law in April. It means companies will only be allowed to sell products in the EU if the supplier of the underlying ingredients has issued a "due diligence statement" confirming that their commodities are not sourced from deforested land and have not led to forest degradation since 31 December 2020.

2. **Biodiversity:** Storebrand is pleased to be represented on the Advisory Board of **SUSTAIN**, by **Emine Isciel** in the Risk and Ownership Team. SUSTAIN is an initiative to boost the European Commission's understanding and awareness of how economic activities depend and impact on biodiversity. The project will build on existing work within business and biodiversity, to develop and validate a database of business dependencies and impacts; develop methods that actors can use to reduce biodiversity related risks; and build a toolbox to support their application.
3. **Living Wages:** SAM has been actively involved in the issue of living wages for many years. In 2021, we joined the **Platform Living Wages Financials** (PLWF), based on our recognition that achieving living wages requires detailed and dedicated cross-sector international investor collaborations over the long term. The PLWF brings together a group of approximately 20 investors to collaboratively engage with 52 investee companies on achieving living wages internally and in their supply chains. The PLWF's workstreams focus on living wages in working groups defined by sector: garment & apparel, food & agriculture, and food retail. SAM's Head of Human Rights, **Tulia Machado-Helland**, has been co-chair of the Food & Agri and Food Retail working groups for two years.

On the topic of **Living Wages** - in November 2023, Storebrand was part of a group of investors that jointly called on companies in the United States to move to paying a living wage, as a key step towards addressing systemic societal and economic risks. Organised by the Interfaith Center on Corporate Responsibility and the Investor Alliance of Human Rights, the Investor Statement in Support of a Living Wage, was backed by 136 investors, representing US$ 4.5 trillion in assets. The breadth and scale of investor support for this issue demonstrates how strongly global investors view wage inequities as significant business risks, and that they view paying living wages as an important way to mitigate these risks. In the statement, we together called on U.S. companies to take steps towards the payment of a living wage to direct and contract workers, in line with international human rights standards. Among the sectors particularly noted where the retail, restaurant, hospitality and so-called "gig" sector of self-employed or short-term labour that supports many business ecosystems. While social responsibility is a good rationale for paying a living wage, we also underlined a broader body of evidence of a business case for paying living wages. Among these issues are that paying a sub-living wage to workers exposes companies to significant financial and reputation risks. Wage increases for the lowest earners can also aid in addressing broader systemic risks such as income inequality and gender and ethical disparities that can have long-term societal and economic impacts. Beyond risk, there are gains to be had by companies paying living wages.

Long-term investments in the workforce are good for business, helping companies attract and retain talented employees, increase job satisfaction, and improve worker performance.

Overall, in 2023 we expanded the scope of the work, increasing the number of companies assessed and engaged, with two more companies in the Food & Agri and Food Retail workstreams, compared to last year.

We also updated the methodology, to make the work more robust, raise the bar and increase focus on implementation of concrete strategies, quantifiable time bound targets and documentation.

In general, we find that among the companies we have assessed, there is more awareness and understanding of the living income of farmers and living wages of workers. We have experienced more mature dialogues with companies on these issues, especially with Food & Agri companies.

Following a two-year period as co-chairs for the Food & Agri and the Food Retail working groups, Storebrand and A.S.R. have handed over the formal leadership of the workstream and the corresponding co-chair positions - to other investors involved in the PLWF. We will continue participating in the PLWF and the working groups, taking the lead in engaging and assessing additional companies as well as contributing to any reviews of the methodology, the writing of the report and the conference.

4. **Human rights due diligence laws:** We have supported an investor initiative, led by the **Investor Alliance for Human Rights**, requesting EU Human Rights regulation in supply chains for five years. The initiative remains active, requesting an ambitious and effective European directive on corporate sustainability due diligence (**CSDDD**) that would also cover the financial sector.

   We continued our focus on this topic in 2023, and plan to continue this into 2024, supporting similar initiatives requesting national human rights due diligence laws in other European countries, including Norway, Switzerland and the UK. For us, as investors, it is important to create a level playing field for all companies. It is therefore important that national regulation in these countries outside the EU covers the same issues as the EU directive. The more countries requiring this type of due diligence from companies, the more likely it will be that companies pay attention to these issues.

   Norway has been ahead of the game in terms of due diligence requirements, with the Transparency

Act (Åpenhetsloven)[16] being enforced since early 2022, and the first required reporting date in June 2023. The law applies to around 9,000 Norwegian companies, or companies providing goods or services in Norway. As such, it requires more companies to do due diligence than the entire EU countries combined. Storebrand is part of the KAN (Koalsjion for ansvarlige næringsliv, translating as "Coalition for a Responsible Private Sector"), where we have shared our views as investors on the importance of such a law with civil society and companies. We also have provided feedback to policymakers, via our Norwegian finance industry association (Finans Norge) and in panels organised by the coalition where Norwegian authorities were invited to discuss the bill.

SAM has publicly voiced its support for the CSDDD directive. In November 2023, we participated in a communique urging the Swedish government to play a proactive role in the Nordic trilogue negotiations, due to Sweden having abstained on an earlier vote. SAM advocated for the inclusion, rather than exclusion, of the financial sector in the CSDDD, to advance sustainable finance and align investments with broader societal and environmental goals.

## Risk assessment and disclosure

Risk assessment and disclosure are core features of our commitments to addressing climate change and nature-related risks. For example, we report annually on our portfolio exposure to deforestation risk and have evolved our approach to deforestation risk disclosure as available tools and methodologies have improved. Going forward we will use the **Forest IQ** platform to report on our exposure to companies in high-risk categories in our annual sustainability report. We cooperate with other financial institutions to promote standards for measuring, monitoring and reporting on direct and indirect deforestation risk exposure. In 2023, we contributed to include disclosure on deforestation in the **Net Zero Standard for Banks**; participated in the **Finance Sector Deforestation Action (FSDA)** work stream engaging with ESG data providers to improve data products on deforestation; and collaborated in the **Forest IQ** investor advisory group.

## Contributing to a well-functioning asset management industry

SAM has for many years been a vital asset manager in the Norwegian fund industry and an influential member of the Norwegian Fund and Asset Management Association ("VFF"). The VFF is a forum for asset managers to discuss industry matters and establish industry standards.

Through various working groups, such as but not limited to Compliance, Risk Management, Fixed Income, ESG etc., the

[16] Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (Transparency Act) - Lovdata

members may raise issues experienced in their own processes and the need for clarification – both through discussions and through documented industry standards. The working groups prepare and suggest any new or changing industry standards. Along with supporting resources from the VFF, these working groups consist of industry experts in specific fields and SAM has representatives in all established groups. During 2023 we contributed to the Distribution Working Group, the Compliance Working Group, the Interest Rate Working Group and the ESG Working Group.

As a member of the VFF, SAM must report compliance with specific industry standards on an annual basis. This ensures a robust setup of standards that is respected in the industry and contributes to a reliable environment for conducting business. Another important association for the finance industry in Norway is Finance Norway. They advocate the views of the industry towards different groups in Norwegian society; politicians, government, consumer authorities, international collaborators and decision-makers and consumers. SAM is always striving to contribute to efforts that support the industry in our clients' best interest.

Storebrand Asset Management representatives now serve on the boards of three national **Sustainable Investment Forums (SIFs)** in the Nordics: Institutional Client Director Teresa Platan, Senior Sustainability Analyst Victoria Lidén and Fund Manager Philip Ripman were all recently elected to the boards of the Finnish, Swedish, and Norwegian SIFs, respectively. The SIFs are important investment sector forums aimed at promoting sustainable investment practices, disseminating information, and engaging the community. At the end of 2023 we applied to join the UKSIF.

## Second – through the way that we invest our clients' assets:

We believe that certain unsustainable business practices and products should be avoided by responsible investors, particularly where engagement cannot or has not been successful thereby resulting in known but unmanaged portfolio risk exposures. We use exclusion as a method for escalation and we publish our exclusions, aiming for impact through transparency.

Exclusion lists are updated on a quarterly basis and published online[17]. During 2023, the Storebrand Exclusion Policy[18] documentation was upgraded and formalised within our policy governance framework (Figure 6), as described in Principle 5. The introduction of a new Nature Policy[19] and ongoing risk-based work on biodiversity led to some new exclusions categories including deep sea mining.

The Storebrand Exclusion Policy covers norm-based and product- and activity-based exclusions as follows:

[17] Storebrand's exclusion methodology - www.storebrand.com
[18] Storebrand-Exclusion Policy.pdf
[19] 2022-11-01-Storebrand-Policy-on-Nature.pdf

### Norm based exclusions (conduct and non-conduct based)

Storebrand Asset Management will not invest in companies involved in the following norm breaches*:

- Companies that contribute to serious and systematic breaches of international law and human rights (conduct based),
- Companies involved in serious environmental degradation, including the climate and biodiversity (conduct based),
- Companies involved in systematic corruption and financial crime (conduct based),
- Companies that produce or sell controversial weapons, such as nuclear weapons, land mines, cluster munitions, biological and chemical weapons, phosphorous weapons, etc. (non-conduct-based norm-breaches).

*A company will also be excluded when subsidiaries controlled by the company, typically through ownership of 50 percent or more, are in breach of these criteria.

### Product- and activity-based exclusions

Storebrand has also chosen to exclude investments in companies within certain single product categories or industries, or activities that are unsustainable. These products or industries are associated with significant risks and liabilities from societal, environmental or health related harm. In these product categories there is also limited scope to influence companies to operate in a more sustainable way. These companies include:

- Companies with more than 5 percent of revenue from coal-related activities
- Companies with more than 5 percent of their revenue from oil sands
- Companies with more than 5 percent of revenue from tobacco production and distribution
- Companies with more than 5 percent revenue from recreational cannabis
- Companies that are involved in deforestation or conversion of native ecosystems through severe and/or systematic unsustainable production of palm oil, soy, cattle, timber, cocoa, coffee, rubber and minerals
- Companies involved in lobbying that deliberately and systematically work against international norms and conventions, such as the goals and targets enshrined in the Paris Agreement or the Global Biodiversity Framework
- Operations in biodiversity sensitive areas
- Deep sea mining
- Mining operations that conduct direct marine or riverine tailings disposal
- State-owned and controlled companies (from states

excluded under sovereign bond criteria)

In addition to our efforts to set a clear policy and standard for engagement and exclusion of companies SAM also integrates sustainability risk ratings into investment decisions to avoid, or reduce investments in, companies that offer high sustainability risks and prioritise investment in companies with low sustainability risk.

The Storebrand Sustainability Score (described in Principle 2) is assigned to all listed companies we invest in and is available for our portfolio managers to integrate in investment decisions. The idea is to move capital away from high sustainability risk companies to companies with lower sustainability risk.

## Principle Adverse Impacts (PAIs)

Since 2021, we have integrated the Principal Adverse Impacts (PAIs) identified in the **EU Sustainable Finance Disclosure Regulation (SFDR)** into our risk analysis for asset classes where data is available. There is an overlap between PAI indicators, and our general work carried out to mitigate risk. This has not changed our methodology to identify risk, but has added a new dimension to further map, manage, measure and mitigate adverse impact as more specific data is available. In order to further mitigate risk, SAM will sell its holdings in companies with a considerable risk of involvement in activities with severe negative impacts such as Principle Adverse Impacts (PAIs) as described by EU regulations, so called, risk-based sale of assets. More information regarding PAIs and our due diligence work addressing them can be found in our Principal Adverse Impact Statement available on our website.

## Stewardship of assets

As a fiduciary acting on behalf of our clients and their underlying beneficiaries it is our responsibility to manage risk though responsible stewardship of the companies in which we invest. SAM is a universal asset owner exposed to a broad range of companies, industries and regions, offering us the opportunity to address global systemic challenges with varying degrees of influence. Due to the nature of our asset and client base, we have the greatest opportunity for impact in the Nordic markets but, as a renowned global sustainable investor, we can use our position and specialist knowledge to shine a light on, and seek to influence, systemic risks related to environmental and social challenges.

The systemic risks of climate change, nature degradation and human rights identified above are reflected in our four 2021-2023 engagement themes.

**SAM's priority engagement themes are designed to focus on strategic long-term areas requiring proactive involvement. They reflect the strategic sustainability goals of the organisation and address material systemic issues for investors.**

The themes are also driven by our key areas of expertise and competence and our position as both a Nordic sustainable finance leader and international sustainability pioneer.

In the period 2021-2023, the following themes have been prioritised by Storebrand Asset Management:

- **The race to net zero**
- **Biodiversity and ecosystems**
- **Resilient supply chains**
- **Corporate sustainability disclosure**

More detail on these themes and our actions to address these topics during the reporting period is provided in Principles 7 to 12.

During 2023 we published our first report under the new **Norwegian Transparency Act**. The Act, as highlighted above, requires enterprises to have in place a due diligence framework for human rights risks in their supply chains, to annually report on their due diligence activities and provide information to the public on request. The first reporting deadline was June 30, 2023. During the reporting period, Storebrand Asset Management has mapped and assessed human rights risks in sectors ranging from renewable energy to oil and gas, textiles, and food and agriculture. We have implemented measures to stop, prevent, or limit negative consequences in our portfolios for the following risks:

- living wages and decent working conditions in supply chains;
- forced labour;
- gender, diversity, and inclusion;
- employee rights, including the right to participate in trade unions;
- children's rights;
- local community rights in the green transition;
- Indigenous peoples' rights;
- human rights in high-risk countries and conflict areas.

We have used active ownership strategies such as exclusions, reactive and proactive dialogue with companies, and observation lists as part of our due diligence framework. These strategies helped avoid including at least eleven problematic companies from high-risk countries in our portfolios. We have also decided to exclude thirteen companies after evaluating the human rights risks as aligned with our due diligence framework.

We had a proactive dialogue with over fifteen industries, mainly through collaboration in various investor initiatives (as illustrated in the above examples), and have voted on over 195 social shareholder proposals at general meetings in 2023. In addition to the Norwegian Transparency Act, we have also reported on the EU Sustainable Finance Disclosure Regulation (SFDR). We have focused on principle adverse impacts such as violations of UN Global Compact and OECD Guidelines for Multinational Enterprises, unadjusted gender pay gap, board gender diversity, exposure to controversial weapons. For more details on our human rights due diligence process please refer to our published report[20].

[20] Reporting-under-transparency-act-june-2023.pdf (storebrand.com)

# Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Over the past 5 years SAM has developed increasingly ambitious sustainability targets and made public commitments in line with those targets, as outlined in Principle 1. The sustainable investing environment has evolved at pace, leading to enhanced sustainability related requirements from clients and regulators worldwide. The availability of company data and information related to environmental, social and governance issues has improved dramatically, allowing us to better understand our portfolio and to make improved disclosures and targets. SAM has had an exclusion policy and commitment to sustainable investing since 2005, and has built on this over almost 20 years.  In 2021 we adopted a formal **Sustainable Investment Policy** and we have also added focused thematic policies dedicated to climate change, deforestation, nature and human rights over the past 5 years.

During 2023, the Head of Risk and Ownership, Kamil Zabielski, in collaboration with stakeholders within SAM and Storebrand ASA, undertook an extensive review of our sustainable investment policies and procedures. The aim of the review was to ensure our policies remain aligned with our principles, targets and ambitions and reflect our clients' expectations as well as the current regulatory environment in the markets in which we operate. We were also mindful that our existing approach to human rights risk management and stewardship was deserving of a dedicated policy and wanted to elevate that documentation to the same level as climate change, nature and deforestation. The review was supported by SAM Compliance and led to the implementation of a new governance framework, illustrated in Figure 6 (Principle 2), and the formalisation of all policies and related documents underlying sustainable investment activity within SAM. The new governance framework was developed to ensure that the policies: remain anchored in corporate strategy; are regularly followed up to account for developments in sustainable investing regulations, risks and opportunities; have clear lines of accountability; introduce consistency and reduce potential conflicts of interest between SAM Group entities in achieving sustainable outcomes for clients.

## Policy Review

The policy review incorporated the underlying distinct policies related to nature, deforestation and engagement and voting. Storebrand's longstanding experience and practice in relation to exclusions and human rights considerations via the 'Storebrand Standard' and previously articulated in the Sustainable Investment Policy were formalised into new and distinct policy documents.

The policies were reviewed, and drafted, by Risk and Ownership in collaboration with the SAM CIOs and CCO, as well as the Chief Sustainability Officer at Storebrand ASA. There was a consultation involving all other investment business units in SAM prior to the draft policies being raised to the SAM Executive Management team for input.

The overarching Sustainable Investment Policy was anchored with the Storebrand ASA Board in August 2023. The full process was completed and adopted by the SAM Board in October 2023. Links to all relevant policies are provided in the bibliography.

### Storebrand Sustainable Investment Policy

- Overarching policy applicable to all subsidiary companies in the SAM Group and all asset classes.
- Implementation in the separate entities will be in the form of company specific policies, guidelines or procedures, all within the framework established by this overarching policy.
- There were no significant changes to the substance of the policy, but changes were made to adapt to new sustainability communication guidelines and the revised sustainability documentation hierarchy, lifting the correct level of detail for a policy document applicable for all of SAM and procedure elements more of an operational nature in other thematic polices and operational guidelines.
- Content incorporates:
    - Key sustainability themes (with their own stand-alone polices); Climate, Nature, Deforestation and Human Rights
    - Sustainability approaches; Screening and exclusion, engagement and voting, and integration (ex. SFDR and PAIs)
    - Implementation across asset classes; real estate, private equity, infrastructure, etc.

### SAM Group Exclusion Policy (new)

- Formal exclusion policy to replace the "Storebrand Standard".
- Substance aligned with the Storebrand Standard, limited material differences. Details integrated into more operative documents including guidelines and expectations.
- Limited policy changes including:
    - Exclusions by NBIM are no longer automatic and will be subject to an exclusion decision based on a breach of SAM Group Exclusion Policy.
    - Companies classified outside of the fossil industry, such as in the utilities sector, with fossil-revenues marginally above 5 percent will be evaluated. They can *be exempt* from exclusion if they have validated Science based targets, which are in line with the 1.5C scenario, and if the company is not excluded under any other norm or product-based exclusion criteria.
- Content incorporates:
    - Exclusion criteria: norm and product based; sovereign bonds, enhanced exclusions, etc.
    - International norms and conventions underpinning exclusion criteria.

- Exclusion process; screening & monitoring, observation list, Execution,

### SAM Group Human Rights Policy (new)

- Created to formalise and elevate SAM's policy on human rights. Our Human Rights policy was previously scattered among other operational documents including the Storebrand Standard (exclusion process), Human Rights due diligence procedure and our engagement and sustainable investment policies.
- The new Human Rights Policy is a reflection of existing commitments and practice with respect to human rights and SAM due diligence processes with no material changes to substance.
- Purpose:
  - Raising "S" and Human Rights to the same level as Climate and Nature.
  - Express diversity of the human rights issues we cover and how they are addressed.
  - In alignment with UN Guiding Principles and emerging regulation setting requirements to companies/investors on Human Rights.
  - Adapt language and formalise presentation.

### SAM Group Deforestation Policy

- Edited language for clarity regarding our ambition to eliminate agricultural commodity driven deforestation in our portfolios by 2025.
  - Updated to reflect consistency with (more recently adopted) distinct Nature Policy in relation to the exclusion criterion for deforestation - expanded beyond palm oil, soy, cattle products and timber to additional forest risk commodities as data availability has improved. The additional commodities covered are: cocoa, coffee, rubber and minerals.

No major changes were made to the other sustainable investment thematic and operational policies.

Our policies will be reviewed on an annual basis and any changes will be approved by the SAM Board. Like the review process described above, consultations will be made with CIOs, PMs, client facing teams, Compliance and Legal, to reflect both necessary regulatory and legal requirements, but also strategic changes that have made throughout the year.

## Stewardship Process and Actions

Our stewardship approach comprises proactive (both individual and collaborative) and reactive engagements, and voting.

We set our core engagement themes for a period of 2-3 years, after which they are reviewed and refreshed if necessary. Our engagement themes are generally tackling long-term challenges, so they remain fairly consistent but are adjusted as necessary for effectiveness. During 2023 the Risk and Ownership Team began the review process of our 2021-2023 engagement topics, which will be refreshed and reset for the period 2024-2026.

SAM defines and sets objectives and milestones for its engagements to be achieved by companies, either individually or together with other investors in collaborative engagements. These objectives, as well as any progress on engagements, are recorded in our internal engagement tracking system, Esgaia.

The Risk and Ownership team discusses the progress of ongoing engagements in its weekly meetings; engagement is assessed and discussion of escalation is covered (further information available under Principles 9, 10 and 11). SAM monitors progress against defined objectives and tracks the progress of action. If the original objectives are not met, an assessment is made as to the appropriateness of the original objective and methods for engagement. If the original objective needs revision, we will do so or if the unachieved objective is process-rooted, then remediation will be exercised.

EU requirements under SFDR prompted us to update and quality-assure our existing processes. With the introduction of EU disclosure requirements, SAM has worked to develop and update our sustainability analysis in order to be able to take into account new data on principal adverse impacts (PAI). Our method is to identify PAI laggards (red), PAI intermediates (yellow) and PAI leaders (green) to reduce risk and allocate capital to more sustainable and/or solution companies. Red companies will be further analysed by the Risk and Ownership Team and may result in sale of assets, or exclusion, depending on the risk and severity of the negative impact identified and the overall cumulative negative effect identified for all PAI indicators. Yellow companies will also be further analysed to mitigate negative effects through engagement. Green companies will be identified so that capital can be directed there.

## Stewardship Reporting

We ensure our stewardship reporting is fair, balanced and understandable through the following efforts:

- Keeping sustainability experts and the communication team in regular and detailed contact.

- Communicating openly with our clients and asking for feedback. We have clients that are also reporting in line with the UK Stewardship Code so it is important that we are aligned with their requirements.

- Communicating with rating agencies on our level of transparency.

During 2023, we improved our internal reporting tool. PowerBI is an interface which anonymises our engagement cases in Esgaia but provides reporting of total engagements according to category and product. Our client facing colleagues can use this to create reports and can reach out to the Risk and Ownership Team for company specific examples, where required.

In our **Quarterly Sustainable Investment Review** (SIR) publication, we cover progress on engagements, sustainability initiatives in which we are involved, voting activity and any new exclusions or engagement escalations during the period. This is published on our website quarterly and ensures we regularly assess and communicate our stewardship progress.

For example, in the Q1 2023 SIR, we published an article by **Emine Isciel**, Head of Climate and Environment on endangered species and the effect on natural ecosystems. This provided the background for clients to our decision to exclude **POWERCHINA** (also in Q1) from our investment universe, due to its involvement in controversial hydroelectric dam projects that will threaten important habitats of biological diversity and impact endangered species. More information in Principle 12.

As detailed above, in September 2023 we published our first **Progress Report on Nature and Climate**, in recognition that our commitments must equate to action. The effects and continued support of our work may be limited if we cannot track progress. Our clients deserve transparency and clarity about how their capital is invested and what we achieve. Our new progress report documents our progress against our commitments thus far - and while we are proud of the progress we have made in delivering more sustainable investment, we are aware that there is still a long way to go. We will therefore continue to track progress through our dedicated internal taskforce and to report periodically. Progress on our nature and climate targets will be reported annually via our annual report, annual sustainability report as well as our TCFD and TNFD reporting.

## Assurance Processes

### Internal Assurance of Governance Related to Active Ownership

During 2023, our Head of Sustainable Investments undertook a full review of our active ownership approach as part of the SAM sustainable investing policies and governance review. This process was overseen by SAM Compliance, who provided advice on the governance process related to the review and revision of sustainable investment policies and adoption of thematic policies, as well as the ongoing governance structure of these policies and related decision making.

We believe the policy review process was valuable in achieving our objectives of ensuring our policies remain aligned with our principles, targets and ambitions and reflect our clients' expectations as well as the current regulatory environment in the markets in which we operate. We believe that the strengthened governance process will benefit the ongoing development of these policies. Policies are reviewed for potential improvements and changes, as well as approved by the SAM Board, on an annual basis.

### External Audit of Controls - ISAE 3402

Our stewardship policies and practices have stood up to external scrutiny. PWC are the current external auditor of SAM and provided an independent service auditor's assurance report on the description of controls, their design and operating effectiveness as at 30 September 2023 via our latest International Standards for Assurance Engagements (ISAE) 3402 – type II report.

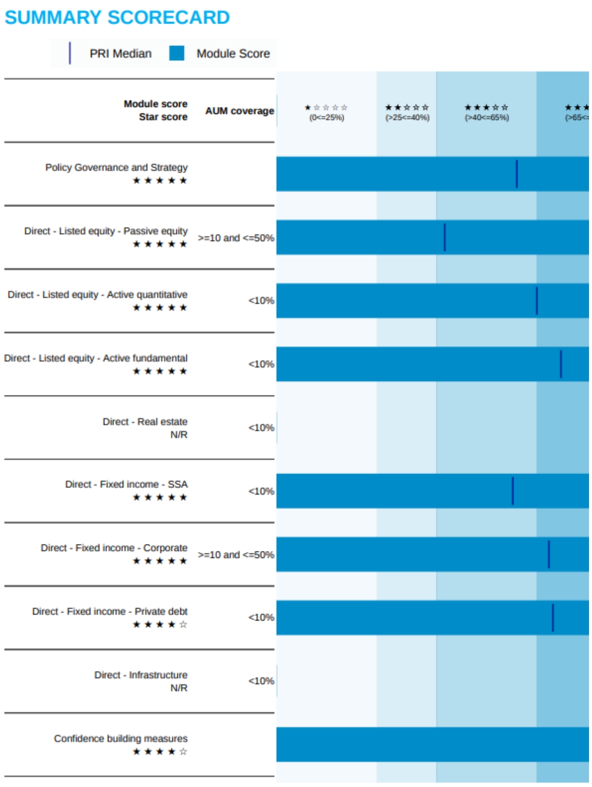
Our ISAE 3402 report addresses our organisational commitment to sustainability and explicitly references our principles for active ownership.

### External Assurance via PRI

Storebrand was a founding signatory to the PRI (Principles for Responsible Investment) in 2006. Our stewardship activity is therefore assessed on an annual basis by PRI, which includes specific questions related to signatories' stewardship activities in the reporting period. The assessment aims to identify how signatories can improve their responsible investment practices and facilitate learning and development by outlining how signatories' implementation of responsible investment compares year-on-year, across asset classes, and with peers at the local and global level by providing a confidential report. To ensure transparent communication, and to let stakeholders follow up on the implementation of our Sustainable Investment policy, we are committed to fulfilling PRI's reporting requirements, and publishing our results accordingly.

Our PRI Assessment Report for 2023, along with our Transparency Report for 2023, is published on our website. We are pleased to have achieved a 5-star rating in 6 out of 8 categories on which we are assessed.

## PRI Assessment Summary Scorecard 2023




Our sustainability work is continuously assessed and ranked against our competitors, by civil society such as **Fair Finance Guide Norway**, or Norwegian People's Aid. Our work is also assessed and ranked by leading financial advisers and intermediaries in insurance and financial products, such as **Söderberg & Partners**.

**The Fair Finance Guide** in Norway rates Storebrand as number 1 asset manager, indicating high-quality corporate social responsibility, ethics and sustainability.

Regular and consistent review and use of external assurance has led to the continuous improvement of our stewardship policies and processes. For example, **ESG4Real** certification is a non-profit and politically independent initiative with the main purpose to promote growth and development within responsible investments. ESG4Real establishes a quality assured minimum level to increase transparency, communication and competence. This requires independent certification conducted by an ISO17065-accredited body to the global market. We meet all the requirements set within the framework of the ESG4 Real model and our capital within the group is certified through ESG4Real (Listed Equity and Corporate Bonds).

### Internal Audit related to SFDR

SAM completed an internal audit on governance and processes for compliance with the SFDR. The audit was completed in June 2023 and distributed to the SAM company board, and thereafter to the Risk committee in Storebrand ASA.

The internal audit assessed:

- the quality of the governance framework, roles and responsibilities
- product level reporting compliance
- ongoing monitoring

**Key outcomes / recommendations:** The report highlighted areas for improvement such as:

- review of dedicated legal resources to support the requirements over the short- and long-term

- implementation of enhanced system support for sustainability reporting, enhanced monitoring and classifications

These areas have been followed up within SAM during 2023.

### Storebrand Group Internal Audit of ESG Governance

Following recommendations from the Storebrand Group internal audit process regarding ESG governance, some strategic changes in our sustainability work were enacted at Group Level. This resulted in a number of measures for all the subsidiaries in the Group, including:

- New guidelines for our work on sustainability in the Group – enhancing the governance model for sustainability work. Defined responsibilities for sustainability strategy, sustainable investments, ESG regulations etc.
- Strategy for work on sustainability at Group level, including strategy for all subsidiaries (including SAM).
- Sustainability KPIs to be reported in regular business management on a regular basis, also for SAM (for both own operations and products/services).
- These enhancements are reflected in the SAM governance model and strategy described in Principles 1 and 2 above.

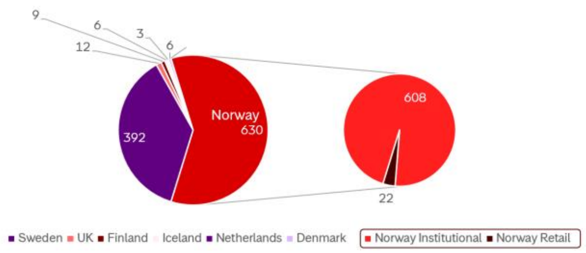
# Principle 6

**Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.**

Total in-scope AUM for Storebrand Asset Management is NOK1,058bn, as at 31 December 2023[21]. Over half of this AUM, NOK621bn, is internal capital managed on behalf of the Storebrand Group companies.

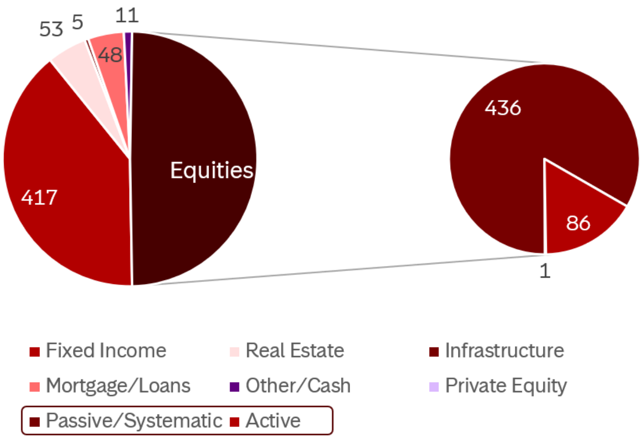
The majority of our AUM is managed on behalf of institutional clients, as illustrated below. The only retail client exposure is in Norway. Sixty percent of our assets are managed on behalf of clients in Norway and thirty seven percent of our assets are managed on behalf of Swedish clients.

### Reporting Entity AUM by Region and Client type (NOK bn) – Total NOK 1,058bn




Half of our assets are in equities, the majority of which is in passive / systematic portfolios managed by our quant team as illustrated below.

### Reporting Entity AUM by Asset Class (NOK bn) – Total NOK 1,058 bn




## Understanding clients' needs

Storebrand Asset Management is assessed for its performance, competitive position and degree of customer understanding in the annual **Prospera survey**[22] delivered by independent consultant, **Kantar**.

The Prospera survey is a well-established market research offering in the Nordic financial services industry. It offers a benchmarking analysis and ranking but importantly allows us to understand client satisfaction and where we may be able to make improvements in our overall business performance.

Every year we purchase the full benchmarking survey for external asset

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[21] As outlined in the introductory section, this accounts for all AUM in the SAM Group excluding the three autonomous entities: SKAGEN Funds, Cubera and Capital Investment.

[22] Benchmarking | Kantar (kantarsifo.se)

management. In 2023, the Prospera survey placed Storebrand Asset Management in first place in terms of desirability by institutional clients in Sweden as well as in terms of sustainable investments, product information and reporting. In Norway, the same survey found Storebrand Asset Management to be the number one in terms of its sustainable investments and product quality two years in a row and number two in overall performance.

Storebrand ASA was included in the Dow Jones Sustainability Index's list of the world's 10 per cent best companies regarding work on sustainability for the second year in a row. These were important recognitions of our efforts to operationalise sustainability and integrate sustainability in our investment products.

Over half of SAM's AUM is **internal capital managed on behalf of Storebrand Group companies**. As our primary stakeholder it is important that we align our stewardship goals with the needs of the Storebrand Asset Owner. As outlined in Principle 2, SAM's objectives are strategically linked to the Storebrand Group level objectives in that we deliver investment products to meet the sustainability commitments of the Group.

Our targets are set in close collaboration with our primary stakeholder and client, in line with their expectations and commitments as a member of the Net Zero Asset Owner Alliance. The targets are strategically linked to long term systemic and societal challenges but with interim, medium-term targets for 2030. In designing our strategy for meeting those 2030 targets, stewardship plays an integral role. For example, we can make use of a number of tools for reducing portfolio carbon intensity but our strategy is focused on engaging for change. We have therefore focused our efforts on engaging with our top portfolio emitters and climate laggards, as outlined in Principle 9.

Revision of SAM polices, position papers and targets (such as climate targets) is done in dialogue and close consultation with the Group, and Head of Sustainability in the Group. Considerations are made to align commitments from SAM as an asset manager and the Group as an asset owner – with an appreciation that the Asset Owner may have other commitments or expectations that are different than those of SAM as an Asset Manager. Through close consultation between SAM and the Group, a stewardship strategy is set that aligns these commitments and expectations, but allows the Asset Owner to go further, for example in setting certain targets for its discretionary portfolio if it would choose to do so.

Clients in our international business may have different requirements and standards in terms of reporting and communication to our Nordic home markets of Norway and Sweden. We have established offices in the UK and Denmark with local experts to work with our clients and develop our offering according to their requirements.

For example, in 2023 the UK climate and sustainability product lead and UK managing director held meetings with our largest institutional pension fund clients covering sustainable investment strategy and stewardship in detail. They covered specific examples of engagements, escalation and outcomes. We have responded to these clients' needs by:

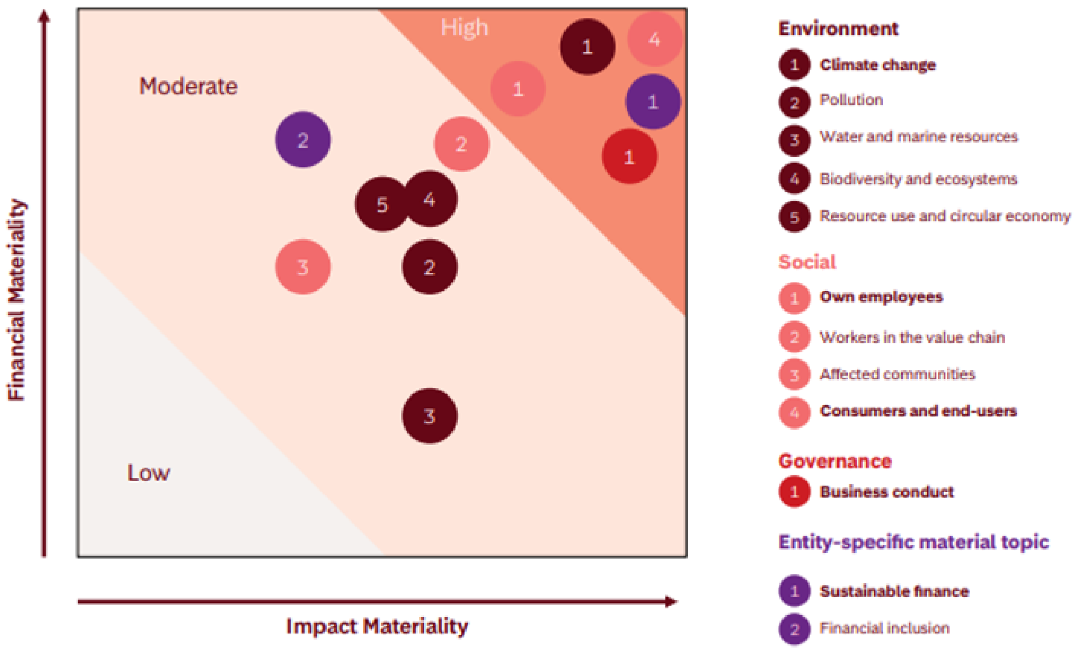
- providing more detailed stewardship case studies
- contributing to their own stewardship code reporting
- improving our voting coverage and analysis

## Materiality Analysis – stakeholder dialogue

To ensure that we have a comprehensive and long-term approach to creating value for our shareholders, customers, employees, and society at large, **Storebrand ASA regularly conducts a materiality analysis across all business areas, including SAM**. This ensures alignment between our goals and prioritised areas, and our stakeholders' expectations. Our operating environment will be adjusted and shaped in line with societal developments. The materiality analysis will therefore be continuously updated through **on-going dialogue with our most important stakeholders**: Shareholders, customers, employees, authorities, and NGOs. The analysis defines the challenges and opportunities that both Storebrand and our stakeholders perceive as most crucial to reaching our long-term strategic goals, and where we have the greatest impact on society and the environment.

The first materiality analysis was conducted in 2017 with annual adjustments following stakeholder engagement. In 2020 we renewed our topics following a thorough analysis based on input from both internal and external sources. In 2023 we conducted a new materiality analysis line with the principles of **double materiality** as stated in the Corporate Sustainability Reporting Directive (CSRD). The analysis was based on input from trends, policies, internal and external stakeholders, as well as input from the executive management. CSRD is still in

## Figure 10: Storebrand Materiality Analysis 2023



development and the materiality assessment may be impacted by changes in the EU directive that is being implemented. Going forward we aim to review our material topics annually.

Double materiality means that the analysis assessed two dimensions: impact materiality and financial materiality. A sustainability topic meets the criterion of double materiality if it is material from the impact perspective or the financial perspective or both. Double materiality acknowledges that businesses should assess both the risk and opportunities linked to ESG topics that can influence enterprise value creation ("outside-in") and the ESG impacts that a company can have on the planet and society ("inside-out"). Further, the concept of "dynamic materiality" recognises that the financial materiality of an ESG impact can evolve over time.

The material topics have been ranked based on significance of financial materiality and impact materiality. The ranking is based on quantitative scoring, qualitative interviews (internal and external), and input from management groups and the Audit Committee. The results are presented in the matrix above, with each topic assessed on both financial materiality and impact materiality.

Storebrand's impact on people and the environment as well as the ESG-related risks and opportunities which could impact Storebrand's corporate value were assessed by including input from important stakeholders. The stakeholder dialogue is an important part of the materiality analysis, and is used to identify and prioritise impacts, risks and opportunities. Our main stakeholders are our customers, shareholders, employees, authorities, public opinion / NGO, suppliers and nature as a silent stakeholder.

Representatives from the stakeholder groups were consulted via interviews.

The stakeholder dialogue is summarised in our materiality analysis report, which is available on our website[23] and in our annual report[24]. We interact with our customers throughout the year via: client meetings; webinars; conferences and customer surveys. The most material topics discussed were:

- Climate
- Biodiversity
- Human rights
- Change in land use
- Salary level
- Waste
- Pollution
- Financial independence
- Active ownership
- Influence

The methods for follow up and measurement were:

[23] Materiality analysis report (storebrand.no)

[24] 2023-annual-report-storbrand-asa.pdf (storebrand.no)

- Net loyalty score (customer survey measuring loyalty and collecting feedback)
- Surveys
- KPIs following up sales
- Dialogues and meetings (qualitative feedback)

Each of the topics in bold have been expanded on in detail in our materiality analysis 2023 report. As an example of our taking account of beneficiary needs, we have provided below details of the analysis related to 'Consumers and end users'.

### Consumers and end users

Includes information flow to, security for, inclusion of and relationships with customers and end users as well as risks of human rights violations in service delivery.

Storebrand is considered to have a high score on impact materiality and a high score on financial materiality on this topic.

**Impact materiality:** The impact Storebrand has on consumers is assessed as high.

• Storebrand has an inherent risk for cyber and data security through the service delivery, which is mitigated through company-wide processes and employee training.

• Storebrand depends on transparency in customer relations in order to give customers a better information base. Not having this transparency could lead to consumers being affected by misunderstandings or making choices that are not favourable for themselves.

• The risk of human rights violations against customers / end consumers is low, but there is an inherent risk that certain groups (e.g., the elderly) find fully digital solutions challenging or that some customer groups find financial language and terminology difficult. This is mitigated through e.g., increased focus on clear and precise communication and the opportunity for oral communication to avoid misunderstandings.

**Financial materiality:** Consumers have a high potential financial effect on Storebrand.

• The financial materiality in this area is linked to reputational risk. Not being transparent can be a competitive disadvantage given that customers are looking for the greatest possible transparency in order to make decisions that are favourable to themselves. Storebrand's ability to deliver financial security and freedom is crucial to attracting customers.

## Communication with Clients

SAM is committed to reporting on the impact of its investments and engagement results are communicated via different channels including: Storebrand dedicated websites, clients' newsletters, annual reports and sustainability reports or fund reports as well as in external presentations.

We are open about our sustainability efforts and report in accordance with several leading reporting standards, including the **Global Reporting Initiative (GRI), Task force on Climate Related Financial Disclosures (TCFD) and Carbon Disclosure Project (CDP)**, in line with the expectations of a number of key stakeholders. Strategic ambitions, specific goals, reporting and communication on sustainability are important success criteria in our work. In addition, we engage in international sustainability initiatives such as **The Net Zero Asset Manager Initiative** and **Climate Action 100+**. We are committed to helping our clients achieve strong risk-adjusted returns and we believe integration of sustainability data and perspectives will help us do so. Through this, as a responsible shareholder and investor, we will also contribute to a better world and a more sustainable future. More than ever, we are determined to play our role in transition: decarbonising the economy, protecting biodiversity and supporting inclusive growth. These strong convictions permeate our strategic plan for the coming years and will allow us to pursue our objective of generating long-term sustainable investment returns for our clients.

In 2023, as previously mentioned, we published our first **progress report on nature and climate** to document our progress against our commitments. For example, as a signatory to the **Finance for Biodiversity Pledge**, we have committed to collaborating and sharing knowledge, engaging with companies, assessing impact, setting targets and reporting publicly on biodiversity, all before 2025.

Risk assessment and disclosure are core features of our commitments. For example, we report annually on our portfolio exposure to deforestation risk and have evolved our approach to deforestation risk disclosure as available tools and methodologies have improved. Going forward we will use the **Forest IQ** platform, as highlighted in Principle 4, to report on our exposure to companies in high-risk categories in our annual sustainability report.

Storebrand communicates to clients about stewardship and investment activities and outcomes across a variety of formats and timeframes. This includes regular updates such as Annual Client Conferences, Quarterly fund update webinars where portfolio managers provide detailed commentary, Quarterly Sustainability reports, Quarterly Carbon Footprint reports, Quarterly Excluded Companies Reports, Monthly fund factsheets via Morningstar and Climate Metrics reports. Voting activity is published on our website in real time, and for UK clients is also captured in the standard PLSA voting report. We also produce ad hoc updates including blogs and whitepapers, social media updates, external presentations at conferences, in person and virtual meetings.

Our **Quarterly Sustainable Investment Review** is designed to provide clients with detailed insights into our stewardship activity. Every quarter, we look back on our activities around stewardship and sustainability as part of our mission to ensure transparency. In our Sustainable Investment Reviews, we share developments in our engagement, exclusion, and voting activities, and feature participation at events, new publications, and insights from our in-house experts.

We have provided links to our 2023 quarterly Sustainable Investment Review documents and our latest annual sustainability report in the bibliography.

During 2023 we won the following awards, judged by representatives of our client base and based on our work in sustainable investments:

**2023 Emerging Markets Manager of the Year** | *LAPF Investment Awards*

**2023 Sustainable Emerging Markets Manager of the Year** | *Investment Week*

We assess and take account of client needs by engaging with clients and prospects and their professional advisers. Dialogue with clients about their needs influenced our decision to launch tax efficient fund structures in 2021-2022 and work has been ongoing on the evolution of appropriate structures throughout 2023. Client engagement also prompted the production and ongoing development of a number of reports such as our **Climate Metrics report** which provides information for schemes wishing to demonstrate action on climate risk. Engagement with clients on the data / reporting that we provide is a central part of our approach to client service. This is increasingly important as our clients require specific technical reports such as cost transparency reports, TCFD reports etc.

Given the rapid evolution of reporting requirements in the climate and sustainability area this discussion has become even more important. Our **Climate and Sustainability Product Lead** in the UK provides a specialist resource to work with our institutional and wholesale clients on their sustainability reporting needs and to engage in market developments and consultations. This means we can offer evaluation on a client-by-client basis which is not standardised and we can help clients to meet their reporting targets and sustainability goals.

## Insight: Considering Clients' Needs

**Lauren Juliff, Climate and Sustainability Product Lead, Head of UK Institutional**

***How do you work with clients to ensure their reporting and communication needs are met?***

My role, as a client facing sustainability specialist, is about ensuring we can assist our clients in meeting their sustainable investment goals, and that we develop and deliver communication and reporting tools to help them document their progress and meet their regulatory requirements. I regularly meet with clients and their advisors to discuss market developments and report on how our sustainable investment products have delivered. I work closely with climate specialist portfolio manager, Henrik Wold Nilsen, to research and develop communications related to the use of climate data in portfolio construction, as well as discuss the impacts of this data and related regulatory requirements on our clients' portfolios.

***What activities and outcomes have you reported to clients during 2023?***

A hot topic for clients during 2023 has been about new regulatory requirements to report portfolio Scope 3 emissions. Henrik and I have written several whitepapers on the unintended consequences of emissions reporting and the need for more sophisticated analysis in understanding climate risk exposures and delivering 'Paris aligned' portfolios. Our papers are all published on the Insights area of the SAM website, under a dedicated section called '**Climate Data Discussions**'.

Due to our expertise in this area, and following great engagement from the market on our whitepapers, our clients and their investment consultants encouraged us to engage in policy consultations affecting their regulatory environment. We responded to a Local Government Pension Scheme (LGPS) consultation on climate reporting, an LGPS consultation on next steps for investments and a UK government consultation on Scope 3 emissions reporting.  We also wrote an opinion piece following the launch of the new International Sustainability Standards Board (ISSB) sustainability disclosure standards (IFRS1 and IFRS2), explaining why carbon disclosure standards are not working as intended for investors. We then began engaging with the GHG Protocol on their Scope 3 technical guidance, hoping to work towards a solution for the benefit of our clients.

Given the focus from the UK regulator on financially material climate risk disclosures for pension schemes, we felt it was important to draw attention to potential unintended consequences of the regulation and offer proposals for additional guidance that we believe would be valuable for our clients. Our responses to these consultations are published on our website and links are available in the bibliography.

# Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

We take an integrated approach to sustainable investments, combining our sustainability strategy with our investment strategy. We believe that companies with an advanced level of skill in managing sustainability risks and opportunities have a competitive advantage that may enable them to deliver better returns, while contributing positively to sustainable development. Storebrand Asset Management operates a framework that consists of a comprehensive set of exclusion criteria (norm-based and product-based), as well as principles that our portfolio managers must adhere to throughout their investment processes.

**We take a whole portfolio approach to stewardship, engaging on behalf of our total AUM and across both equity and debt in unison as part of company dialogues.**

As outlined in Principle 6, almost 90% of our AUM is managed in equities and fixed income, with the majority in equity mandates. When we exclude a company, it is excluded from both equity and fixed income portfolios – and across all other asset classes and the SAM value chain. Our whole portfolio approach is further outlined in this section, with an awareness that we have the most impact with companies when engaging on equities. We have also provided examples of tailored engagements in fixed income, property and infrastructure. Infrastructure mandates, in particular, offer opportunities for sustainable impact, as outlined in our example related to the **He Dreiht wind farm** below.

In addition, we have an **enhanced focus on policy level dialogues**, which are not asset class specific and are intended to address systemic issues and create a more enabling environment for sustainable corporate activities. We have provided examples on dialogue with policymakers, and our commitment to using this approach to address systemic risks, in Principle 4.

As detailed in Principle 9, with supporting data provided, we have a strategic tilt towards engagements with Nordic companies. We believe our position as one of the largest asset managers in the Nordic region, with local knowledge and company relationships plus our ability to speak the language, contributes to more productive engagement discussions with Nordic companies. This means we are an asset to many engagement coalitions and can take the lead role on discussions involving Nordic companies.

At SAM we are committed to managing our clients' money efficiently and responsibly, helping them to achieve increased financial freedom and security. Our fiduciary responsibility is to manage our clients' portfolios with the best long-term risk-adjusted returns and we recognise the importance of addressing environmental, social and governance-related risks and opportunities to fulfil this responsibility. Our **Sustainable Investment Policy** sets out the overall objectives, principles and limitations for sustainable investments in Storebrand Asset Management, including all funds managed by Storebrand Asset Management, and across all asset classes, such as equity funds, fixed income (also applying to sovereign holdings), private equity, infrastructure and real estate.

The financial sector plays a key role in helping to achieve the UN Sustainable Development Goals. Responsible asset management, pension savings, other savings and investments may contribute to realising these goals. The transition to a low-emission society that considers nature, social conditions and international obligations and regulations, represents both financial risks and opportunities for Storebrand as an investor and asset manager. Hence, SAM focuses on sustainability, both in products, services and cooperation with suppliers and partners. This is fundamental to the Group's strategy. SAM seeks to generate the best possible risk-adjusted returns for our clients, while taking sustainability considerations into account.

To improve the efficiency of our sustainable investment approach including our stewardship efforts, our latest sustainable investment policy identifies four focus areas: **Climate, nature and biodiversity, deforestation, and human rights**.

In **climate,** SAM has committed to realising the goals of the Paris Agreement and providing financial flows for companies that are aligned with a Paris Agreement future. More specifically, we aim to achieve net-zero GHG in investment portfolios by 2050 and commit to setting SBTi-validated targets for 42% of our listed equity and corporate bond portfolio (by invested value) by 2027.

In **nature and biodiversity**, as a member of **Finance for Biodiversity initiative**, we are committed to collaborating and engaging with companies, assessing impact, setting targets and reporting publicly on biodiversity before 2025.

In **deforestation**, we have committed to having a portfolio free of commodity-driven deforestation, conversion of natural ecosystems, and related human rights abuses. To do so, we screen our entire portfolio for deforestation risk, engage with companies and stakeholders, reduce risk exposure where possible, and report on our deforestation risk exposure.

In **human rights**, we are committed to **UN Guiding Principles on Business and Human Rights** and the **OECD Guidelines for Responsible Business Conduct for Institutional Investors**, as well as other legislation at the national and EU level. Relatedly, we will not knowingly invest in companies that contribute to the severe violations of the rights of workers, children, communities, indigenous peoples or consumers among others, and engage with portfolio companies where necessary.

For more information, please see our specific policy documents on **human rights, deforestation, nature and biodiversity, and climate:** links are provided in the bibliography.

Considering sustainability in investments is essential to identify risks and opportunities arising from environmental, social and governance factors. Integrating sustainability factors into our investment process allows us to make better informed investment decisions and provides a more comprehensive view of each individual investment case.

SAM's sustainable investment strategy uses three approaches to achieve our expectations of companies, mitigate risk through portfolio due diligence and create value for clients:

### 1. Screening and Exclusions

Storebrand is committed to respecting international norms and conventions. Screening and exclusions are steps in Storebrand Asset Management's implementation of due diligence to identify, manage and mitigate actual and potential adverse impacts in our portfolios, and when this cannot be mitigated, we do not invest in companies in breach of our policy. Our exclusion process is further described in Principle 11.

### 2. Engagement and Voting

We use our position as owners to influence issuer to improve corporate behaviour and reduce adverse sustainability impact. Through active ownership, we reduce risks, improve the quality of our investments and influence companies to move in a more sustainable direction. We believe in a combination of dialogue, exclusion, inclusion and integration.

We exercise our shareholder rights in two main ways: either through voting at shareholder meetings or by engaging with companies at different levels including management and board levels. This engagement can be both direct individually and/or in collaboration with other investors. Both approaches can be very effective in addressing concerns regarding environmental, social and corporate governance (ESG) issues in order to reduce adverse sustainability impact. Combined, they can reinforce each other and be an effective signal to companies regarding our views on important ESG issues.

Our engagement strategy emphasises a positive impact (proactive engagement) in addition to redressing wrongs (reactive engagement). Therefore, we prioritise engagements where we think we can have a better opportunity to obtain results and positive impact in alignment with our policies. This means better quality engagements for longer periods of time and, when possible, with other investors for more leverage. This also allows for more proactive engagement. The decision to engage with selected companies is made based on our assessment of the significance of a particular matter, the size of holdings, comparison of the companies' performance compared to peers, scope to effect change and opportunities to collaborate with other investors. This can also be a result of mapping portfolios to identify high risk industries with largest investment exposure against salient climate, biodiversity or human rights risks inherent to these industries leading to the prioritisation of engagements to mitigate these risks.

Storebrand Asset Management also uses its voting rights in order to reduce the adverse sustainability impact companies in its portfolios may cause and advance the sustainability agenda. We believe combining engagement with companies and voting is a good strategy to achieve change in corporate behaviour and thus reduce adverse impact. Engagement includes both dialogue with companies and voting. Voting can exert extra influence over companies we are engaging with or just to signal that some sustainability issues are important to us. The framework for the use of voting rights for funds managed by the Storebrand Group is set out in regulation following EU's Shareholder Rights Directives and related local regulations and industry recommendations. The ultimate responsibility for the execution of corporate governance in the Storebrand Group's funds lies with the Board of Directors of the respective fund management company. The daily execution is delegated to the portfolio managers of each fund and activities are reported back to the Board. The Board of Storebrand Asset Management annually evaluates the execution of corporate governance. More information on our approach to voting and escalation is provided in Principles 11 and 12.

### 3. Integration into the investment and decision making process

Storebrand Asset Management manages investments within a broad range of asset classes and products. The approach to integration of sustainability in asset management may therefore vary across different mandates but includes the following methods:

**Risk rating:** Storebrand Asset Management integrates sustainability risk ratings in investment decisions to avoid or invest less in companies associated with high sustainability risk and prioritise or invest more in companies with low sustainability risk. The ESG Risk Rating feeds into the Storebrand Sustainability Score assigned to all the (listed) companies we invest in, and it is available for our portfolio managers to integrate in investment decisions. The idea is to move capital away from high sustainability risk companies to companies with lower sustainability risk. There may be local variations in the way risk ratings are applicable for different boutiques and asset classes.

**Sustainability Score:** The score is used to optimise portfolios towards more sustainable companies and to calculate an internal fund rating. We calculate the sustainability score on over several thousand companies and base it on a scale of 0-100. The sustainability score is the basis for a total weighted sustainability score given to our funds. Portfolio Managers at Storebrand Asset Management can access the score on several levels. Total Score, Risk Score, SDG Score, and scores for underlying themes within these building blocks, are all readily available. Implementation of the score is dependent on the style and risk profile of the fund/portfolio in question. The score can be used to better assess the ESG risk of a particular investment, for identifying companies with an attractive SDG positioning, or for assessing the overall exposure on ESG risk and opportunities of a portfolio.

**Principle Adverse Impacts (PAIs):** We have integrated the Principal Adverse Impacts (PAIs) identified in the EU Sustainable Finance Disclosure Regulation

(SFDR) into our risk analysis for asset classes since 2021, where data is available. There is an overlap between PAI indicators, and our general work carried out to mitigate risk. This has not changed our methodology to identify risk, but has added a new dimension to further map, manage, measure and mitigate adverse impact as more specific data is available.

Our methodology is to identify PAI laggards (red), PAI intermediate performers (yellow) and PAI leaders (green). This traffic light system has been calculated based on a sector-based materiality assessment, for which thresholds have been set for what is considered green, yellow and red. As of this date, the PAI traffic light score has been calculated for the following indicators: GHG intensity, activities in the fossil fuel sector, violations of UN Global Compact and OECD guidelines, board gender diversity, controversial weapons and deforestation. Other indicators will be included if we see that the data quality and coverage improve. Some of the PAI indicators are binary, whereas some are more quantitative, for example GHG intensity. For the quantitative PAIs, the values of the 5th and 95th percentile will act as guiding numbers for establishing the red and green scores.

PAI flags are calculated and made available in Bloomberg for all portfolio managers, together with other ESG-related information such as exclusions, green revenues, whether the company is classified as a sustainable investment under SAM's SFDR definition, sustainability scores etc. How different fund products consider PAIs will differ, depending on the specific product (for example art. 8 and 9), and strategy (active or passive). PAI data has also been integrated into our trading system, so that when the managers make a trade, they can see how it affects the various PAI indicators at portfolio level.

In order to further mitigate risk, Storebrand will sell its holdings in companies with a considerable risk of involvement in activities with severe negative impacts such as Principle Adverse Impacts (PAIs) as described by EU regulations, so called, risk-based sale of assets. PAI red-flagged issuers will be prioritised for potential engagement or risk-based sale of asset, if the adverse impact is particularly severe. Our **Principal Adverse Impact Statement** is available on our website, a link is provided in the bibliography.

Our Sustainable Investment Policy is also supported by the separate **SAM Engagement and Voting Policy.**

Our stewardship approach is **strategically aligned with the interests of our clients**. Our strategy is designed to meet the needs of asset owners, such as Storebrand Livsforsikring and other companies in the Storebrand Group, in working towards their net zero 2050 goals with short- and medium-term targets, as well as targets related to nature and human rights. To that end, our engagement themes and processes are long term in nature, with pre-determined focus areas for 3 years. We believe this aligns well with the expectations and interests of institutional asset owners, many of whom are working towards long term alignment with the goals of the Paris Agreement. Further our voting and engagement policies apply regardless of the instrument or asset class.

## Whole portfolio approach to stewardship

A differentiating feature of SAM's investment approach, and an important method for ensuring we can meet our business sustainability commitments, is the fact that all of our funds under management are subject to baseline sustainability criteria. When it comes to the implementation of strategies to meet our climate and nature targets it is crucial that we can engage, and divest, on behalf of the whole SAM portfolio. This work is done by the SAM Risk and Ownership Team in line with the policies described in Principle 5.

The Risk and Ownership Team sets SAM's **priority engagement themes** (detailed in Principle 9) and develops frameworks and strategies to engage portfolio companies on those themes, including direct and collaborative engagements both internally (with portfolio managers) and externally (with industry coalitions). This whole portfolio approach is also helpful for engaging in systemic sustainability issues and policy engagements, as outlined in Principles 4 and 10.

### Example: Deforestation

In 2023, Storebrand Asset Management was recognised for its strong commitment to taking action on deforestation, in major new analysis of financial institutions around the world. The **Deforestation Action Tracker** 2023 report, launched on 27 November 2023, assessed the policies and implementation of 719 financial institutions in relation to cattle products, timber products, soy, and palm oil. The report found that the financial sector is largely failing to act,75 per cent (536) of the financial institutions assessed still do not have a public deforestation policy, and just 10 per cent (69) have a deforestation policy in place for all highest risk commodities. On a more positive note, the Tracker found that nearly half (44 per cent) (317) of the financial institutions are involved in a collaborative sector initiative on deforestation or involved in advocating for legislation focused on deforestation, forest conversion or associated human rights abuses. Some leading financial institutions are going further, including through the setting of ambitious 2025 targets and working together towards eliminating agricultural commodity-driven deforestation. **Storebrand Asset Management is ranked among the leading investors**, based on specific actions we have taken such as having a deforestation policy with a 2025 target date in place and taking a leading role in the collaborative initiatives of **Investor Policy Dialogue on Deforestation (IPDD)** and **Finance Sector Deforestation Action (FSDA)**. Global Canopy's Deforestation Action Tracker monitors financial institutions with significant climate commitments including those in Race to Zero and Glasgow Financial Alliance for Net Zero (GFANZ), to track their action on deforestation, forest conversion and associated human rights abuses.

### Engagement with service providers

SAM conducts all active ownership dialogues with investee companies directly through its Risk and Ownership team and portfolio managers, either individually or as part of coalitions, and does not currently outsource company engagement to external service providers. Our stewardship is supported by several service providers, including several ESG data vendors and proxy voting service providers. We regularly engage with ESG data providers to keep abreast of new data offerings, assess data quality, communicate SAM's data needs and encourage improvements. We regularly engage with vendors providing data for exclusion recommendations, particularly if our own assessment does not match their evaluation and risk categorisation, to understand the discrepancies and to eventually provide additional information for them to consider.

## Portfolio Integration Responsibilities

All portfolio managers within SAM are responsible for integrating ESG according to their mandates, and work in close collaboration with the Risk and Ownership Team. The approach to ESG integration may vary depending on asset class and strategy, particularly in terms of how ESG data is used in portfolio construction and analysis. When it comes to stewardship, we take a whole portfolio approach as described above but recognise that our biggest potential engagement impact is on our equity positions. Our approach to fixed income stewardship is described below and this is an area we have been working to strengthen and evolve throughout 2023.

The Risk and Ownership Team has developed a tool in Bloomberg for all issuer-specific sustainability information to be available in one place for portfolio managers. For example: exclusion data, engagements, SFDR data (PAI flags), solutions, controversies, ESG ratings and more. This ensures PMs are aware of any ongoing work being conducted by the Risk and Ownership Team on an issuer before an investment, for example if we have an ongoing dialogue with the issuer.

Our **quantitative equity team** has deep insights into the use and impacts of ESG data and policy in portfolio construction, due to their expertise and many years' experience of ESG data integration.

The quant team is responsible for updating and developing the **Storebrand Sustainability Rating** and also manages the **Storebrand ESG Plus fund range**, which has a climate focus and higher level of ESG integration. The quant team sits alongside the Risk and Ownership Team, facilitating idea sharing. The Risk & Ownership team conducts engagements on behalf of the passive quant strategies, predominantly through collaborative and global initiatives given the strategy's geographic exposure. We also prioritise engagements in those strategies based on where we have our largest ownership/holdings.

The **Risk and Ownership team** is dedicated to integrating environmental, social and governance (ESG) risks into our analysis of companies and management of investment portfolios. They are also responsible for the Storebrand Exclusion Policy, which applies to all assets we manage. The exclusion process is extensive. It involves both internal and external data and evaluations conducted by in-house experts. Another core element of our approach is to be good stewards and owners of those companies and assets in which we have invested through active monitoring, engagement and advocacy. In our experience the best results are achieved through co-operation with other investors and targeted engagement with companies where our ownership level is highest. We also voice our opinion through exercising our voting rights. It is the Risk & Ownership team's task to monitor the occurrence of controversial events, to update the exclusion list with companies that violate our norm and product-based exclusion criteria and to evaluate norm-based incidents.

The Risk and Ownership team sends quarterly reports regarding exclusions first to portfolio managers and compliance, so they are aware of new exclusions. Fund managers have approximately 20 days to sell their holdings in excluded companies. The team assesses whether active engagement efforts are required to influence the company in a better direction. If necessary, they carry out the company dialogues and are responsible for initiatives linked to active ownership.

The **Global Solutions team** is responsible for analysing sustainability data from a solutions perspective, identifying solution companies, and managing our dedicated solutions related equity funds. Solution companies are companies whose products, services or business models significantly contribute to one or more of the UN's sustainability goals, without doing serious damage elsewhere. They can be companies dealing with renewable energy, sustainable cities, circular economy, health and empowerment. The companies can be both "pure-play" or conglomerate, where part of the business solves sustainability challenges (and is otherwise neutral / does no harm from a sustainability perspective). The Solutions team owns and is responsible for our proprietary **Alvis Database**, of solution companies, which is used for active selection in several of SAM's investment strategies, across various asset classes. Portfolio managers in other teams can also add companies to the database if they meet the requirements. For example, the managers of the Plus funds are also active in identifying solution companies as they aim to invest >10% of these funds in companies in the "climate solutions" space. The solutions company database contains over 600 companies. The database is available to fund managers across our investment teams and serves as valuable research for identification of interesting investment ideas, as well as contributing towards our corporate goal of 15% invested in solutions by 2025.

## Case Study: The Storebrand Global Solutions Team

The Global Solutions Team invests in in companies that provide solutions to our global environmental and social challenges, primarily through their products and services, and thereby contribute to the achievement of the UN Sustainable Development Goals (SDGs). While the team's priority is companies' tangible contributions to the SDGs, they expect portfolio companies to execute good governance as a risk management tool, as well as to promote positive societal outcomes. One of the team's focus areas is fair remuneration and board and management diversity; specifically gender and racial pay gap issues and misaligned CEO pay. They expect companies to execute fair remuneration policies and ensure board and management diversity across, but not limited to, gender, ethnicity, age, marital and parental background. Operating with a global mandate, the team takes each company's operational context into consideration when engaging. Many topics have different levels of maturity in different regions, it is therefore important to develop realistic and informed expectations for portfolio companies.

In October 2023, **Ellen Andersen**, Portfolio Manager in the Global Solutions Team and **Victoria Lidén**, Sustainability Analyst, met with solar energy solution company **West Holdings** on a site visit in Hiroshima, Japan. They raised the issue of poor ESG reporting with both the CFO and Chairman of West Holdings, in light of increasingly stringent reporting regulation in Japan. West Holdings is not currently subject to the new ESG disclosure regulation, which is size dependent, but may well be in future. Andersen and Lidén also raised PAI 13 - Board gender equality - and challenged the company on why there are no women on the board of directors. The company acknowledged our concerns, said they will take them into account, and will endeavor to improve their reporting going forward.

The chairman explained that West Holdings has noticed the increased interest in ESG reporting, especially from international investors, and so they are keen to improve the focus on sustainability reporting going forward.

While the primary focus of the Global Solutions Team remains on tangible SDG contributions, they expect portfolio companies to uphold good governance, minimising risks and promoting positive societal outcomes. Within governance, we prioritise fair remuneration and diversity. We advocate for fair pay practices, especially regarding gender and racial pay gaps. Although progress has been made, challenges persist, requiring concerted efforts from policymakers and companies alike. In dialogues with companies, we stress fair remuneration policies and diverse leadership, tailored to each company's operational context. Topics of engagement include executive compensation limits, pay disparity reporting, sustainability-linked pay, and diversity initiatives (see case study for the Storebrand Global Solutions team above). Our focus on these areas stems from their socioeconomic significance and alignment with our investment strategy. Positive dialogues aim to drive improvements benefiting companies, portfolios, and society at large.

## Fixed Income Integration

ESG integration and engagement within fixed income is to some extent similar in nature to our listed equity approach. For example, the sustainability score is calculated for issuers with available data, and we also engage with issuers on ESG matters, although we do not have the same opportunity to exercise our voting rights. We can engage with issuers both pre- and post-issuance to discuss the terms of the financing. Sustainability scores assesses how the company manages its most material and relevant sustainability risks, whereas credit ratings assess how these factors impact the company’s ability to repay debt. Sometimes the ESG factors impact the issuer’s creditworthiness - sometimes they do not, and it is important to understand when and why this is the case. For both equity and fixed income, we assess how sustainable a business model is (for example through our

Sustainability Score), but how it translates into security pricing may differ.

As debt investors we mainly focus on downside risk. Our upside is capped, so it is more about capital preservation and downside risk management. Also, we have a lot of securities to choose from in the capital structure and can hence decide to be more nuanced in how we construct our portfolio or how we engage with issuers, for example what type of risk and cash flow volatility we are willing to take on. We can also look at the term structure and for example decide to implement maturity constraints – such as reduce our exposure to longer maturities if we see an elevated ESG risk. Whilst on the other hand, if we see that the issuer has the financial strength and is prepared to deal with the ESG risks – perhaps we would feel comfortable to move further along the curve. The Risk and Ownership team works with the fixed income teams to analyse and engage with individual issuers as well as to assess the use-of-proceeds of the ESG labelled bonds.

Most of our fixed income funds are fossil free, however we have exposure to Scope 3 emissions through investments in banks. This can be a blind spot for investors, and we have therefore focused on climate exposure to the banking sector in our fixed income portfolios, particularly focusing on Norwegian banks which constitute a large proportion of our investments in that sector.

During 2023, the Risk and Ownership team mapped our corporate fixed income exposures from a climate risk perspective and worked with the fixed income team to strengthen their stewardship strategy. The fixed income team received training on climate risk and how to raise climate issues with banks through engagement. As part of the training, initial engagements with Norwegian banks were made by portfolio managers in partnership with the Climate Expert from the Risk and Ownership Team.

We targeted banks on the West coast of Norway which may have higher exposure to Scope 3 through exposure to oil and gas. We also address the topic of emissions reporting in these engagements, due to the data gap we experience in this area. Much of the dialogue is driven by discussions with portfolio managers and tailor-made questionnaires. Many of the banks have climate policies, but may lack robust strategies for practical policy implementation, as well as short and medium-term targets. We encourage banks to set such targets and to implement TCFD reporting.  After initial training, the portfolio managers may continue the dialogues without the Risk and Ownership team and have recently expanded the dialogue to other Nordic banks in Denmark and Sweden.

## Insight: Building Climate Resilient Fixed Income Portfolios

**Dagfin Norum, CIO Fixed Income**

Fixed income investors are important stakeholders with clearly defined legal rights. As lenders of capital, we can interact with issuers over how they behave and operate and encourage issuers to better manage material climate related risks and opportunities. Our experience demonstrates that companies are increasingly attuned to their creditors' interests, despite having more limited rights than equity investors, as their need for debt financing is crucial.

We have designed an engagement approach to encourage companies to define and implement climate strategies aligned with the goals of the Paris Agreement and reaching net-zero emissions by 2050 or sooner. Although we pay special attention to the high emitters in our portfolios, we also engage with banks to understand their exposure to climate change. We expect banks to align their provision of finance with the delivery of the goals of the Paris Agreement and the achievement of global net zero carbon emissions by 2050. This engagement work is carried out both individually and in collaboration with other investors. As we do not have voting rights, engagement is the key form of active dialogue.

**Collaborative engagement:** Together with a group of leading global investors, we are engaging with the banking sector through the **Institutional Investors Group on Climate Change** (IIGCC). Our expectations lay out clear areas of action for banks, focused on public commitments to set enhanced net zero targets for 2050 or sooner, with interim targets, withdrawal of finance from recipients that show no evidence of transitioning, and the scaling up of green finance. This includes:

- Commitment to becoming net zero by 2050, with a primary focus on ensuring indirect emissions are brought down to net zero by 2050 (Scope 3) because the bulk of banks' emissions are associated with financial services, including commercial, project and retail lending; investment banking; securities trading; etc.
- Board accountability for, and variable remuneration aligned with, the delivery of net zero, with financial statements that reflect the low carbon transition.
- Disclosure in accordance with TCFD recommendations, reporting on greenhouse gas emissions associated with financing activities, and the incorporation of material climate risks in published accounts.
- Explicit criteria to be set for withdrawal of financing to misaligned activities that are benchmarked against sector/industry net zero pathways

**Individual engagement in the Nordic countries:** In addition to the banks targeted by the IIGCC collaborative engagement, SAM will engage bilaterally with several other banks, seeking to influence them to move in a more sustainable direction. We will prioritise our proactive engagement with Nordic banks, where our Nordic position and knowledge of these companies enables constructive and meaningful dialogue that creates value both to the companies, Storebrand, and our clients. This does not limit us to engaging only with Nordic companies but in the Nordics, our financial engagement in the companies is normally higher than in international banks.

**Engagement alternatives:** If the outcome of engaging with companies fails to meet our expectations, SAM may consider other actions in line with our escalation policy which has been summarised in Principle 11.

We will work with our equity teams and collaborate with other investors to escalate issues where we believe this is in our clients' best interests.

## Example: Engaging across Equity and Fixed Income

The Eolus Vind case, presented in detail in Principle 9, is an example of where we have engaged on human rights issues from both the equities side (Eolus Vind) and the fixed income side (Øyfjellet Wind Investment AS).

We put energy company Eolus Vind on our observation list in 2022 due to concerns over a violation of the rights of indigenous Sámi reindeer herders in the building and development of the Øyfjellet Wind Park. Eolus Vind sold the project company, Øyfjellet Wind AS, to Aquila Capital, a private investment and asset development company and subsequently, in April 2023, Øyfjellet Wind AS took over the wind park from Eolus Vind. Throughout 2023 we continued to engage in the issue through our fixed income business via bond issuer Øyfjellet Wind Investment AS.

## Infrastructure Integration

SAM's **infrastructure strategies** focus on targeting investments that contribute directly to the green transition. This provides with the opportunity to aim for portfolio growth driven by positive ESG impact, while striving to minimise negative ESG outcomes.

Large-scale investment in early stages of assets mean that investors can more immediately accelerate value-creation opportunities within specific sectors. Direct management control, as opposed to indirect influence as an owner in listed investment instruments, can also provide opportunities to take different approaches to the integration of environmental, social and governance (ESG) factors into the profile of the investment asset, such as with a private company, a wind farm, or a commercial office building.

The **Storebrand Infrastructure Fund** offers investors the opportunity to invest, alongside Storebrand, in sustainable infrastructure assets. To date, the fund has made eight investments, all within key infrastructure sectors such as on- and offshore wind, solar, district heating and electric transport. The fund works closely with selected strategic partners.

During Q1 2023, the Storebrand Infrastructure Fund reported it had acquired an equity stake in **He Dreiht**, a construction-ready 960 MW offshore wind farm in the German North Sea. Storebrand's strategic infrastructure partner, **AIP**, has formed a consortium with **Allianz Capital Partners (ACP) and Norges Bank (NBIM)** acquiring 49.9% of the project. For its part, Storebrand Infrastructure Fund is investing more than NOK 1bn in the transaction. When completed, He Dreiht will consist of 64 V236- 15.0MW wind turbines supplied by Vestas. Project construction will begin in 2024, working towards a planned commercial operation date by the end of 2025, at which point it will be the largest operational offshore wind farm in Germany.

He Dreiht represents an attractive combination of key infrastructure characteristics and meaningful impact on the path to net zero. The project is located in a dedicated zone for offshore wind development in the German Economic Exclusive Zone of the North Sea. When completed, He Dreiht is expected to produce clean energy for 1.1m households. The project's projected long and stable cash flows provide characteristics that we consider attractive in a balanced portfolio. The offshore wind farm is expected to produce about 5.3 terawatt-hours (TWh) of renewable electricity annually, offsetting the equivalent of approximately 2.7 million tons of carbon dioxide. The German utility company Energie Baden-Württemberg (EnBW), which has longstanding offshore wind experience in constructing and operating wind farms in Germany, is the developer and current owner of the project. EnBW is one of the largest energy suppliers in Germany and within Europe, providing services to approximately 5.5 million customers. The company already operates two offshore wind farms of a smaller size near the location of He Dreiht. Post-transaction, EnBW will remain as majority owner, while also taking on responsibility for the construction and long-term operation of the wind farm. Once the facility is operational, EnBW will also be the long-term off-taker of the produced electricity.

## Real Estate Integration

Our **Storebrand Real Estate** investments aim to contribute to the achievement of the SDGs but without causing harm or having an adverse impact on society and the environment. By combining different strategies, our approach focuses on both reducing the adverse sustainability impact our investments may cause and contributing to positive sustainability impact by allocating investments in sustainability opportunities. Risk assessments are conducted in both the pre and post investment phase and include, environmental, social and governance risks. With respect to reducing negative sustainability impacts, the main indicators are exposure to fossil fuels through real estate assets; exposure to energy-inefficient real estate assets; GHG emission generated by real estate assets; Energy consumption intensity and Waste Production.

Our real estate portfolio contributes to the Storebrand science-based targets to align with a 1.5-degree scenario as follows: to reduce our real estate portfolio scope 1 and 2 GHG emissions by 64% per square meter for residential buildings and by 71% per square meter for commercial buildings within our management of direct real estate investments by target year 2030 from a 2019 base year.

Our primary focus actions centre around decarbonising managed properties through direct interventions in energy reduction and on-site production of renewable energy, and secondarily to procure 100% renewable energy on the market through 2030.

Prioritising and addressing potential negative impacts is conducted through the following strategies: screening and excluding investments or partnerships, integrating adverse impacts in investment selection decisions, and integration in investment decisions on property management and development. With respect to contributing to positive sustainability impacts, UN sustainability goal number 11 on sustainable buildings, cities and societies is integrated in our core business, and is the overarching goal that frames the prioritised target areas.

Based on stakeholder dialogue and materiality assessment the four main environmental and social areas targeted are: climate and energy, circularity and material resources, life on land and in water, and health and well-being. Procedures are in place to consider and utilise area-specific risks and opportunities throughout our investment processes of acquisition, developments, operational management of standing investments as well as exiting of real assets investments.

## Reducing energy consumption

Most classic energy management strategies follow what is known as "The Energy Hierarchy". This prioritisation begins with measures to reduce total energy demand, then per-unit energy efficiency rates, followed by measures to increase share of renewable energy sources used, then use of low GHG-emissions energy sources. At Storebrand, our experience from working in line with this strategy is that while tier 1 measures can produce the best long term sustainability benefits, there are currently still many barriers to implementing them.

**Within our Norwegian portfolio active energy management on the asset level, refined to hourly levels, has resulted in a 17 percent reduction of energy consumption rates per square meter from 2019 to 2023, while associated greenhouse gas emissions have been reduced by 38 percent.**

Energy monitoring and improvements in daily operation of building energy systems, along with investments in automation and control systems, lighting systems and other equipment, is on the agenda of property management. Prior to these changes, we also phased out almost all use of fossil fuel-based energy sources at our properties. However, making these changes does involve some challenges. Some of these issues include the complexity and volume of decisions needed to define energy management tactics, then monitor and adjust them over time.

## Increasing active energy production

Producing renewable energy directly onsite is a strategy we have been pursing, by producing solar energy from installations on the roofs on some properties, initially on the roofs of logistics buildings in industrial areas in Norway. By generating renewable energy on-site on brownfield roofs, rather than purchasing grid based renewable energy from a utility, we reduce the need to use greenfield land for energy generation and transmission facilities, and avoid potential conflicts with residents and/or indigenous peoples.

We now have 22 properties in Norway and Sweden (out of a total of 94 properties) with solar energy generation facilities installed on their roofs, amounting to a total surface area of 8,600 square metres surface area. This has expanded recently due to changes in regulations removing barriers for larger installations and we expect to continue to grow the surface area of our solar installations. We have encountered some challenges, for example in finding solar panels manufactured to our standards of supply chain sustainability, especially with regards to labour conditions and $CO_2$ footprint.

## Going nature positive to reduce net emissions

Accounting for nature impacts and dependencies of buildings also has an important role to play in reducing total emissions within the areas where our Norwegian properties are located. We completed a mapping of biological diversity on our properties during 2022, following the launch of the **Storebrand Nature Policy**. Building on this insight during 2023, we planned measures to protect and increase nature and biological diversity within the footprint of our properties. Furthermore, we identified threats from issues such as alien species and looking at how we can make a positive contribution to natural diversity locally and regionally. These positive contributions can include removing alien species, planting native plants that promote biodiversity and rich animal and plant life, through for example the use of green roofs, bird boxes, and insect hotels. Our roadmap for implementing these strategies stretches between now and 2030.

More detail on our Real Estate strategy was published in the **Sustainable Investment Review for Q1 2023.**

Construction and property are referred to as the 40 percent sector in terms of environmental impact in the world, and the challenges are enormous. Every year, real estate players invest large resources in the development of new and existing buildings. Storebrand Real Estate wants to contribute to the green shift in commercial property, and will promote holistic efforts for environmental, economic and social sustainability.

Our Real Estate business uses the following certification and rating schemes "standards" as best practice guidelines for continuous development of both our management and assets, emphasising and providing transparency:

- Third party certification of the Environmental Management System of Storebrand Real Estate (manager), as well as of main external managers and service providers
- Third party environmental certification of properties (95 % in Norway and Sweden - BREEAM, BREEAM In-Use or equivalent)
- Annual sustainability reports per fund (audited)
- Annual global real estate sustainability rating (GRESB, 2000+ participating funds/entities 2023): all four reporting entities hold 5 star ratings (of 5 possible), two of them awarded "Global sector leader" in their categories – two years in a row (Storebrand Eiendomsfond Norge KS (NO) and SPP Fastigheter AB (SE).

# Principle 8

Signatories monitor and hold to account managers and/or service providers.

We aim to contribute to sustainable development, and to ensuring that human rights and labour rights are not violated through our own operations and procurement activities. A key objective is to avoid agreements with suppliers where production processes or products violate international agreements, national legislation or internal guidelines.

Our ambition for 2023 at Group level was to maintain the proportion of environmentally certified purchases at a minimum of 60 per cent. We exceeded our target but the dynamics of our supply chain and market conditions continue to make the 60 per cent target challenging. Through our procurement practices, we strive to contribute to effective measures to end modern slavery and eliminate child labour in our value chain.

We aim to protect labour rights and promote a safe and secure working environment for all employees, contractors and suppliers.

We aim to significantly reduce waste through prevention, reduction, recycling and reuse in our supply chain.

We encourage companies to adopt sustainable practices and include sustainability information in their reporting practices.

We promote sustainable purchasing practices.

We incorporate action on climate change into our policies, strategies and plans.

## A responsible value chain

In our standard sustainability contractual appendix, we set clear, contractual requirements for our suppliers and business partners.

The document sets requirements for compliance with the **UN Global Compact**, Self-declaration against social dumping, Self-declaration on health, safety and environment (HSE) as well as climate and diversity and is attached to all requests for quotation and supplier contacts. In addition to following our internal purchasing guidelines, it is a key principle that goods and services purchased shall promote our main goal of cost-effective and sustainable business operations. Companies in the Storebrand Group may not select suppliers of goods or services from companies on Storebrand Asset Management's exclusion list.

Our purchasing policy is based on the Group's governing documents and associated procedures, which are revised annually. Our framework for following up the sustainability work of our suppliers follows the same general principles as for our investments, and in addition the following is factored into our purchasing processes:

**We choose** - Sustainability is weighted at least 20 per cent in all purchasing processes. Through supplier mapping, we give an advantage to companies that work systematically with sustainability.

**We influence** - We use our position as a major buyer to influence suppliers and business partners to improve. We do this both when we consider entering into new agreements and evaluating existing contracts.

**We opt out** - We do not select suppliers, products or services that violate international treaties, national laws or internal policies. This is described in our Supplier Principles.

We conduct an annual survey of the status of the work of suppliers from which we purchase products or services worth more than NOK 1 million.

## Service Provider Monitoring

Service providers are the subject of continual review to ensure services are delivered to our standards and meeting our needs. Each service provider is internally assigned to one person for regular meetings and follow-up. There is also a coordinated effort between the Risk and Ownership Team and the IT team to compare and rate different providers. Our internal processes are designed to ensure the service provider fits our needs, providing quality and accuracy. We also ensure that all of our data providers meet the EU disclosure requirements. Each individual carrying-out analyses and review of service providers is also responsible for negotiating the fee; this is so we can achieve a competitive price for the services.

As we regularly deal with pension funds, we receive many requests from clients about our choice of data service providers and how we expect to be responsible stewards of their funds; this ensures we are in practice of communicating the reasoning behind our choice of service providers and holds us regularly accountable for our decisions.

Alongside our systematic monitoring, we also assess any standout cases, for example in the advent of company controversies. We have regular contact with data providers if our own assessment does not match their evaluation and risk categorisation to understand the discrepancies and to eventually provide additional information for them to consider. This is also the case when we receive conflicting information from various data providers.

**An example of this is the reactive engagement case study provided in Principle 2:**

**Rheinmetall AG** was flagged by one of our data providers for involvement in controversial weapons (phosphorous weapons), contrasting information received from another provider. We challenged both providers on their assessments and contacted the company directly. We were able to confirm that, although the company has a policy not to produce or distribute phosphorus weapons which applies also to its subsidiary companies, it had recently acquired a company that produces such items. We engaged with the company regarding our concerns, and received confirmation that the recently acquired company will phase out the production and distribution of this product in the first half of 2024, in line with Rheinmetall AG's policy. Rheinmetall has therefore been placed on our observation list, in which trading up in the company is frozen, until the subsidiary company completes the phase out of production and distribution of this product.

Data governance is evolving as we continue to develop our inhouse governance; we aim to manage all data in enterprise systems. In this regard, we have streamlined the entry point of contact for all data service providers, with Head of Data Contracts & Data Governance. We are in the process of standardising the data and structure of agreements to have master service agreements, with data contracts handled in a centralised manner across Storebrand Asset Management. Data Governance works closely with Tech Governance - Delivery management as part of the Investment Operations unit.

All data contracts and service level agreements are mapped and proactively assessed with meetings and potentially onsite inspections and reviews. This establishes a baseline of communication for us to have ad hoc and regular contact in order to monitor the provision and assess whether expectations are being met. We have mapped ICT service providers for SAM. The internal system for monitoring service provider contracts is VASP, which defines the vendor specifications, terms and other relevant information. Where agreements have been historically incorrectly registered, the CIO, Head of Sourcing, COO, Head of Investment Control and Analytics are all alerted and follow up meetings kick off to assess the best course of action to rectify the issue. Comparative assessments are conducted for service providers. For example, we use two ratings agencies currently to make investment decisions, and also met with a third to explore their service as a potential replacement should a lack of data or service require us to optimise our data coverage and technical specifications required, such as delivery methods and channels. Please see Principle 2 for additional information on service providers that we use.

## Engagement with service providers:

Our stewardship is supported by several service providers, including several ESG data vendors and proxy voting service providers. We regularly engage with ESG data providers to stay abreast of new data offerings, assess data quality, communicate our data needs and encourage improvements.

### Examples: Holding providers to account

We conduct regular meetings with our various data providers on the services that we source from them. We use external providers for norms-based controversy screening, product-based screening, principle adverse impacts indicators, and proxy voting, among other things.

We use numerous data providers which creates challenges such as:

- different methodologies, e.g. more weight in the ESG risk evaluation assigned to financial risk vs material ESG risk
- different definitions, e.g. what constitutes production and distribution of a certain product
- different interpretations of what is considered a red flag for norm-based breaches, e.g. what constitutes a breach of UN Global Compact or the OECD MNE Guidelines
- data lags, e.g. outdated data on revenue from the production or distribution of oil sands or coal

Assessments and recommendations regarding a specific company may differ depending on what data provider one uses, as well as may differ from the methodology and approach that we apply in accordance with our own exclusion policy.

We are therefore constantly challenging our data providers when we see inconsistencies between data providers' assessments or with our own analysis based on dialogue and information from companies.

### Challenging providers on company specific assessments

We have challenged providers that have flagged companies on product-based screening for involvement in "controversial weapons," and thereby a breach of PAI 10 (UN Global Compact and OECD MNE Guidelines), when their assessment differs from other providers and where we question their methodology for such a conclusion that would otherwise lead to an exclusion.

During 2023, this has happed in certain cases where a subsidiary is flagged for involvement in controversial weapons by one provider, although it is another subsidiary in the group that is involved in the development of a controversial weapon component. In cases where there are various methodologies applied by screening providers, we tend to side with those that do not attribute "involvement" to a subsidiary that is in a completely different industry, has no links to the production or development of the components made by another subsidiary in the group, and has no influence over the decisions made for another subsidiary in the group. In these cases, we challenge the provider on their assessment, and if they do not change their assessment we will only exclude the subsidiary company involved in the breach and the parent company.

Similarly, we find that data providers occasionally reach different conclusions on norm-based breaches and what constitutes a red flag and breach of PAI 10 (UN Global Compact and OECD MNE Guidelines). For example, a red flag and breach has been allocated to subsidiary companies for a controversy that has been caused by the parent company and where the subsidiary has no involvement, contribution, or ability to influence the parent company.

We sometimes disagree with a provider's assessment that a company is not taking sufficient measures to cease or mitigate the measures triggered by a controversy. This typically occurs when the data provider is unable to come into dialogue with a company, or where we may be in an existing engagement with the company and have information that indicates a different conclusion from that reached by the provider. In these instances, we challenge our providers on their assessments, share information where we can, ensuring it would not jeopardise our on-going dialogue, and make an informed conclusion based on our own analysis. At times this may mean that we go against the decision of the provider, but we stand by our internal analysis and explain these cases to our clients. Usually, our clients appreciate this informed analysis and in-depth approach and understand our deviation from the provider.

### Challenging providers on their product offerings

Throughout 2023 we have been engaged in an ongoing discussion with one of our data providers regarding their discontinuation of a vital screening service. This service, related to human rights as outlined in the examples provided in Principle 2, is important for us to be able to address our clients' requirements and questions about their own exposures. Our discussions with the provider have been at both technical and management levels. We have tried to understand the rationale behind the decision to discontinue this service and have worked together with the provider to try and find an alternative solution within their constraints that could potentially substitute the discontinued service. The provider has been open and accommodated our efforts to work towards a solution based on our input - but we have not yet resolved this issue.

We continue to work with the provider to try and find a satisfactory solution that will meet our needs, while also discussing potential alternatives with other providers and investors.

# Principle 9

Signatories engage with issuers to maintain or enhance the value of assets.

We select and prioritise engagements according to five key principles:

### Creating shareholder value:

We believe that companies that are able to proactively manage sustainability risks, as well as adjust their strategies and business models to embrace sustainable solutions, will also create increased shareholder value over time. Thus, the shareholder value we offer our clients also encompasses environmental, social and governance value.

### Aiming for a positive impact:

Ultimately, we aim for our investments to have a positive impact. We therefore do not only engage with companies to require them to redress wrongs (reactive engagement); we also engage to lift sustainability standards in a proactive way so as to address potential sustainability risks before they can become impacts, as well as to encourage good practices. Accordingly, we allocate more resources to these proactive engagements, engaging for long periods of time and, where possible, with other investors for more leverage and better results.

### Nordic approach:

We are a Nordic actor. This means that we have more leverage in Nordic countries where we are more known and where our exposure can be high (size of holdings). We will prioritise our proactive engagement with Nordic companies, where our Nordic position and knowledge of these companies enables for constructive and meaningful dialogue that creates value both to these companies, to Storebrand, and our clients. This however does not limit us to engaging only with Nordic companies, as aspects such as the materiality of ESG risks, exposure, and the ability to have greater impact on ESG issues remain important factors for considered in the prioritisation of our engagement work with companies outside of the Nordics.

### Multi-stakeholder engagement:

We understand that many sustainability issues cannot be just solved by companies or investors alone, they require the involvement of other stakeholders. As a result, we engage with other stakeholder, such as governments, industry organisations, environmental and human rights organisations or labour unions. In particular, we consider policy-level engagement an important factor in stimulating change since we believe regulation sometimes is required to advance many sustainability issues.

### Targeted engagement:

We engage with companies on their sustainability practices, management of risks to people and the environment, developments in accordance with changing regulations, mitigating reputational risks, and expectations from their shareholders and society at large. In our experience, the best results are achieved through co-operation with other investors and when engaging individually, through targeted engagement with companies where our ownership level is highest.

Dialogue is conducted on multiple levels, and both the Portfolio Managers and sustainability analysts in the Risk and Ownership Team engage with issuers on both financial and sustainability-related matters. A single engagement can consist of several activities, for example email exchanges, calls and meetings with the company. All meetings and activities are monitored and registered on the Esgaia platform, so that information about dialogues can be shared internally as well as to keep track of our interactions and monitor progress.

The type of engagement we conduct may differ depending on the asset class and strategy of the fund. For example, managers of actively managed funds often engage frequently with portfolio holdings on governance-related issues, meeting the company management and raising issues with them directly. For a thematic fund the dialogue may centre around the specific theme (such as growth potential for the renewables segment) or ensuring that they improve their reporting practices. Within fixed income, the engagement often is related to a bond issuance (for example green bond framework and use of proceeds of a labelled bond). For our quantitative strategies, engagement is often conducted through collaborative initiatives to, for example, raise the market practices and standards as a whole (for example reporting standards and initiatives such as TNFD). Our Risk and Ownership team is responsible for setting the framework and principles for active ownership and commitment. The team prioritises the themes that are particularly relevant for engagement each year (as described below), and with a special focus on where proactive involvement is needed. The team also decides on the day-to-day priorities, based on available resources, relevant themes and the corporate governance policy. The team receives information about potential cases of interest, primarily from data suppliers, but may also take up cases for analysis based on issues that are noticed in the media, by customers or by other areas and teams within the company, such as managers, communications staff, client relationship managers and so on. To maximise our impact, and based on a structured assessment, we periodically develop engagement themes that guide and focus our action.

## Our Engagement Themes

In the period 2021-2023, the following themes have been prioritised by Storebrand Asset Management:

- **The race to net zero**
- **Biodiversity and ecosystems**
- **Resilient supply chains**
- **Corporate sustainability disclosure**

### The Race to Net Zero

Storebrand is committed to achieve net zero greenhouse gas emissions across all its assets under management by 2050. Storebrand was one of the founding members of the **United Nations-convened Net Zero Asset Owner Alliance**. We also became a member of the **Net Zero Asset Managers Initiative** in 2021. Our long-term ambition is backed up by short-term targets for instance by 2025 emissions for specific asset classes will be reduced by 32 per cent. We have designed an engagement approach to create an impact in the real economy and encourage companies to define and implement climate strategies and align with the goals of the Paris Agreement and reaching net-zero emissions by 2050 or sooner. We will also continue to engage with a number of banks in order to understand their exposure to the fossil fuel industry. Our participation in the **Climate Action 100+, The Institutional Investors Group on Climate Change (IIGCC)** as well as the **Principles for Responsible Investment (PRI)**, connects us with like-minded investors and offers platforms for collaborative engagement. We expect investee companies to:

- Implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change risk.

- Take action to reduce greenhouse gas emissions across the value chain, consistent with the Paris Agreement's goal of limiting global average temperature increase to well below 2°C above pre-industrial levels, aiming for 1.5°C.

- Provide enhanced corporate disclosure in line with the final recommendations of the **Task Force on Climate related Financial Disclosures (TCFD)**.

- Support effective measures across all areas of public policy that aim to mitigate climate change risks and limit temperature rise to 1.5°C. Storebrand will no longer invest in companies that deliberately and systematically lobby against the goals and targets enshrined in the Paris Agreement.

- Support just transition by including workforce and community issues in climate-related engagement on corporate practices, scenarios and disclosures.

To achieve our goals, we collaborate with other investors through platforms such as **Climate Action 100+ and the Net Zero Engagement Initiative (NZEI),** where we play a leading role. In addition, we engage with companies in our highest-emission portfolios and set clear expectations for them to set targets, have credible decarbonisation strategies and report in a transparent and standardised manner.

We participate in the **Just Transition Collective Impact Coalition**, which has partnered with the **World Benchmarking Association's Equitable Transition Initiative**. In 2023, the initiative sent a joint statement to ten energy companies expecting the companies to plan for a just transition to a low-emission society. Storebrand led the dialogue on behalf of the investor group towards Norwegian-owned **Equinor**.

**In 2023, we voted on 114 explicitly climate-related proposals, of which 78 were votes against company management's proposals.**

### Biodiversity and ecosystems

The protection and sustainable management of nature are essential to ensure long-term social and economic stability. Nature underpins all economic activities. Businesses are directly dependent on nature and the services it provides, including water, materials and flood protection. The Global Biodiversity Framework (GBF) of the Kunming-Montreal agreement adopted in December 2022, recognises for the first time the role finance can play in helping to halt the loss of nature. This is the result of work carried out by **Finance for Biodiversity**, a coalition of 153 global financial institutions, of which SAM is co-chair. SAM represented the financial industry during the negotiations in Montreal and will continue to lead Finance for Biodiversity's work towards the authorities in 2024.

Businesses depend on nature for direct inputs, such as water and materials. Businesses also have an indirect dependence on it for production processes, such as through erosion control and flood protection. Protection and sustainable management of oceans, forests, wetlands and other sensitive ecosystems is essential to long-term social and economic stability. Environmental degradation puts at risk the capacity of nature to continue to generate the ecosystem services which businesses and society depend on. Failure to recognise business dependencies and impacts on nature exposes companies, and the financial institutions that invest in them, to 'hidden' risks. We expect companies to mitigate impacts on biodiversity and ecosystems through commitments at the organisational level and respect international agreements such as the UN Convention on Biological Diversity. Companies depending on or impacting biodiversity and ecosystems should integrate relevant nature-related risks and opportunities into their corporate strategy, risk management and reporting. Reporting standards and principles in this area are still evolving, and once the **Task Force on Nature-related Financial Disclosure (TNFD)** has delivered a standardised reporting framework for biodiversity, we expect our investee companies to report in line with these recommendations. With our investment activities, we want to contribute to the protection of biodiversity and are currently assessing our impact. As a first step, we did high-level screening of direct nature-related impacts and dependencies for our portfolio of equity and bonds using the measurement tool ENCORE. The web-based tool, called **ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure)**, helps global banks, investors and insurance firms assess the risks that environmental degradation, such as the pollution of oceans or destruction of forests, causes for financial institutions. Storebrand 's highest exposure to impact-related risks stems from the solid waste impact driver, followed by water pollutants, soil pollutants, water use, non-GHG air pollutants and GHG emissions. The industries in our portfolio with the most material nature-related impacts drivers are utilities, consumer staples, materials and industrials.

Furthermore, SAM's highest exposure to dependency-related risks stems from the mass stabilisation and erosion control ecosystem service, followed by surface water, bioremediation, ground water and flood and storm protection. The sub-industries with the most material nature-related dependencies are consumer staples, materials and utilities. The impact analysis was conducted between mid-June and mid-July 2022, followed by the dependency analysis that was conducted between mid-

July to mid-August. Given that it is a high-level analysis, the results provide an initial picture of potential impact and dependency related risk associated with Storebrand Asset Management's portfolio. It shows how our aggregate investments are potentially directly dependent on key ecosystem services and how they potentially impact nature.

This initial analysis provided a good high level, top-down, picture of risk exposures, but not a bottom-up analysis that we can use to address portfolio risk. It confirmed certain assumptions we have, for example that land use change is a major risk, that we have exposure to this - and we are addressing this through our work on deforestation. In 2023 this initial analysis offered a useful point of reference in further focusing our engagement themes for 2024-26. We are now evaluating numerous data providers to follow up on this initial mapping and offer a more granular, portfolio and company level risk assessment with respect to nature.

Storebrand is a driving force for investor measures against deforestation and for reducing the financial risk associated with deforestation. As co-chair of the Investor **Policy Dialogue on Deforestation (IPDD)**, we engage with policy makers in Brazil, Indonesia, the US and the EU on this. Through the **Finance Sector Deforestation Action (FSDA)**, we contribute to engagement with 80 companies, with the aim of eliminating deforestation risk from their operations, supply chains and loan books.

In 2023, we also worked to prevent the commercialisation of deep-sea mining, in line with the precautionary principle of our nature policy.

In January 2023, Storebrand, together with a group of the world's largest institutional investors and their representatives, launched the **Investor Initiative on Hazardous Chemicals (IIHC)**, a collaborative engagement with major chemical companies regarding management of hazardous chemicals and transparency. The IIHC is comprised of 50 institutional investors with over USD 10 trillion of assets under management. The initiative addresses the global health and environmental crises associated with the use of harmful substances and calls for an end to the production of "forever chemicals". Such chemicals can pose a systemic threat to nature and biodiversity. Further detail on this example has been provided in Principle 10.

**In 2023, we voted on 12 nature-related proposals (excluding climate-related proposals), of which 10 were votes against company management's proposals. Eight of the proposals were related to plastic pollution.**

### Resilient Supply Chains

Respect for labour rights in company supply chains has been an important engagement theme for Storebrand over the years. Building on this work, it was our main focus theme for engagement within social issues in 2021 -2023. We understand that many of the challenges in supply chains cannot be solved just by companies or investors alone and thus a multi-stakeholder approach is essential to make progress. For this reason, Storebrand is participating in different engagement initiatives that also adopt such an approach and cover different issues pertaining supply chains and involved different stakeholders, not just the companies. For example, we are signatories to and participate in engagements on forced labour, in general, based on data from Know-the-Chain in collaboration with the **Investor Alliance for Human Rights**. More specifically within this issue, we are also involved in engagements discussing the situation of Uighurs in the Xinxiang region in China.

In 2023, we mapped and assessed human rights risks in sectors ranging from renewable energy to oil and gas, textile, food and agriculture. We have implemented measures to stop, prevent, or limit negative consequences in our portfolios for the following risks:

- Living wages and decent working conditions in supply chains
- Forced labour
- Gender, diversity, and inclusion
- Employee rights, including the right to participate in trade unions
- Children's rights
- Local community rights in the green transition
- Indigenous peoples' rights
- Human rights in high-risk countries and conflict areas

In 2023, we continued our partnership with the **Platform for Living Wages Financials (PLWF)**, as detailed in Principle 4, to help conduct assessments and influence portfolio companies to pay a living wage for workers within the food, textile and other retail sectors. SAM co-led two of the PLWF workstreams, actively participating in the writing of the PLWF annual report and presenting results at the PLWF annual conference.

We also reported in accordance with the EU's Sustainable Finance Disclosure Regulation (SFDR) on principal adverse impacts such as violations of the UN Global Compact and OECD Guidelines for Multinational Enterprises, unadjusted gender pay gap, board gender diversity, and exposure to controversial weapons.

**In 2023, we voted on 130 proposals related to resilient supply chains, of which 111 were votes against company management's proposals.**

### Corporate sustainability disclosure

As an investor with a high focus on sustainability, SAM believes that all companies should report on standardised and company-specific sustainability metrics. This will benefit all stakeholders and increase transparency. The level of oversight and reporting on ESG-specific issues are good indicators of how a company measures and manages its exposure to sustainability risks. This is important to us as investors. Increased reporting will improve the flow of sustainability information to investors and others alike. It will make sustainability reporting by companies more consistent, so that investors, banks and regulators can use comparable and reliable sustainability information. Companies based in the EU will be subject to regulations that streamline and demand such reporting, but we will demand the same disclosure from publicly listed companies in all countries. We believe that it is in everyone's interest that companies report on how sustainability issues affect their business, and how their own operations and products/services impact people and the environment. Currently there are differing standards and few regulatory requirements on corporate sustainability disclosure, leading to non-comparable and insufficient information. This means that we as investors do not have a good enough overview of the sustainability risks our portfolio companies are exposed to. We need this information to be comparable and verifiable to channel our investments towards the most sustainable companies, to protect our clients' returns. We continued to highlight the importance of consistent, reliable and verifiable reporting on sustainability indicators in our dialogue with our portfolio companies in the period 2021-2023.

We expect our investee companies to:

- Integrate sustainability risks and measurable targets into the decision-making process.
- Provide enhanced corporate disclosures in line with TCFD recommendations where applicable.
- Disclose their remuneration policies and packages for senior management and that these are aligned with the companies' sustainability targets.
- Report on diversity in the company, such as gender pay gap and diversity initiatives.
- Report on their commitments to adhere to international standards such as the UN Global Compact Principles or other similar frameworks.

Further to the four prioritised engagement themes, SAM will consider engagement with companies in the following cases:

- Serious or systematic breaches of human rights
- Corruption and bribery
- Serious environmental and climate damage
- Companies with a low sustainability rating in high-risk industries
- Company strategy or performance differing substantially from that previously communicated
- Governance issues such as:
    - Replacement of directors
    - Equity issuance and dividend policies
    - Remuneration of key personnel
    - Transactions between related parties
    - Diversity issues
    - Improve ESG reporting

A sustainability reporting milestone was achieved in September 2023, with the launch of the final version of the **Taskforce on Nature-related Financial Disclosures (TNFD)** framework. SAM was part of an Informal Working Group (IWG) preparing for the launch of the TNFD, and we are active in the **TNFD Forum**.

Storebrand Asset Management was also part of a group of 93 investors that issued a joint statement to the European Commission in July 2023, cautioning European

Parliamentarians against watering down the proposed requirements included in the upcoming **European Sustainability Reporting Standards (ESRS).**

In 2023 we reviewed and revised our prioritised engagement themes, which we will communicate in 2024.

## Engagement Case Studies

### Decarbonising Japanese Steel

As part of our engagement work, we identified the top emitters in our portfolio. Storebrand Asset Management's senior management has engaged with CEOs of these companies to which we have significant exposure, to encourage adoption of science-based targets and plans for emissions reductions, board oversight of climate strategies and TCFD-aligned disclosure of emissions. Biodiversity impacts are also an important part of these company dialogues.

| Top Emitters in SAM's Portfolio | | | |
|---|---|---|---|
| 1. | Norsk Hydro | 11. | SFL Corporation |
| 2. | Yara | 12. | Equinor |
| 3. | Elkem | 13. | UPM |
| 4. | Nippon Steel Corporation | 14. | ADM |
| 5. | JFE Steel Corporation | 15. | Bunge |
| 6. | Haci Omer Sabanci Holding | 16. | Maersk |
| 7. | Vår Energi | 17. | Holmen |
| 8. | Wallenius Wilhelmsen | 18. | Stora Enso |
| 9. | Odfjell | 19. | Aker BP |
| 10. | DFDS | 20. | Sandvik |

"To ensure the realisation of their long-term climate objectives, companies must display ambitious action in the near future. Accelerated progress prior to 2030 is imperative to establish a credible decarbonisation of the steel industry, ultimately leading to net neutrality by 2050. As shareholders, we value the constructive dialogue and engagement with Nippon Steel regarding these matters and find encouragement in this announcement"
**Victoria Lidén, Senior Sustainability Analyst**

Traditional coal powered steel making produces more emissions than any other industry and accounts for 11% of global emissions[25]. Throughout 2023 we continued our engagement with Japanese steel company, **Nippon Steel**. Our focus, along with a group of investors including Man Group, Corporate Action Japan (CAJ) and the Australasian Centre for Corporate Responsibility (ACCR), was on enhancements to decarbonisation. In May 2023, Nippon Steel committed to the start of studies to shift from a blast furnace (BF) steelmaking process to an electric arc furnace (EAF) steelmaking process, with the Kyushu Works steel plant in Yawata, and the

[25] Guest post: These 553 steel plants are responsible for 9% of global CO2 emissions - Carbon Brief

Setouchi Works steel plant in Hirohata, identified as candidate sites.

Nippon Steel has targets to decarbonise by at least 30% by 2023 (2013 base year) and for steel production to be carbon neutral by 2050. Through our engagement process we established that the company intends to align with those targets by converting blast furnaces that reach the end of their life into EAFs, or taking measures such as retrofitting them to ensure real emissions cuts at scale. Nippon Steel intends only to temporarily prolong the life of the BFs that use conventional technology, where economic, maintenance or safety matters stand in the way of immediate conversion. These new commitments are in line with our expectations that companies set a credible decarbonisation strategy to promote long term value. The co-engagement group also welcomed Nippon Steel's statement that a stable supply of green hydrogen and green power — in other words, renewable energy — is needed as a key input to achieve its target of carbon neutrality.

In Q3 2023, we travelled to Japan and conducted several in-person meetings following up on our ongoing engagements with Japanese steel producers. The steel engagements make up an important step in our drive to decarbonise the steel industry, which is highest carbon emitting sector in our portfolio. The meetings matter in the context of SAM's objective to achieve real-world emission reductions as well as to fulfil our own climate commitments and targets. We believe in engaging with the top emitters in our portfolio to drive impactful change. During this trip, in October, **Victoria Lidén**, SAM's Senior Sustainability Analyst, met with **Nippon Steel** and **JFE Holdings** in Tokyo. The meetings marked the next step in our two-year long engagement with the two companies. Lidén and representatives from our collaboration partners also met members of the Japanese Parliament, to discuss the transition and decarbonisation of Japan's steel industry. We appreciated this opportunity to engage with legislators and share the investor perspective on steel decarbonisation with parliament members.

**Outcome and next steps:** Before our working trip to Japan, both Nippon Steel and JFE Holdings announced that they would convert their blast furnaces into electric arc furnaces in the next couple of years, a promising development given that at the beginning of 2022, when Storebrand started its engagement with companies, there were no such plans. The conversion will significantly reduce the production-related carbon emissions. We plan to continue our engagement with the companies, as they work towards financial growth and transition goals.

### Human Rights Risks at Meta

Storebrand has been engaging with **Meta** on specific digital rights issues for many years, based on our concerns about the potential for involvement in violations of human rights, as well as risks to the company's reputation and brand. In 2021, following the military coup in Myanmar, SAM began focusing more of its engagement with Meta on the company's role in the human rights crisis in Myanmar, including the persecution of Rohingya people, and the potentially adverse impact of the company's business model in conflict areas and high-risk countries.

The root problem in Meta's involvement in Myanmar begins with company's business model, in which algorithms aim to boost usage by proactively amplifying and promoting content posted by the users on its platforms. In this particular case, the content being amplified and promoted, was inciting and encouraging violence against the Rohingya people, an ethnic minority in the country. Given the ongoing ethnic conflicts in the region and the long-standing discrimination against the Rohingya, Meta's activities substantially increase the risk of mass violence. For this reason, Amnesty International concludes Meta has a responsibility towards the survivors of ethnic conflict. Meta's connection to conflict-related violence has created significant legal, regulatory, operational, and financial risks that could impact shareholder value. In the United States and the United Kingdom, Meta is currently facing parallel lawsuits seeking US$150 billion on behalf of the Rohingya population.[26] Meta was also involved in an International Court of Justice lawsuit against Myanmar, after Gambia requested the disclosure of materials from Meta to support its case[27]. It has faced repeated advocacy campaigns[28], internal dissent among employees[29], and mandates to comply with international investigations[30], related to its involvement in Myanmar. Moreover, following the recent legislative developments in the EU[31] and the US[32], Meta can also face further legal and regulatory liability for the inherent human rights risks in its business model.

**Outcomes and next steps:** Meta is willingly participating in the OECD process to fund educational facilities within the Bangladesh-based Cox's Bazar Refugee Camp[33]. While this is a positive development in addressing Meta's impact over the Rohingya people, we believe in the need to continue engaging with Meta on its human rights risks.

Since we began the dialogue related to Myanmar, Meta has taken several measures:

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[26] The Rohingya's Genocide Suit Against Meta is dismissed — For now | Observer; Rohingya sue Facebook for £150bn over Myanmar genocide | The Guardian, 2022
[27] The Gambia v. Facebook: Obtaining Evidence for Use at the International Court of Justice (Part 1) | Blog of European Journal of International Law
[28] Zuckerberg Was Called Out Over Myanmar Violence. Here's His Apology. | New York Times
[29] Facebook Engineer Resigns, Says Company On 'Wrong Side Of History' As Internal Dissent Grows | Forbes
[30] The Gambia v. Facebook: Obtaining Evidence for Use at the International Court of Justice (Part 1) | Blog of European Journal of International Law
[31] The Digital Services Act Package | The European Commission
[32] Protecting Americans from Dangerous Algorithms Act |; The Algorithmic Justice & Online Transparency Act; The Algorithmic Accountability Act. The US Supreme Court will also soon consider overturning or re-interpreting Section 230, which has long provided special protections to companies like Meta, including for their algorithmic amplification of harmful content. See Supreme Court to Hear Section 230 Case | Time
[33] Rohingya refugees support by Victim Advocates International vs. Facebook | OECD Watch

• First half 2021: Implementation of a new Myanmar specific policy to remove praise, support and advocacy of violence by Myanmar security forces and protestors from our platform.

• First half 2021: Meta announces Myanmar military to be banned from Facebook and Instagram, as well as ads from military-linked commercial entities.

• Second half 2021: Meta removes Myanmar army linked businesses from Facebook

• Second half 2022: Meta published its first annual Human Rights Report, which reports on how the company is working to address potential human rights concerns, stemming from its products, policies and business practices.

• First half 2023: Meta announced that their first Responsible Business Practices Report would be pushed during the summer of 2023. The report is to increase transparency on their impact on society and their approach to operating responsibly. They also announced that Meta's second Human Rights Report will be published at the end of 2023.

Storebrand continues to engage with Meta, following up on their impacts of their business model and how they build up on their human rights due diligence work as explained in their first human rights report identifying salient risk related to advertising, AI and new products such as Metaverse and how they follow up on those. Despite new policies and reports the company continues to face litigation and fines for the way it carries out its business. In addition, we will continue to engage the company on its business model in the context of conflict areas and high-risk countries such as Myanmar; and on how the company implements its commitment to the UN Guiding Principles on Business and Human Rights (UNGPs) and other key standards, as stated in its own Corporate Human Rights Policy.

### Ensuring the 'E' is not at the expense of the 'S' in wind parks – Eolus Vind

Storebrand Asset Management placed **Eolus Vind AB** on the observation list in Q2 2022, due to human rights risk related to impact of the **Øyfjellet Wind Park** on indigenous Sami reindeer herders in Jillen-Njaarke district. In our decision to place Eolus under observation, we requested that the company carry out a renewed effort to obtain the consent of Sámi reindeer herders of Jillen-Njaarke about mitigating actions to allow traditional reindeer migration through the project area. To prevent future conflicts in other projects, Storebrand requested that Eolus Vind AB also adopt a policy on Indigenous peoples' rights, in accordance with international best practice.

**Outcome and next steps:** In early 2023, Eolus Vind published a policy on human rights and guidelines for respecting Indigenous peoples' rights, thus meeting our second expectation. However, the company did not succeed in reaching an agreement with the impacted reindeer herders, who have not given their "Free, Prior and Informed Consent" to the project. In April 2023, Eolus Vind and the owner of the wind park, Øyfjellet Wind AS, confirmed that Eolus had exited the project after the construction phase was completed. As Eolus is not involved in the operational phase, the company no longer has standing to engage with the impacted Indigenous rights holders in the area. In June this year, Storebrand decided to extend the observation period for Eolus Vind for a period of up to one year. The dialogue with Eolus continues, focusing on the company's systems for assessing and preventing human rights risks in other existing and future projects. Regarding the specific human rights impact at Øyfjellet, Storebrand has initiated dialogue with both bond issuer Øyfjellet Wind AS and Aquila Capital, the operator and owner of the project.

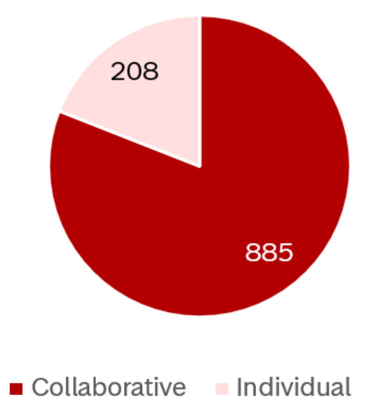
## Engagement Statistics 2023

During the calendar year 2023 we had 1,097 ongoing engagements with 729 companies.

We had 57 dialogues with 40 external fund managers and five meetings with government representatives.

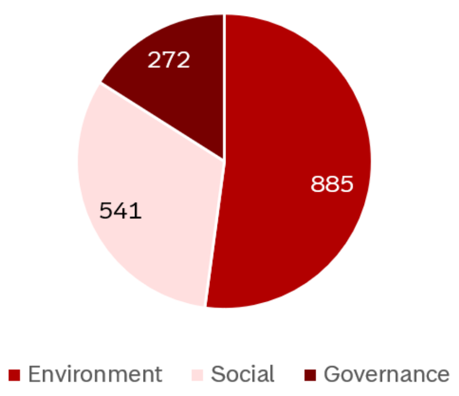
Eighty per cent of our engagements with portfolio companies were conducted in collaborations and alliances with other stakeholders, up from 77% in 2022. This reflects our strategy to join forces with other investors and stakeholders to maximise impact, where appropriate.

During the year, we concluded 222 engagements, with positive outcomes in 20 of those cases, i.e. we achieved the goal of the dialogue (the company committed to or improved their practices). However, most of the concluded engagements (190) achieved a neutral result (for example improved disclosure or better understanding/increased information).



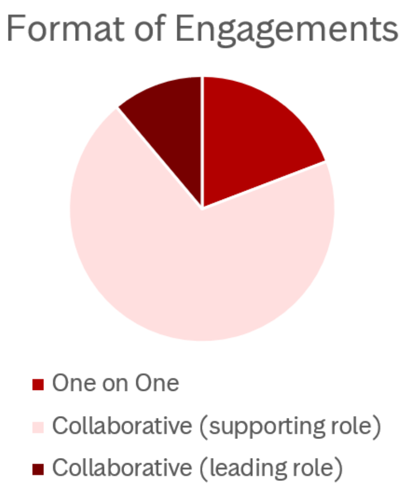

In general, our thematic engagements focusing on climate and biodiversity are mainly collaborative in nature, whereas engagements in our resilient supply chains and sustainability reporting themes incorporate a greater number of direct and internal dialogues, as well as through coalitions.

Just over half of our engagements (52%) were on environmental factors, with 32% on social issues and 16% on governance.

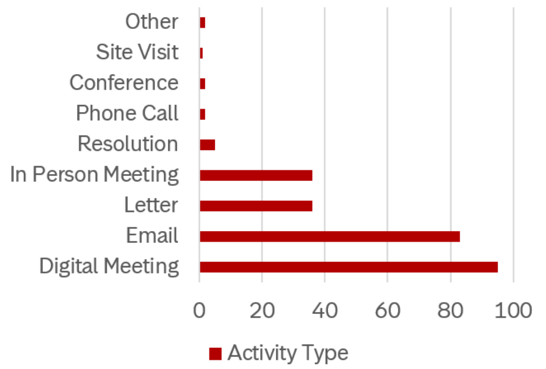



### Dialogue with companies

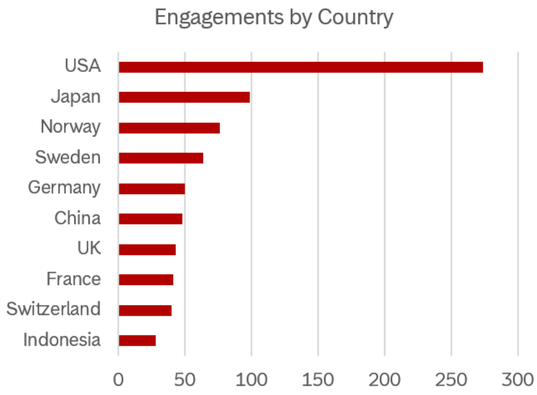
One-on-one dialogues between Storebrand and companies accounted for 19% of our dialogues with portfolio companies. In other cases, we engaged in dialogue with companies in collaboration with other investors. Of these, 11% were conducted with Storebrand in a leading role, and 69% with Storebrand in a supporting role. A total of 94% of the dialogues took place at the initiative of Storebrand or other investors, compared to 93% in 2022, while 6% occurred on a reactive basis, meaning they were triggered by specific incidents and controversies that resulted in requests to companies for measures to remedy damages and avoid recurrence.




The dialogues took place mainly in the form of e-mails, letters and digital meetings. In most cases, the dialogue took place with investor contacts or representatives of the companies' sustainability teams. In 5% of cases, we were in contact with the CEO of the companies.



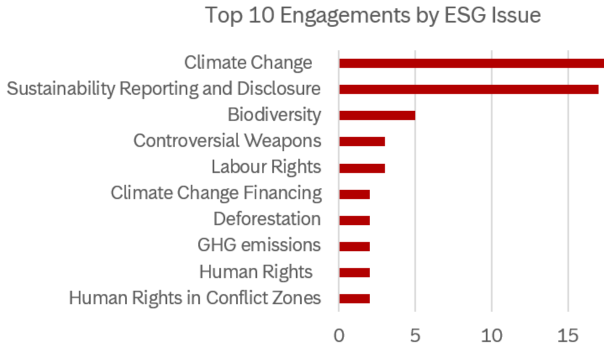

## Top Ten Engagements by Country




A relatively large proportion of our engagements are in our home markets of Norway and Sweden. This tilt towards the Nordic region is a strategic choice. We believe our position as one of the largest asset managers in the Nordic region, with local knowledge and company relationships plus our ability to speak the language, contributes to more productive engagement discussions with Nordic companies. This means we are an asset to many engagement coalitions and can take the lead role on discussions involving Nordic companies. For example, throughout 2023 we led on discussions with **Orsted** as part of PRI Advance, with **Equinor** as part of CA100+ and the World Benchmarking Alliance and with **Orkla** on the Platform for Living Wage Financials.

## Top Ten Engagements by ESG Issue

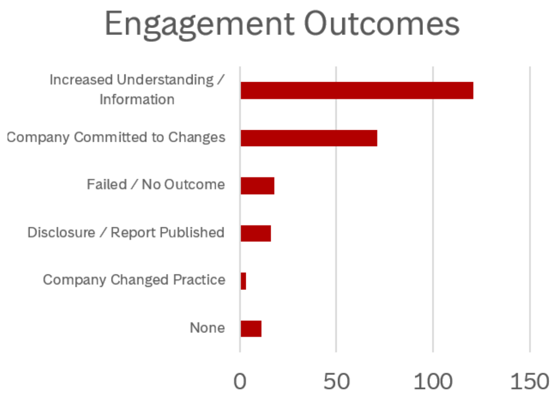
Our engagements are aligned with our strategic objectives as illustrated in the chart below.




In 2023, we engaged with portfolio companies on several ESG topics, 51% of the dialogues addressed environmental issues, including climate change, emissions, deforestation and the use of chemicals, while 33% focused on social issues such as human rights, working conditions and wage conditions. 16% of the dialogues focused on corporate governance.

## Engagement Outcomes

Eighteen of our 222 dialogues had no or negative outcome, while the remainder had either a neutral or positive outcome in the form of increased understanding from the company, a commitment to change, increased transparency and reporting, or actual change in practice.




## Contact with other stakeholders

Efforts to slow the loss of biodiversity require action from governments and businesses. SAM has been actively involved in advocacy work towards a wide range of stakeholders.

In 2020, Storebrand established and led the Investors Policy Dialogue on Deforestation (IPDD) (described above). At the end of 2023, IPDD was backed by 78 global institutional investors from 20 countries representing approximately USD 10 trillion in assets under management.

IPDD members recognise that deforestation is a complex issue that requires long-term dialogue and influence at policy level and with different stakeholders. Since its launch, the members have held numerous meetings with key stakeholders at executive, legislative and regional levels.

In 2022, Storebrand, together with a group of institutional investors, announced the establishment of **Nature Action 100**. Work on this initiative gathered pace in 2023 when we began engaging with identified companies. The NA100, which currently comprises of 190 institutional investors, representing USD 23.6 trillion of assets under management or advice, focuses on driving greater corporate ambition and action to reduce nature and biodiversity loss.

The sectors that the Nature Action 100 focuses on include biotechnology and pharmaceuticals; chemicals; household and personal goods; consumer goods retail; food; food and beverage retail; forestry and paper; and metals and mining. These sectors are major drivers of nature loss, due to their large impacts on habitat loss, overexploitation of resources, and soil, water, and solid waste pollution.

In June 2023, the NA100 published a set of investor expectations for companies, outlining six actions that we the investors will call on companies to take, in terms of: ambition, assessment, targets, implementation, governance, and engagement.

In September 2023, the NA100 followed this up, by first publicising a list of 100 companies that we as a group will focus on engaging with, and then by sending off initial letters to the companies. These letters include a formal communication regarding investor expectations for companies, which have collectively been aligned on by the NA100's participating companies. The 100 companies have been selected based on their key role in one of eight sectors that are major drivers of worldwide nature loss, which we had together identified for initial investor engagement.

NA100 will conduct annual benchmark analyses to track the progress of the companies against the formally communicated investor expectations, which outline the timely and necessary steps that the companies must take to protect and restore nature and natural ecosystems. The benchmarks will also provide needed insight into sectoral action on nature and biodiversity across the globe. Investor participants from the initiative engage companies individually, or as part of engagement teams with other participating investors. Individuals and engagement teams will submit regular updates on their engagements.

# Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

We engage companies on their sustainability practices, management of risks to people and the environment, developments in accordance with changing regulations, mitigating reputational risks, and expectations from their shareholders and society at large. In our experience, we achieve the best results through cooperation with other investors and, when engaging individually, through targeted engagement with companies where our ownership level is highest. To increase our influence on and access to companies, we will almost always seek to collaborate with other investors, either through formal channels or through informal partnerships. During 2023, through our efforts in platforms including **Climate Action 100+, FAIRR, IIGCC, FSDA, IPDD, PLWF, PRI Advance and the Investor Alliance for Human Rights**, among others, we have collaborated with other investors on several issues to exert a positive influence on companies, and we have seen some very good results from this work.

Collaborative engagement with other investors is exercised in cases where it is possible to identify a clear common interest within an investor group and the leverage effect to bring about a change is judged to be better than through our own commitment. It is often more effective to merge several investors.

**During 2023, 78% of our engagements were collaborative rather than individual efforts.**

Examples of these included both leading and support roles in dialogues with such as **JFE, Amazon, and Meta**. We expect to continue to utilise collaborative engagement formats significantly in the future. This reflects two factors. First, many systemic problems such as biodiversity or living wages, require engagement by a critical mass of actors across the investor community, company management, civil society and government. Secondly, when it comes to influencing many of the largest companies in the world, as is our aim regarding governance at **Meta** and labour relations at **Amazon**, such efforts require persistence and consistency by large groups of shareholders over time.

A full list of all the Initiatives we are members of, or signatories to, has been included in the Appendix.

## Collaborative Engagement Case Studies

### The Net Zero Engagement Initiative

During 2023 Storebrand Asset Management was among 93 investors that launched an ambitious new climate engagement initiative, the **Net Zero Engagement Initiative (NZEI)**. The aim of the NZEI is to help investors align more of their portfolio with the goals of the Paris Agreement as set out by investor net zero commitments, such as the **Net Zero Asset Managers initiative** and the **Paris Aligned Asset Owners initiative**. This is well aligned with our strategic engagement priorities, specifically the '**Race to Net Zero**' as illustrated in Principle 9 and our corporate net zero goals outlined in Principle 1.

The NZEI began at the end of March 2023, it is an expansion of the Climate Action 100+ initiative begun by the Institutional Investors Group on Climate Change (IIGCC). The NZEI goes beyond the Climate Action 100+, expanding the engagement focus to many more companies, including companies on the "demand side".

**Progress in 2023:** The key outcome of this initiative for 2023 was a coordinated issuance of letters of expectation on net zero transition plans, jointly communicated on behalf of the 93 investors, to an initial set of 107 companies. It is expected that over the next 18-24 months, the initiative will scale globally to include more companies. In line with the Net Zero Investment Framework corporate criteria, the key net zero transition plan recommendations set out in the initial expectation letter cover:

1) a comprehensive net zero commitment;

2) aligned GHG targets;

3) emissions performance tracked;

and 4) credible decarbonisation strategy.

Storebrand will play a lead role in the initiative's engagement with Nordic companies, developing engagement strategies, tailored to the companies' challenges and context.

### World Benchmarking Alliance: just transition in the oil and gas sector

Storebrand, as part of the **World Benchmarking Alliance** ("the Alliance"), has joined with 53 other major investors, in a formal demand for plans to ensure just transition in the oil and gas sector. This engagement coalition was strategically selected to align with our focus on climate change and human rights. The Alliance and its signatory investors sent a letter of expectations to ten oil and gas companies, including **Equinor** where Storebrand is the co-leader of the engagement on behalf of the group. Storebrand has a special interest in Equinor, as it is the only Nordic company that is being engaged in this round. The dialogue with companies will continue into 2024.

The engaging parties' main asks are:

1. Companies should lead meaningful social dialogue and stakeholder engagement on just transition.

2. Companies should develop and implement just transition plans, which respect and promote fundamental rights of workers, communities, and other affected stakeholders.

3. Companies should minimise the impact of employment dislocation caused by the low-carbon transition.

4. Companies should ensure social protection by fulfilling their tax duties and by managing the consequences of transition over stakeholders.

5. Companies should advocate for policies and regulations supporting just transition,

and not undermine policies that promote just transition.

The World Benchmarking Alliance is a non-profit organisation seeking to hold more than 2000 companies accountable for their part in achieving Sustainable Development Goals. Recently, it enlisted major investors to support its engagement regarding the social impacts of transitioning to a low-carbon energy system. In its initial assessment, the Alliance drew attention to the lack of action from companies when it comes to identifying, preparing, and mitigating the negative impacts over workers employed in the oil and gas industry, who are at an increased risk of unemployment.

**Progress in 2023:** The 10 focused companies were formally contacted, between the engagement period of May and December 2023, with letters explaining the initiative and main asks. The following key milestones at the end of 2023 will be summarised in a report in 2024:

- Securing an initial meeting with focus company to introduce the initiative and discuss the company's progress on Just Transition fundamentals.
- Establishing and articulating clear 'asks' of the company according to the objectives of the collaborative engagement, using the guiding questions provided and the WBA's benchmark findings.
- Gaining commitment from the company to introduce the objectives (if it has not already done so).
- Meeting with subject matter experts within the company (e.g. Chief Information Officer, Sustainability team, etc) to assess implementation.
- Public disclosure from the company on Just Transition Fundamentals.

Engagements continue during 2024 based on 2023 engagement outcomes.

## Child-conscious product design

The topic of product responsibility is an area of growing focus, driven by emerging concerns about the potentially negative impacts of products and services, including social impacts on children.

During the second quarter of 2023, Storebrand began a collaborative engagement in this area, with the aim of reducing such risks faced by companies in our portfolios – this is aligned with our '**Resilient Supply Chains**' engagement theme. We have, along with Swedbank Robur and the **Global Child Forum**, been working on a joint engagement with 35 companies in the technology & telecommunications; food and beverage; and personal care sectors; regarding the impact of their products on children. The engagement focuses on companies that have been identified as "poor performers" in the benchmarks developed by the Global Child Forum. For the food and beverage and personal care sectors, the engagement has included annual impact assessments of risks related to child labour within their in-house operations and supply chain chains; assessments of risks documented in the companies' annual public disclosures; and addressing any issues identified in these assessments.

**Progress in 2023:** Formal letters were sent out during the second quarter of 2023 and we began engaging in further dialogue with the companies during the third quarter of the 2023.

As part of the engagement, we asked the companies within the food and beverage and personal care sectors to:

- Explicitly consider children as a stakeholder group in the process of developing and marketing products and services.
- Conduct downstream impact assessments regarding how children are affected by marketing and advertising activities.
- Build these practices in a way that would contribute to healthy habits and high self-esteem in children.

For the technology and telecommunications sectors, we asked the companies to conduct impact assessments on the risks and dynamics of child labour in operations and supply chains, to publicly disclose these assessments, and to mitigate any identified issues. In addition, we asked the companies to consider children as a stakeholder group when developing and marketing products and services, specifically focusing on understanding and addressing the impact they might have children, even if children were intended to be users of these products and services.

The next stage of this collaborative initiative will involve analysing the responses provided.

### Hazardous Chemicals

In October 2023, representatives from **ChemSec, BNP Paribas Asset Management, and Storebrand Asset Management** came together at the PRI conference to take stock of their two-year-long engagement under the umbrella of **Investor Initiative on Hazardous Chemicals (IIHC)** on the issue of PFAS, also known as forever chemicals.

The initiative asks world's 50 largest chemical producers to increase their transparency around their production of hazardous chemicals, and phase out persistent chemicals. Storebrand Asset Management is part of the initiative's steering committee, along with **Aviva** and other investors. The initiative works closely with ChemSec, a Sweden-based NGO, which develops roadmaps for engagement with companies. Storebrand has engaged with three companies in the ChemScore hazardous chemical risk benchmark ranking since 2022, and all of them showcased an improvement in the ranking following our dialogue. The biggest gain so far is 3M's decision to discontinue PFAS. Increasingly, more companies are responding positively to the initiative's engagement. ChemSec releases annual scores for world's largest chemical companies on their involvement in forever chemicals. The ranking serves as a starting point for the company engagement activities. The 2023 scores were released in November. Another promising development regarding PFAS has been the Swedish Supreme Court's decision in favour of Ronneby town residents who have been affected by PFAS-contaminated drinking water. Many believe that the decision can set a precedent for other court cases involving PFAS damages.

**Progress in 2023:** During 2023, the initiative expanded its influence to over 60 participating investors representing over $12 trillion under management or advice.

Following the release of the updated scores in November 2023, an investor letter was sent to the CEOs of ranked companies, outlining three key asks[34]:

1. Increase transparency
2. Publish a timebound phaseout plan of products that are, or contain, persistent chemicals
3. Develop safer alternatives for hazardous chemicals

Throughout 2023, Storebrand continued to lead the engagement with Yara and Umicore. In the 2023 annual ranking, Yara improved their score and moved into the top 3 out of 50 companies.

We have also been in contact with Sika, to improve understanding of the company's perspective on the EU proposal to ban persistent chemicals and how they plan to address any potential challenges and opportunities arising from it. In August 2023, as well as in their latest annual report, Sika provided an update on their investigation, mapping the use of PFAS across their operations.

The progress of the IIHC so far indicates that active ownership and investor action has a role to play to achieve change. Dialogue with the selected companies will continue in 2024 towards the goal of achieving the three key asks outlined above.

## Biodiversity-related engagements

As part of our efforts in our engagement themes on the race to net zero and biodiversity and ecosystems, during the fourth quarter of 2023 we formally joined two biodiversity-related collaborative engagements organised by the **FAIRR** Initiative. FAIRR is a collaborative investor network, with 400 members globally representing over USD 70 trillion of assets, that raises awareness of the environmental, social and governance (ESG) risks and opportunities in the global food sector. The agriculture, forestry and land use (AFOLU) sector is a central driver of both greenhouse gas (GHG) emissions and nature impacts. In particular, animal agriculture accounts for 60 per cent of the sector's GHG emissions, and 15 per cent of all GHG emissions worldwide, according to an estimate by the FAIRR initiative.

One of the engagements we are involved in is **Phase 2 of the FAIRR engagement on Animal Waste and Pollution**. The objective of the engagement is to reduce pollution from animal waste, which is a significant driver of biodiversity loss. Phase 2 of the Animal Waste and Pollution engagement began in December 2023 with letters sent to 12 companies. This builds on the dialogue between investors and companies that was established during the first half 2023 in

[34] IIHC-investor-letter_Excerpt.pdf (chemsec.org)

Phase 1, which Storebrand also participated in. Phase 2 is expected to last until July 2024. In addition to targeting ten large, publicly listed pork and chicken producers, the Animal Waste and Pollution engagement targets two fertilizer companies whose range of services includes the extraction and marketing of nutrients from manure. There is huge potential for using animal waste to increase circularity in the fertilizer business.

The other engagement is FAIRR's new engagement on **Seafood Traceability**, which Storebrand joined In November 2023. The Seafood Traceability collaborative investor engagement aims to encourage seven major seafood companies to develop and implement supply chain traceability systems, as a means of identifying and reducing key risks such as illegal, unreported and unregulated (IUU) fishing, overfishing, habitat destruction and human rights violations. In addition to FAIRR, the investor group is supported by the **WorldWide Fund for Nature (WWF), UNEP FI's Sustainable Blue Economy Finance Initiative, the World Benchmarking Alliance (WBA), and Planet Tracker**. The Seafood Traceability engagement is expected to last until December 2024.

### Deforestation

Storebrand continues to engage with policymakers in selected countries on deforestation through the **Investor Policy Dialogue on Deforestation** (IPDD) collaborative initiative, as detailed in Principle 4. The IPDD is supported by a membership of 80 financial institutions from 20-countries with approximately US$ 10 trillion in assets under management.

IPDD Brazil has seen significant success in terms of gaining greater engagement and increasing awareness on such a complex issue, particularly given the many stakeholders and dynamics involved. IPDD Brazil has established an open dialogue and met with government-related entities and associations, demonstrating a responsiveness on behalf of the government to the investors' concerns.

**Progress in 2023:** Storebrand and the investor group had in person meetings with the new administration in 2023. We were encouraged to see that illegal logging and deforestation in Brazil's Amazon rainforest in 2023 halved from the previous year to its lowest level since 2018, a major win for President Luiz Inacio Lula da Silva in his first year in office. The investors will continue to engage with relevant government authorities to promote good social and environmental governance and reduce financial risk arising from deforestation.

### Nature Action 100

Nature Action 100 is a global investor engagement initiative focused on driving greater corporate ambition and action to reduce nature and biodiversity loss. The initiative aims to protect both nature and mitigate nature-related financial risks to the companies.

**Progress in 2023:** Following the recent launch of the **Nature Action 100** (NA100) investor engagement group, with Storebrand a founding member, the group has now aligned on and published an official set of expectations. These expectations, designed to contribute to halting and reversing nature and biodiversity loss by 2030, are a foundational element that will shape the group's ongoing priorities and actions. The NA100's newly published "Investor Expectations for Companies" detail key actions in six focus areas: Ambition, Assessment, Targets, Implementation, Governance, Engagement. At the same time, the NA100 also identified the key sectors, based on their role as major drivers of nature loss, within which the investors in the group will engage companies.

The eight sectors are:

- Biotechnology and pharmaceuticals
- Chemicals, such as agricultural chemicals
- Household and personal goods
- Consumer goods retail, including e-commerce and specialty retailers and distributors
- Food, ranging from meat and dairy producers to processed foods
- Food and beverage retail
- Forestry and paper, including forest management and pulp and paper products
- Metals and mining

The engagement was initiated via a formal communication to the identified companies outlining the expectations that the investors have aligned on.

## Engaging Tech Giants on Human Rights

The **Council on Ethics of the Swedish AP Funds (AP1, AP2, AP3 and AP4)** organised a group of institutional investors, representing EUR 7 trillion in combined assets under management, to collaboratively engage tech giants, aiming to strengthen their management of human rights risks and impacts[35], [36]. SAM joined the initiative during the third quarter of 2023 and began engaging in calls to companies, as part of the work of the initiative, from the beginning of fourth quarter.

The primary goal of the initiative is to ensure that the companies take concrete measures to address operational and human rights risks pertaining to their products and business models, and to encourage more transparent reporting on the related impacts and efforts. The collaboration's activities and results will be publicly reported.

**Progress in 2023:** During 2023, initial focus objectives were determined for each company. Based on the overall engagement objectives and KPIs, participating investors then sent company-specific engagement letters to all seven companies. As of the end of 2023, dialogue had been established with several of the targeted companies, and meetings have been held with three companies.

During 2024, engagement groups will continue to focus on establishing dialogue with the companies, as well as measuring and tracking their progress towards the engagement objectives. The collaboration also aims to extend the programme of knowledge-building sessions, working with participating investors to build deeper

[35] AP Funds' Council on Ethics -led collaboration to engage tech giants – AP-fondernas etikråd (etikradet.se)

[36] Etikradet-2023_ENG_webb_240412.pdf

insights into the sector's human rights challenges.

The initiative will run for three years from January 2023 until end of 2025.

It builds on:

- the Investor Expectations issued by the Council on Ethics of the Swedish national pension funds (AP 1—4) in cooperation with the Danish Institute of Human Rights in 2020.
  - UN Guiding Principles on Business and Human Rights (UNGPs)
  - Ranking Digital Rights (yearly published relevant data)
  - Relevant Sustainability Accounting Standards Board (SASB) standards

To avoid duplication of, and to build on, other completed and existing investor efforts in this field, the Initiative will focus on influencing corporate practices regarding these issues in general:

- **Content** for example, misinformation, hate speech and electoral interference and its impact on the society, such as democracy and polarisation. The elevated and differentiated risks connected to vulnerable groups, such as children and minorities, will be addressed with heightened attention.
- **Corporate culture and structures** how human rights considerations are integrated in company culture and operations; enabling and expecting employees/contractors to act in line with stated corporate human rights commitments; internal grievance mechanisms such as whistleblowing.
- **Access to remedy for rights holders** effective and accessible grievance mechanisms for affected individuals, groups and communities, supported by constructive stakeholder engagement to mitigate the (re)occurrence of human rights harms and related operational risks.
- **Corporates' interaction with authorities and regulators, including lobbying** ensuring the integrity of the synergistic relations, maintaining social license to operate and building trust, thus helping to proactively manage the regulatory risks connected to the business model.

## Defeated New York State Deforestation Bill

Protecting forests is essential to be able to meet global climate and biodiversity goals. SAM therefore supports clear and standardised regulation aimed at preventing deforestation and conversion of natural ecosystems. We frequently support investor initiatives to demonstrate to regulators the critical mass of support for proposed regulations of this type.

One such effort in the U.S.A., came close to fruition, but was defeated at the very end, in December 2023.

In May 2023, we supported a joint investor letter of support for the New York State Tropical Deforestation-Free Procurement Bill, aiming to bar the state from purchasing goods linked to illegal deforestation. The investor group was significant, representing $2.5 trillion in AUM from global investors, and had been assembled amid strong public support within the state. The proposed bill was voted on, and successfully passed through, by both chambers of the New York State legislature, with backing from both of the major political parties in the country.

However, in December, New York State Governor Hochul subsequently vetoed the bill, despite its have been passed with broad political and public support.

From our perspective it was disappointing to see the New York Tropical Deforestation-Free Procurement Bill vetoed, as it would have made an important contribution to the growing number of public policies restricting trade in commodities linked to deforestation, such as the EU Deforestation Regulation and the UK Environment Act.

Although this effort in New York State did not reach its goals, the setback underlines the importance of collaborative investor action to protect forests, such as the **Investor Policy Dialogue on Deforestation (IPDD) and Finance Sector Deforestation Action (FSDA).** The case also illustrates the challenges that investors sometimes face in engaging with the public sector, to secure their involvement in bringing necessary policies and regulations to life.

### Disappointing Progress with Toyota on Lobbying Activity

We do not always achieve the results we seek through engagement, or progress can be slower than we desire. In such cases, we are prepared to escalate dialogue using the tools at our disposal. A good example of this is our **escalated engagement with Toyota during 2023**.

After more than two years of intense investor engagement with Toyota, it has unfortunately not been possible to reach common ground with the company on its lobbying activities. Due to unsatisfactory progress, we took the unprecedented step to raise the first ever shareholder resolution on this topic in Japan. This example of escalation is discussed further in Principle 12.

## Insight: A Social Focus

Our **Head of Human Rights, Tulia Machado-Helland**, is an experienced human rights lawyer. She leads many of our direct engagements with companies and is central to our participation in a variety of collaborative initiatives. During 2023 we have continued to enhance our focus on social and human rights issues within our investments. We believe this focus is essential to ensure a just transition to a low carbon future.

We experience a lack of resources and experience across the industry when it comes to social engagement. Tulia's specialist knowledge in this area is a unique resource – the majority of ESG teams we come across tend to be more experienced in environmental topics – and she is a valuable asset for the industry in collaborative engagement forums.

For example, Tulia has been involved in the **PRI Advance Initiative** since its early stages, as part of its Advisory Committee. PRI Advance was established in 2022 as a forum for institutional investors to collectively influence companies to improve outcomes for workers, communities and society. The initiative is facilitated by the PRI Executive and supported by 220 investors with $30 trillion in AUM.

SAM is represented by Tulia on the advisory committee of PRI Advance. Throughout 2023 we have been focused on developing the methodology for the initiative, including deciding which sectors and companies should be targeted for most efficient impact.

Establishing the methodology for engagement on social issues is complex due to the diversity of themes and salient human rights identified according to region, sector and company. PRI Advance will focus on two sectors: **metals and mining and renewables**, considering the synergies between the two sectors for themes such as just transition. Additional sectors and companies will be included in the initiative over time.

**The main outcomes from PRI Advance in 2023 were:** 1) methodology design and 2) initial calls to companies.

The initiative has settled on three key company expectations:

1. Implement the **United Nations Guiding Principles on Business and Human Rights** (UNGPs) – the guardrail of corporate conduct on human rights.
2. Align their **political engagement** with their responsibility to respect human rights.
3. Deepen progress on the most **severe human rights issues** in their operations and across their value chains.

Specific themes for engagement are: Workers' rights supply chain; Living wages; Rights of communities and Indigenous Peoples; Just Transition.

The full list of companies being targeted is available on the PRI Advance website[37]. Storebrand is the leading manager for engagement with **Orsted** and is directly involved with supporting three other engagements: **Siemens Gamesa, Alcoa, and Lundin Mining.**

Collaborative initiatives allow us to share the benefit of our experience and influence with Nordic companies and to continue engaging with companies we have excluded. We do not stop engaging with companies just because we have excluded them from our portfolios for risk exposure purposes. As a prominent investor in the Nordic region, when we make the decision to exclude a company we do so publicly and give the company the opportunity to respond. We often find that this is an effective way of encouraging companies to address issues.

For example, we excluded **Siemens Energy** as a result of our human rights due diligence of our portfolios pertaining occupied territories. We are keen to invest in renewables companies and technologies, such as wind turbines, but not at any price. **Siemens** were found not to be respecting the sovereign rights of the people of Western Sahara, we have sent our expectations to the company and made them aware of what changes we would require in order to invest. In the meantime, we will continue to engage with the company as part of the PRI Advance initiative.

When we made a statement to publicly exclude oil and gas giant **Total**, due to their offshore oil exploration in Western Sahara and Morocco, the company engaged with us and a few months later they informed us that they would be exiting the region.

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[37] PRI | Advance (unpri.org)

# Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

Prior to each engagement, specific goals are established for the engagement process to ensure clear communication with the investment objects and to facilitate the measurement of the engagement's success. Our ESG analysts in the Risk and Ownership team record the success factor for the commitment in each engagement process.

There are four levels of success, where the fourth and highest level is in line with the UN Principles for Responsible Investment, PRI: Improved Business Practices (in line with the PRI definition of success: "*The actions taken were fully or mostly completed after Storebrand contacted the company*"). We can therefore assume that our efforts have contributed to the improvement when this level is reached, although it is seldom possible to determine exactly to what extent.

Here is brief description of our internal scale to measure engagement success:

- Level 1 = company contacted (explanation of concerns + request for company practice improvement; no response)
- Level 2 = company contacted; unsatisfactory response
- Level 3 = company contacted; satisfactory response
- Level 4 = company contacted; improved business practice

The progress of engagement is discussed regularly by the Risk and Ownership Team, including minimum requirements, alternative methods of achieving or improving dialogue, and whether an engagement should be escalated or not. If the company does not meet our minimum requirements (or communicates a plan and ambition to start measures) after repeated dialogue attempts, we escalate our actions.

Escalation can mean the following actions:

- raising issues at board level if management is not responsive
- expressing our views publicly by issuing a public statement
- cooperating with other investors if not already done so
- proposing, submitting or co-filing resolutions at the AGM
- voting against re-election of board members concerned
- setting a company on our observation list

The decision to engage with companies is based on our assessment of the significance of a particular matter, holding size, scope to effect change and opportunity to come into constructive dialogue with the company or to collaborate with other investors.

## Escalation across funds, assets and geographies

We are a Nordic actor, which means that we have more leverage in Nordic countries where we are more known and where our exposure can be higher (size of holdings). We will prioritise our proactive engagement with Nordic companies, where our position and knowledge of these companies enables constructive and meaningful dialogue that creates value both to these companies, to Storebrand, and our clients. This however does not limit us to engaging only with Nordic companies, as aspects such as the materiality of ESG risks, exposure, and the ability to have greater impact on ESG issues remain important factors for considered in the prioritisation of our engagement work with companies globally. Based on our long-term focus in investment, and our commitments to sustainable investment, avoiding certain investment incompatible with this perspective, is an intrinsic part of our processes.

### How we screen and exclude assets

We screen assets, including equities, fixed income, real estate, and alternatives such as infrastructure, for companies that meet the Storebrand Exclusion Policy criteria. This policy acts as a filter to ensure sustainable investments, it excludes companies that are in breach of international norms and conventions or involved in unacceptable operations.

Our exclusion criteria is based on product and norms of behaviour and addresses the following themes: human rights and international law, corruption, corporate criminality, severe climate and environmental damage, controversial weapons (landmines, cluster munitions and nuclear weapons), tobacco and cannabis.

In addition to the standard exclusion criteria, we apply extended screening criteria to selected funds. The extended criteria screens for involvement in fossil fuel production and distribution; alcohol, adult entertainment, arms and gambling; and green bond standards.

If, through our third-party monitoring services, or other sources, we identify a company in our portfolio as potentially being in violation of our stated norms, we begin a process of qualitative assessment and dialogue. This process may end up with a decision to divest from the company and exclude it from our portfolio. Potential product-based exclusions are assessed and decided by our Risk and Ownership Team. For norms-based exclusion cases, our Risk and Ownership Team assesses them, then refers them to our Sustainable Investment Committee for a final decision on exclusion.

### Escalation of engagement directly to exclusion

Storebrand Asset Management is committed to using our position to engage with, and influence companies towards operating with high standards of sustainability. However, in some cases engagement may not be successful or not possible.

We may choose to escalate engagement based on the following criteria:

- **Norm-based controversial issues:** includes companies that violate international humanitarian law, human rights, workers' rights and international law and/or are involved in serious climate and environmental damage. We may also escalate cases linked to serious financial crime and corruption.

- **Lobbying:** companies that consciously and systematically work against the Paris Agreement and Global Biodiversity Framework

- **Unsustainable product and business activities:** Deforestation through unsustainable production of palm oil, soy, cattle, timber, cocoa, coffee, rubber and minerals. Activities such as deep-sea mining, marine or riverine tailings disposal, as well as operations in biodiversity sensitive areas. If a company is unwilling or unable to cease the breach or activity in question, or if escalation is not leading to the desired results, the company will be excluded.

Exclusion-based on breach of norms is recommended by the Risk and Ownership team and decided upon by the Sustainable Investment Committee.

The portfolio is continuously screened using data from various sustainability data vendors, which send us monthly "company alerts", including background information on controversies. The controversies are then analysed by our experts on the severity of the incident and whether it violates our standards by considering:

– seriousness of the violation

– company link to the violation

– extent of incident

– if it is an isolated event or an event that can be considered a systemic behaviour of the company in question

– management interference

– the company's ability to correct the problem and reduce the effects of the damage

– risk of reoccurrence

In cases where escalation of our engagement process does not lead to the necessary improvements, or the company is unwilling to come into dialogue, we may, as a last resort, present the case to the Sustainable Investment Committee, to make a final decision on excluding the company from the investment universe.

Each case presented to the Sustainable Investment Committee is anonymised, so that the decision can be made on as objective a basis as possible.

## Escalation of engagement to observation and potential exclusion

We sometimes put companies on an **observation list** as a method of escalating the dialogue. According to our procedures, we expect companies under observation to show improvement within a pre-determined time, in order to be removed from this status. If the improvements are not achieved, the company can be excluded from our investable universe. Such cases typically involve companies that we consider close to being excluded based on norm-violations but where we see a possibility that the company will change practice in line with set expectations as part of dialogue. Companies on the observation list are continuously monitored for improvements and adherence to our standards.

Companies may only stay on the observation list for up to three years before being excluded from our investment universe or taken off the observation list. We set specific expectations of companies as to what actions are required to be taken to change their observation status. This specification for change is reviewed annually to ensure the company takes material action on issues. If the company does not take action to meet the specification, there may be cause for exclusion. While a company is on the observation list, we may not increase our investment in the company (the portfolio weight may not exceed 1.2 times what it was at the date when the company ended up on the observation list). There can be a maximum of five companies on the observation list at the same time. If we choose to exclude a company, there are formal routines for reporting to companies and internal formalities of compliance working with fund managers. Companies are informed of their exclusion and the reasons for our decision. Companies are also informed of the requirements for re-inclusion and are invited to contact us when they believe they have met our requirements.

Excluded companies are monitored continuously and evaluated on a quarterly basis for potential re-inclusion. When our data provider indicates improvements have been made, we assess whether those improvements are relevant to reconsider our grounds for exclusion and decide whether to reopen the case and engage with the company.

Prior to re-inclusion, the Risk and Ownership team assess whether the expectations set out in the original exclusion have been achieved and will then make a recommendation to the Sustainable Investment Committee. In the event that the improvements are not related to the grounds for exclusion (improvements with respect to governance and reporting, but no improvements regarding hazardous waste management and health and safety – which were the grounds for exclusion) then the company will not be considered for possible inclusion.

For example, during 2023 **Lotte Chemical Corp** was included back into our investment universe following a seven-year hiatus. During this time, the company has strengthened its compliance program and is catching up with the broader focus on ESG that has emerged amongst South Korean stakeholders. The improvement was indicated by our data providers and further assessed by the team that the improvements are in line with the original expectation set at the time of exclusion.

### Exclusion summary 2023

In 2023, we made adjustments and improvements to our screening process, partly to better cover issuers that primarily issue bonds. This has resulted in a one-off increase in the number of exclusions, from a significantly larger universe of companies and funds than before. This adjustment accounts for roughly 80 per cent of the exclusions. The remainder are part of our regular product-based screening, which we conduct quarterly.

As of 31 December 2023, the screening process resulted in 113 companies being excluded from our investment portfolios based on conduct- or activity-based criteria. A total of 288 additional companies[38] were excluded based on our product-based criteria and NBIM/Oil Fund exclusions[39].

As of 31 December 2023, 248 companies listed on the MSCI ACWI Index were listed as excluded from all our funds. An additional 309 companies in the same index were excluded from certain funds, based on our extended criteria. Please refer to the Exclusion Statistics section below.

## Escalation and Exclusion Case Studies

### Dollar General

During Q3 2023, Storebrand took a new step in escalating its engagement with the **Dollar General Corporation** on its responsibilities regarding the health and safety of its workers. Headquartered in Tennessee in the U.S.A, Dollar General, one of the largest retailers in the world, is listed on the New York Stock Exchange and is a member of the S&P 500. As of the 2022, it had approximately 158,00 employees and operated around 19,000 discount general merchandise stores across the USA and Mexico.

The company has been engaging in a pattern of behaviour that raises investor concern regarding risks to its brand reputation as well as potential liabilities from failing to comply with regulations. There appear to be wilful

[38] Some companies may be excluded on several criteria. The numbers provided here avoid double counting.

[39] Storebrand excludes companies excluded by NBIM/The Government Pension Fund Global

and repeated health and safety violations that have been reported at Dollar General locations across the country. These issues of safety and regulatory compliance, which have also been reported in the media, can be interpreted as being endemic to the company's business model that is heavily dependent on keeping labour costs low.

Dollar General was declared by Occupational Safety and Health Administration (OSHA), the U.S. federal health and safety regulatory body, as a "**Severe Violator**" of workplace safety standards, as it had accumulated over $21 million in OSHA fines since 2017.

Investors have reacted strongly to these risks. In May 2023, at the Dollar General Annual Meeting, SAM was among the 67.7% of investors that voted in favour of a shareholder proposal that requested for an independent third-party audit to be conducted focusing on the impact of the company's policies and practices on the safety and well-being of workers. Since that time, the company does not appear to have followed up with any action on the issue and has not communicated on it to the public or the parties that tabled the proposal. Requests by the proponents to engage with the company's management and board on the issue have been denied.

As a result, SAM has given its support to a shareholder initiative, led by **Domini Impact Investments**, to send a formal investor letter to Dollar General's board and management regarding the issue. The letter was signed by 33 investors and sent to the company in October 2023. So far, Dollar General has responded with public statements declaring its intention to conduct an audit before its 2024 annual shareholder meeting. SAM's action demonstrates our commitment to these issues, as well as illustrating how we engage collectively with other shareholders to continue to escalate engagement when companies are not responsive to initial methods of engagement.

## Human Rights Exclusions Connected to Myanmar Crisis

During the first quarter of 2023, Storebrand excluded several companies from investment, based on human rights risks in the crisis-ridden southeast Asian country of Myanmar. Myanmar has been at the centre of severe conflict, following a military coup and the installation of a military government in the country in 2021. Since then, the country has been subject to international sanctions and is considered to be a high-risk country with regards to risks of contributing to abuses of human rights. Assaults on Myanmar's civil population, by the country's military government, are ongoing. As of 27 December, the Assistance Association for Political Prisoners listed a total of 2,660 people as having been murdered since the start of the coup. In June 2022, the UN registered a million internally displaced people (IDPs) in Myanmar, with another 14 million people in urgent need of humanitarian assistance.

One of the companies excluded by Storebrand is **China Petroleum and Chemical Corporation**, also known as **Sinopec**, based in Beijing. In terms of revenue the company is one of Asia's largest integrated players in the oil & gas sector, with its income coming primarily from refining and marketing of oil products and petrochemical production. Through its non-listed parent company, Sinopec is engaged, or holds interests in, exploration and production assets in jurisdictions that expose it to significant human rights abuses.

Sinopec has operations in Myanmar, in a joint venture with the Myanmar Oil and Gas Enterprise (MOGE), exposing it to risks relating to severe human rights abuses committed by the country's military government. MOGE, which is controlled by the Myanmar armed force, is subject to sanctions by the EU and several other countries, including sanctions by the government of Norway since February 2022. The sanctions require energy companies to terminate their operations in Myanmar, which results in a significant impact, as natural gas earnings are the military government's single largest source of foreign-currency-generating revenue.

Another company excluded by Storebrand during 2023 was the Israel-based surveillance software **Cognyte**. This company, formally known as **Cognyte Technologies Limited**, is unrelated to the similarly named Norwegian-based industrial software company Cognite AS. Following an assessment, Storebrand excluded the company due to several significant risks, including its links to operations in Myanmar. Cognyte's customers include the governments of Myanmar and several other countries facing accusations of extremely serious human rights violations, including abduction, torture and other forms of abuse targeting vulnerable groups.

Storebrand also excluded three other companies, **PTT PCL, PTT Exploration and Production, and PTT Oil and Retail Business PCL**, based on links to human rights abuses in Myanmar. The companies are excluded due to an unacceptable risk that they are contributing to serious violation of the rights of individuals in situations of war and conflict by partnering with the state-owned oil company **Myanmar Oil and Gas Enterprise (MOGE)**. Through their activities in the country, these companies provide Myanmar's armed forces with substantial revenue streams that can finance military operations and abuses. The companies' business partnerships with MOGE represent an unacceptable risk of contributing to extremely serious norm abuses in the future.

During the second quarter of 2023, **GAIL India Ltd and the Korea Gas Corporation (KOGAS)** were both excluded from our investment universe, based on their involvement in a project in Myanmar. GAIL India Ltd is involved in natural gas exploration, production distribution and sales. KOGAS's operations span the importation of natural gas used within South Korea, as well as building and maintaining gas terminals and pipelines in the country and outside of it. Within Myanmar, GAIL India Ltd and KOGAS are each minority partners in a joint venture with Myanmar Oil and Gas Enterprise (MOGE), a company owned by the Myanmarese government. The venture is involved in the Shwe offshore gas project in Myanmar.

### Saudi Arabian Government Bonds Exclusion

During Q1 2023, as a result of our high-risk country due diligence, we identified 12 companies as part of an investment pre-screening. Storebrand has excluded bonds issued by the Saudi Arabian government from investment, due to human rights risk. As a consequence of their ownership or control by the Saudi government, the companies identified have therefore also been excluded from potential investment by Storebrand. The Storebrand Group does not invest in government bonds issued by countries that are systematically corrupt, systematically suppress basic social and political rights, or that are subject to United Nations Security Council sanctions. Storebrand also does not invest in companies owned or controlled by any country that we have excluded from sovereign bond investments.

### POWERCHINA

A notable example of an exclusion we made during 2023 was the exclusion of the **Power Construction Corporation of China (known as "POWERCHINA")** due to its involvement on hydroelectric dam projects that could be extremely harmful to nature.

The projects, being undertaken by the company's subsidiaries in Tanzania and Indonesia, could precipitate the extinction of the Black rhino, Sumatran tiger and the Tapanuli orangutan. Therefore, the projects clash with **Target 4 of the Kunming-Montreal Global Biodiversity Framework**, agreed at the December 2022 COP 15 biodiversity summit, which urges actions "to halt human induced extinction of known threatened species and for the recovery and conservation of species, in particular threatened species".

While environmental damage is relatively common in the industry, our assessments were that these cases were especially severe and systemically critical.

In the case of the project in Tanzania, the construction of the Julius Nyerere Dam, this project would drastically alter about 100,000 hectares of forest and impact biodiversity in what is considered to be one of Africa's most important wilderness areas. The impacts associated with the dam project are significant, in this specific protected and vulnerable environmental area in Tanzania, will stretch far beyond the dam and its reservoir and undermine the high density and diversity of species which makes the reserve an area of outstanding importance for in-situ conservation of biological diversity. Additionally, the company had systematically failed to address recurring concerns expressed by the United Nations, IUCN, the media, nature conservation organizations, scientists, and local communities.

In Indonesia, POWERCHINA's subsidiary is responsible for engineering, procurement and construction of a 510 MW mega-dam in North Sumatra province, Indonesia, which according to local and international conservations groups, will have irreversible environmental impacts, including on critically endangered species. The regional ecosystem of the dam area is home to several threatened species, including the Sumatran tiger and the recently discovered endemic Tapanuli orangutan, which is considered the most endangered great ape in the world with less than 800 surviving individuals.

### Occupied Palestinian Territories

Since 2009, SAM has screened and assessed companies related to the Occupied Palestinian Territories (OPT). We have strengthened our human rights due diligence assessment in this area and have engaged in dialogue with and divested from several companies on this basis.

SAM does not have any direct lending activities or underwritings. However, we do carry out continuous human rights' due diligence of all our portfolios, mainly based on our standards on international human rights and humanitarian law, but also on ESG risk data (including country risk, industry risk and company risk ratings) in alignment with the UN Guiding Principles for Business and Human Rights, the OECD Guidelines for Responsible Business Conduct for

Institutional Investors and human rights due diligence requirements from the Norwegian Transparency Act ("Åpenhetsloven").

We conduct enhanced human rights' due diligence, including a thorough annual analysis based on data from data providers and our own research to identify human rights risk regarding this specific issue in our portfolios. Once identified, we address and mitigate the risk by engaging, and as last resort, excluding companies from our portfolios.

Our human rights due diligence includes an annual analysis based on data from data providers and our own analysis to identify human rights risks on this topic in our portfolios. Once the risk has been identified, we address and mitigate the risk by engaging with and ultimately excluding companies.

All activities, services and goods have the potential to contribute to the occupation and to maintaining the illegal settlements. However, some of these contribute more than others. We focus on those who are at higher risk of this and engage in dialogue with these companies. We exclude companies where it is not possible to exert influence on them. Since 2009, we have used a set of criteria to assess the extent to which companies contribute to Israel's 50+ years of occupation. The criteria include companies that:

- Make surveillance and identification equipment available at checkpoints, thus enabling the maintenance of the occupation regime (most severe contribution)
- Contribute to the construction, maintenance and expansion of settlements and the exploitation of natural resources, including infrastructure and direct financing (second-most severe contribution)
- Purchase goods or services from companies operating in Israeli-occupied territories

Companies that fall into the first and second categories are candidates for company dialogue and potential exclusion if the dialogue is not successful.

As of 31 December 2023, we excluded 24 companies related to the occupation of Palestinian territories.

# Principle 12

Signatories actively exercise their rights and responsibilities

SAM regularly votes at annual general meetings as shareholders to ensure portfolio companies are aligned with our principles and stewardship efforts.

SAM's policy is to ensure that portfolio companies comply with the rules regarding ownership influence under the laws and regulations of the marketplace in question, and other commitments. Shareholders should receive information in good time before the general meeting, which provides the opportunity to take a position on the proposals to be presented at the general meeting. Our voting policy is adopted at SAM group level and is available on our website[40]. Under this policy, voting rights and other rights deriving from shareholdings shall be exercised solely in the common interest of the unit holders, with the aim of ensuring the best possible risk-adjusted return for the unit holders. Responsibility for voting is delegated to the responsible manager, or to the Risk & Ownership team, who determines how to exercise the voting rights appropriately and then reports back to the board of directors.

Voting rights are exercised either directly as part of management or using a system for exercising voting rights (proxy voting). The following topics are of particular importance when exercising our shareholder vote:

- Insufficient information before a general meeting.

- Absence of a majority of independent board members or independent management committees (remuneration, nomination, and audit committees).

- If the Company considers that the board of directors and/or board members do not meet the requirements for sufficient competence and knowledge.

- Existence of mechanisms for preventing takeovers (poison pills, etc.) that counteract shareholders' final decision-making power in these matters.

- Unnecessary or indefensible changes in capital structure. SAM supports the principle of one share = one vote.

- Existence of remuneration structures for senior executives leading to conflicts of interest between management and shareholders.

- Unsatisfactory stewardship of climate, environment, fair labour practices, non-discrimination, and the protection of human rights.

All votes and voting rationales activities are published online on our website.

[40] Engagement and Voting Policy.pdf (storebrand.com)

We use **ISS Proxy Voting Services** for voting, and we receive notifications in case of any problems with casting and counting of votes. In addition, we regularly monitor ESG-relevant votes cast, through checking votes on high-profile companies, all votes on environmental and social shareholder resolutions, as well as extracting quarterly voting statistics. For example, we manually go through voting records to select "most significant votes" on ESG issues, and in that process, we check that votes have been approved and properly registered. Any errors are raised with ISS to identify causes and avoid repetition. We prioritise voting at AGMs where we believe we can make a difference with regards to ESG. We vote on all meetings with resolutions related to ESG, shareholder resolutions or companies where we have a significant shareholding, and companies where we have on-going engagements. We prioritise in this manner, in order to ensure that our voting decisions are well-grounded and based on qualitative review.

Our voting policy is anchored with the Board of Directors in Storebrand ASA and adopted by the Board of Directors in Storebrand Asset Management AS. The CEO of SAM, or the appointed representative, is responsible for ownership matters, including voting.

SAM has engaged **ISS Governance** as an independent proxy voting service provider and proxy advisory firm. The proxy provider handles invitations to, and registration for, general meetings for our funds and produces comprehensive information about the individual portfolio companies. The proxy provider presents the agendas of the meetings with research on all resolutions and recommendations on how fund managers should vote. Voting conduct is nevertheless governed by SAM's common voting policy and is always based on what is in the interest of the funds and of the unit holders. In the absence of a policy for a specific vote, the recommendations of the proxy provider's Sustainability Proxy Voting Guidelines are usually followed. The fund manager reviews the partnership with proxy provider and evaluates the quality and efficiency of the services provided. All SAM's funds have a depositary that is subject to supervision and which, in addition to the proxy provider, provides information relating to the general meetings of the portfolio companies in the Company's funds.

**In 2023 we voted in accordance with recommendations of the ISS Sustainability Policy in 99.8% of cases.**

All voting activities and rationales are published on the Proxy Voting Dashboard[41] on the Storebrand website.

SAM has systems in place to identify, manage and document any conflicts of interest that may arise in the exercising of voting rights. Our procedure for handling conflicts of interest is set out in the Company's Guidelines for identifying and handling conflicts of interest, as detailed in Principle 8. SAM has identified that persons who participate in the management, or who are responsible for representing the

[41] VDS Dashboard (issgovernance.com)

Company's funds during voting, could potentially make decisions designed to benefit the value of private investments or exploit the voting rights for similar purpose. The conflict of interest is managed through the stipulation in the funds' investment guidelines that the funds may hold a maximum of 10% of an issuer's outstanding financial instruments. This minimises the risk of the funds having a considerable influence over the issuer.

Fund managers may participate in the work of the nominations committee where this is possible and in line with the investment strategy of the funds. SAM will normally take a position on board nominations at those companies where the funds under management have large shareholdings.

SAM has entered into an agreement with a Securities Lending Agent that governs the terms of securities lending for selected Company funds. The agreement stipulates how securities lending is to be made and to what extent. SAM allows securities lending for the funds' shares but will normally recall the shares before general meetings to be able to vote with at least 50% percent of our shares at the general meeting. If securities lending is deemed more beneficial for unit holders, or does not have any material impact on shareholder engagement, then after an individual assessment, recall before general meetings might not occur. Securities lending must not result in any material negative impact on the sustainability focus of SAM's funds.

The Risk & Ownership team, in collaboration with CIOs and PMs, will report on activities and progress related to the SAM Engagement and Voting policy[42] to the management of Storebrand Asset Management and Boards of Directors as required on a regular basis. Externally, SAM will report annually on the application of the principles for shareholder engagement, including disclosing voting, the most important votes and the use of advisory deputies. This report is published on our website, including via the **Proxy Voting Dashboard**[43] and the work conducted by the external service provider in its capacity as proxy adviser. The report covers all shares that form part of a fund managed by SAM, i.e., including shares which are not listed for trading on a regulated market and shares that are listed for trading on a market outside the EEA. If a report cannot be provided for the latter category of shares, an explanation shall instead be provided in the report.

## Fixed Income Rights

We maintain close dialogue with issuers, leveraging our stewardship role when relevant and we have a realistic possibility to influence and potentially amend terms and conditions in alignment with sustainability objectives. While we haven't executed such amendments yet, we possess the capability to do so.

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[42] Engagement and Voting Policy.pdf (storebrand.com)

[43] VDS Dashboard (issgovernance.com)

We maintain the capacity to seek access to information provided in trust deeds, although we have not done so yet. We are ready to leverage this access when relevant to our stewardship responsibilities, enhancing our ability to integrate sustainability considerations into investment decisions.

We review prospectuses and transaction documents when deemed relevant to ensure alignment with our stewardship objectives.

## Insight: Reflections on our voting in 2023

**Vemund Olsen, Senior Sustainability Analyst**

### Increased Voting Activity

Our commitment to sustainable, long-term value creation drives us to actively exercise shareholder voting rights. This is integral to our fiduciary duty, ensuring we safeguard shareholder interests and promote exemplary corporate management, particularly in environmental, social, and governance (ESG) aspects.

**Growth in voting numbers:** From 2021 to 2023, our voting at company meetings more than doubled, jumping from 947 to 1999.

**Higher representation of invested capital:** In 2022, we voted in meetings representing 68.6% of our invested equity capital. This figure rose to 90.7% in 2023.

### Prioritising voting efforts

To maximise the impact of our votes, we strategically target:

- Our top 1,000 global holdings
- Our 100 largest holdings in key markets: Norway and Sweden
- Companies in our SFDR Article 9 funds and Storebrand Global ESG Plus (Article 8 fund)
- Companies involved in ESG engagement initiatives, including those addressing human rights and climate issues
- Oil and gas sector companies
- Meetings with environmental or social resolutions

### Climate votes

**Dominant Focus on Climate:** In 2023, we cast 122 votes on environmental proposals, with a significant focus on climate change; 114 were climate related, of which 78 were votes against company management's proposals.

**Proactive Stance for Decarbonisation:** We challenged management's recommendations in 78 out of 114 climate votes, underscoring our commitment to promoting corporate decarbonisation aligned with a 1.5-degree target. Even non-majority votes can influence corporate practices, signaling shareholder expectations for environmental responsibility.

**Key Outcome:** A notable victory was our majority vote against management at **Coterra Energy Inc**, compelling them to report on methane emissions reliability.

### Human rights and resilient supply chains

**Voting on Social Issues:** We voted on 270 social-related proposals, with 130 pertaining to human rights, labor practices, and diversity. Notably, we opposed management in 111 of these votes.

**Successful Proposals:** Among these, five key shareholder proposals gained majority support against management's stance, including impactful initiatives at companies like **Starbucks, Wells Fargo**, and The **Kroger Co**, focusing on labour rights, sexual harassment prevention, and pay equity.

### New Policies and Guidelines

In October 2023, we:

**Adopted New Policies:** Introduced an updated Sustainable Investment Policy and the detailed Engagement and Voting Policy, enhancing our approach to active ownership and voting.

**Upcoming Updates:** A revised Voting Guideline document is scheduled for release in 2024, offering insights into our specific voting strategies.

### Proxy advisory policies

**Collaboration with ISS Governance:** As our independent proxy voting service provider, ISS Governance supports us in meeting preparation and offers research-based voting recommendations.

**Alignment with sustainability goals:** Our voting aligns with ISS' Sustainability Policy, in 99.8% of cases during 2023, reflecting our sustainability commitments.

**Active Participation:** In 2023, we engaged in consultations to update ISS voting policies, ensuring they resonate with our sustainability objectives and voting preferences.

## Voting Escalation Case Study

### Toyota Motor Corporation

In cases where dialogue does not seem to be leading to the outcomes we are seeking from our engagement with a company, we sometimes escalate the dialogue by voting or submitting resolutions at general meetings.

One example was the resolution on climate lobbying disclosure at the 2023 annual general meeting (AGM) of Toyota Motor Corporation (Toyota). The decision to escalate followed a stall since 2022 in our ongoing engagement with Toyota on its climate lobbying policies and practices.

As Toyota is the world's largest carmaker, its actions are central to meeting climate goals in an industrial sector that is responsible for a significant amount of greenhouse gas emissions. Toyota has demonstrated leadership on climate change in several important areas. However, despite the increased transparency, the company continues to lobby against climate-related regulation and policies in several countries, according to independent think tank **InfluenceMap**.

We expect our investee companies to engage with policymakers responsibly, within a process for monitoring and reviewing climate policy engagement that is transparent to investors. Here, Toyota fell significantly short of our expectations. However, we believe that openness and transparency on this significantly material issue will enhance Toyota's market value. Therefore, in early 2023, along with **AkademikerPension**, we co-filed a shareholder resolution, and were successful in gaining enough support from other investors, to get the resolution on the ballot at this year's AGM.

In the resolution, we proposed that the following provision be added to Toyota's Articles of Incorporation:

" ..*The Company shall conduct a comprehensive, annual review and issue a report (at reasonable cost, omitting proprietary information) describing if, and how, the Company's climate-related lobbying activities (direct and through industry associations), including public statements, serve to reduce risks for the Company from climate change and how they align with the goals of the Paris Agreement and the Company's goal of carbon neutrality by 2050. The report should disclose any instances of misalignment with those goals, along with the planned actions to address these...*"

The shareholder proposals we engaged in driving at Toyota's AGM, in collaboration with other investors were backed by proxy advisors, as well as many US and European asset managers and owners. Many institutional investors publicly pre-declared their support for the resolution. The proposal unfortunately did not pass at the meeting, as due to Japanese corporate governance regulations, it required the support of two thirds of the shareholders.

However, the issue received the attention of Toyota's Board of Directors and management, and the proposal contributed to sending the company's leadership a clear signal: that a significant proportion of investors expect more openness and transparency, as a necessary element of the governance required for the company to be aligned with the climate objectives of the Paris Agreement.

We await an updated report from Toyota in 2024 on their efforts to improve reporting on lobbying activities. Depending on the results, we will consider options to further escalate the dialogue.

### Dollar General

During the third quarter of 2023, Storebrand took a new step in escalating its engagement with the Dollar General Corporation on its responsibilities regarding the health and safety of its workers.

As detailed in Principle 11, SAM has given its support to a shareholder initiative, led by **Domini Impact Investments**, to send a formal investor letter to Dollar General's board and management regarding the issue of worker health and safety. Dollar General has responded with public statements declaring its intention to conduct an audit before its 2024 annual shareholder meeting. SAM's action demonstrates our commitment to these issues, as well as illustrating how we engage collectively with other shareholders to continue to escalate engagement when companies are not responsive to initial methods of engagement.

# Voting Statistics 2023

## Market Breakdown 2023

| Market | Voted | Votable | % |
|---|---|---|---|
| USA | 523 | 703 | 74.4 |
| Japan | 186 | 341 | 54.5 |
| Norway | 130 | 151 | 86.1 |
| Sweden | 123 | 412 | 29.9 |
| India | 106 | 268 | 39.6 |
| China | 84 | 503 | 16.7 |
| UK | 82 | 118 | 69.5 |
| Canada | 72 | 109 | 66.1 |
| Germany | 52 | 76 | 68.4 |
| France | 51 | 70 | 72.9 |

## Issues Summary 2023

| Issue | Proposals | % with management | % with ISS sustainability policy | ESG Flag |
|---|---|---|---|---|
| Audit Related | 1558 | 98 | 99 | G |
| Capitalisation | 1898 | 86 | 98 | G |
| Company Articles | 648 | 93 | 98 | G |
| Compensation | 3994 | 83 | 99 | G |
| Corporate Governance | 42 | 21 | 100 | G |
| Director Election | 11985 | 90 | 99 | G |
| Director Related | 3137 | 90 | 98 | G |
| E&S Blended | 84 | 76 | 100 | ES |
| Environmental | 122 | 34 | 98 | E |
| Misc | 152 | 85 | 98 | G |

| | | | | |
|---|---|---|---|---|
| Non-Routine Business | 276 | 91 | 100 | G |
| Routine Business | 3297 | 97 | 99 | G |
| Social | 270 | 38 | 99 | S |
| Strategic Transactions | 170 | 83 | 98 | G |
| Takeover Related | 147 | 95 | 99 | G |

## Environmental and Social Votes Breakdown 2023

| Proposal Category | | Number of proposals | % with management |
|---|---|---|---|
| Environmental | Management Climate Related Proposal | 11 | 82 |
| | Reporting on Climate Transition Plan | 8 | 75 |
| | Toxic Emissions | 2 | 100 |
| | Community - Environment Impact | 3 | 33 |
| | Report on Climate Change | 22 | 0 |
| | GHG Emissions | 22 | 0 |
| | Climate Change Action | 6 | 67 |
| | Restrict Spending on Climate Change Related Analysis or Actions | 3 | 100 |
| | Proposals Requesting Non-Binding Advisory Vote on Climate Action | 7 | 0 |
| | Recycling | 8 | 0 |
| | Misc Proposal | 2 | 100 |
| | Disclosure of Fossil Fuel Financing | 11 | 0 |
| | Restriction of Fossil Fuel Financing | 17 | 82 |
| E&S Blended | E&S Blended - Approve/Amend Corporate Social Responsibility Charter/Policy | 2 | 100 |

| | | | |
|---|---|---|---|
| | Accept/Approve Corporate Social Responsibility Report | 24 | 96 |
| | Establish Environmental/Social Issue Board Committee | 1 | 0 |
| | Link Executive Pay to Social Criteria | 4 | 0 |
| | Genetically Modified Organisms (GMO) | 1 | 100 |
| | Product Toxicity and Safety | 5 | 20 |
| | Miscellaneous -- Environmental & Social Counterproposal | 34 | 100 |
| | Miscellaneous Proposal -- Environmental & Social | 6 | 50 |
| | Climate Change Lobbying | 7 | 0 |
| Social | Approve Charitable Donations | 16 | 69 |
| | Approve Political Donations | 57 | 100 |
| | Black Economic Empowerment (BEE)Transactions (South Africa) | 1 | 100 |
| | Board Diversity | 4 | 0 |
| | Human Rights Risk Assessment | 14 | 0 |
| | Improve Human Rights Standards or Policies | 15 | 7 |
| | Operations in High Risk Countries | 16 | 81 |
| | Data Security, Privacy, and Internet Issues | 5 | 0 |
| | Racial Equity and/or Civil Rights Audit | 12 | 0 |

| | | |
|---|---|---|
| Miscellaneous Proposal | 22 | 0 |
| Political Spending Congruency | 10 | 0 |
| Report on Pay Disparity | 1 | 100 |
| Prepare Tobacco-Related Report | 2 | 100 |
| Avoid Support of Abortion-Related Activities | 1 | 100 |
| Facility Safety | 3 | 0 |
| Weapons - Related | 2 | 0 |
| Review Drug Pricing or Distribution | 9 | 0 |
| Prepare Report on Health Care Reform | 6 | 17 |
| Charitable Contributions | 2 | 100 |
| Political Contributions Disclosure | 14 | 29 |
| Political Lobbying Disclosure | 15 | 0 |
| Political Activities and Action | 1 | 100 |
| Report on EEO | 8 | 0 |
| Labour Issues - Discrimination and Miscellaneous | 11 | 18 |
| Gender Pay Gap | 11 | 0 |
| Workplace Sexual Harassment | 1 | 0 |
| Animal Welfare | 9 | 44 |
| Animal Testing | 1 | 100 |

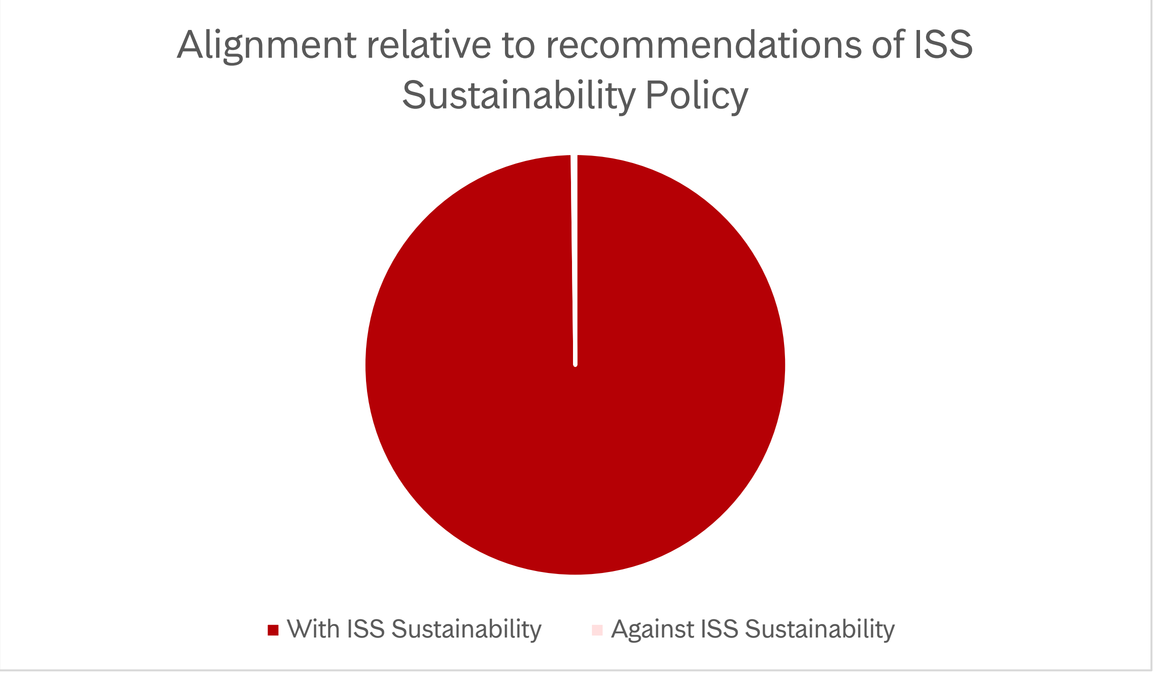
| | | | |
|---|---|---|---|
| | Animal Slaughter Methods | 1 | 100 |
| Total | | 476 | 44 |

## Climate Votes Breakdown 2023

| Category Name and Description | Meetings | Proposals | With Mgmt | Against Mgmt | With ISS | Against ISS | With Policy | Against Policy |
|---|---|---|---|---|---|---|---|---|
| Climate Change Lobbying | 7 | 7 | 0 | 7 | 7 | 0 | 7 | 0 |
| Management Climate-Related Proposal | 11 | 11 | 9 | 2 | 9 | 2 | 10 | 1 |
| Reporting on Climate Transition Plan | 8 | 8 | 6 | 2 | 6 | 2 | 8 | 0 |
| Report on Climate Change | 18 | 22 | 0 | 22 | 9 | 13 | 22 | 0 |
| GHG Emissions | 22 | 22 | 0 | 22 | 13 | 9 | 22 | 0 |
| Climate Change Action | 2 | 6 | 4 | 2 | 5 | 1 | 6 | 0 |
| Restrict Spending on Climate Change-Related Analysis or Actions | 3 | 3 | 3 | 0 | 3 | 0 | 3 | 0 |
| Proposals Requesting Non-Binding Advisory Vote On Climate Action Plan | 7 | 7 | 0 | 7 | 0 | 7 | 7 | 0 |
| Disclosure of Fossil Fuel Financing | 11 | 11 | 0 | 11 | 6 | 5 | 11 | 0 |
| Restriction of Fossil Fuel Financing | 12 | 17 | 14 | 3 | 14 | 3 | 17 | 0 |
| Total | 101 | 114 | 36 | 78 | 72 | 42 | 113 | 1 |

## How we voted


Alignment relative to management recommendations
With management
Against management


Alignment relative to recommendations of ISS Sustainability Policy
With ISS Sustainability
Against ISS Sustainability

# Exclusion Statistics 2023

### Companies Excluded Under the Storebrand Exclusion Policy, 31/12/2023

| Category | Newly Excluded | Total Excluded |
|---|---:|---:|
| Environment | | 20 |
| Corruption and Financial Crime | | 9 |
| Human Rights | 1 | 57 |
| Tobacco | | 28 |
| Cannabis | | 0 |
| Controversial Weapons | 4 | 40 |
| Coal | 4 | 117 |
| Oil Sands | | 5 |
| Lobbying | 1 | 4 |
| Arctic Drilling | | 0 |
| Marine/Riverine Tailings Disposal | 1 | 4 |
| Deep-Sea Mining | | 1 |
| Deforestation | | 14 |
| State Controlled Companies | | 15 |
| Total | 12 | 314* |
| Observation List | | 4 |

**Some companies are excluded on the basis of several criteria. Storebrand also does not invest in companies that have been excluded by Norges Bank from the Government Pension Funds – Global. We have also excluded 25 countries that are systematically corrupt, systematically suppress basic social and political rights, or that are subject to EU sanctions and UN Security Council Sanctions.*

### All Excluded Companies, Including Additional Screening Criteria

| Category | Newly Excluded | Total Excluded |
|---|---|---|
| Serious Environmental Damage | | 33 |
| Corruption | 1 | 12 |
| Human Rights | 1 | 95 |
| Controversial Weapons | | 40 |
| Fossil Fuels | 13 | 517 |
| Tobacco | | 28 |
| Alcohol | 2 | 88 |
| Weapons/arms | | 63 |
| Gambling | | 38 |
| Cannabis | | 0 |
| Adult Entertainment | | 0 |
| Total | 17 | 953* |

**Some companies are excluded on the basis of several criteria. Storebrand also does not invest in companies that have been excluded by Norges Bank from the Government Pension Funds – Global. We have also excluded 25 countries that are systematically corrupt, systematically suppress basic social and political rights, or that are subject to EU sanctions and UN Security Council Sanctions.*

# Appendix – list of initiatives and credentials

### International

- Access To Medicine
- Access To Nutrition Index
- Big Tech and Human Rights Investor Collaboration
- Ceres - Investor Water Hub
- Climate Action 100+
- Corporate Knights Global 100
- Don't Bank on the Bomb
- Dow Jones Sustainability Index
- EFAMA - Code of external governance
- Equileap
- FAIIR Initiative
- Fair Finance Guide / Etisk Bankguide
- Finance for Biodiversity Pledge
- Finance Sector Commitment on Eliminating Commodity-Driven Deforestation
- FTSE4Good
- GISD - Global Investors for Sustainable Development
- Glasgow Financial Alliance for Net Zero
- Green Bond Principles (GBP)
- Global Reporting Initiative (GRI)
- Institutional Investors Group on Climate Change (IIGCC)
- International Campaign to Abolish Nuclear Weapons (ICAN)
- Investor Alliance for Human Rights
- Investor Policy Dialogue on Deforestation (IPDD)
- Investor Statement for a Just Transition
- Know-the-chain
- Montreal Carbon Pledge
- Nature Action 100
- Net-Zero Asset Owner Alliance
- Net Zero Engagement Initiative (NZEI)
- Platform Living Wage Financials
- Portfolio Decarbonization Coalition (PDC)
- Principles of Sustainable Insurance (PSI)
- Sustainable Blue Economy Finance Initiative
- Science Based Targets initiative (SBTi)
- Spring
- Sustainable Brand Leaders
- Task Force on Nature-related Financial Disclosures Forum (TNFD)
- Tobacco Free Finance Pledge
- Transparency International
- UNEP Finance Initiative
- United Nations Global Compact
- UN Principles for Responsible Investment (UNPRI)
- Women's Empowerment Principles (WEP)
- WorldWide Fund for Nature (WWF)

### Regional

- Finans Norge - Climate risk working group
- Fondbolagens förening (Ägargruppen eller Driver hållbarhetsprojekt)
- Fossilfritt Sverige
- Hållbart värdeskapande
- KAN - Koalisjonen for ansvarlig næringsliv
- Nordic CEOs for Sustainable Future
- NORSIF
- Norwegian Fund and Asset Management Association on corporate governance (NUES)
- SHE Index
- Skift
- SLUG - Debt Justice Network Norway
- Svensk Försäkrings hållbarhetsgrupp
- Swedish Investors for Sustainable Development (SISD)
- Swedish Leadership for Sustainable development (SIDA)
- SWESIF
- UKSIF

# Bibliography

### Sustainable Investment Policy and Thematic Policies

- Sustainable Investment Policy
- Climate Policy for Investments
- Engagement and Voting Policy
- Policy on Nature
- Deforestation Policy
- Exclusion Policy
- Human Rights Policy

### Quarterly Sustainable Investment Reviews 2023

- Sustainable Investment Review Q1 2023
- Sustainable Investment Review Q2 2023
- Sustainable Investment Review Q3 2023
- Sustainable Investment Review Q4 2023

### Other Sustainability Reports Published in 2023

- Annual Sustainable Investment Review (2022)
- Progress Report on Nature and Climate

### Business Policies and Guidelines

- SAM Remuneration Guidelines
- Ethics and Code of Conduct
- Human Rights Policy and Responsible Business Conduct
- Storebrand ASA Annual Report 2023
- Diversity and Equal Opportunities
- Storebrand's Science Based Targets
- Storebrand ASA Materiality Analysis 2023

### Climate Data Whitepapers

- The "Magnificent" performance of climate index strategies
- Square pegs in round holes
- The Paris Alignment Paradox
- Climate Change Benchmarks: The passive pretenders

- The Climate Data Conundrum
- **Consultation Responses**
- LGPS Next steps on investments
- Scope 3 Emissions in the UK Reporting Landscape (consultation submitted 2023, summary published online 2024)

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