Sustainable Investment Review Q1 2024

Storebrand Asset Management

SUSTA

Storebrand

In this issue

A challenging start to the year

We've zoomed through the first quarter of 2024 already. Although the arrival of spring here in the Nordics has brought us steadily brighter days, we have also faced darker developments from the sustainability perspective. Most alarmingly, we continue to see a rise in harms and violations of human rights associated with Conflict Affected and High-Risk Areas (CAHRA). Among the difficult decisions we made in the quarter were several exclusions, including that of the global technology company IBM, based on the impact of its services contributing to enforcing what the United Nations assessed to be a regime of apartheid in the occupied Palestinian territories (oPT).

↑ Rising conflict around the word makes human rights issues even more important for investors.

In a related track of work, since last year we have begun collaborating with a group of NGOs and investors to develop and pilot a process for identifying, analyzing, prioritizing, and managing portfolio risk linked to business operations and relationships in CAHRA.

Elsewhere on the engagement front, during this the quarter, several collaborative engagements we are involved in, such as the Climate Action 100+ and the NA100, reached significant milestones along their plans, which you can read about in in our section on Active Ownership.

For the theme of this issue, we focus on transparency, an important enabler for sustainable investments, as commitments need to equate to action. Our clients require and deserve both transparency and clarity about, how their capital is invested; what we are doing to mitigate and mange ESG risks; and what actions we are taking on their behalf through our engagements. In this vein we have recently begun pre-disclosing our voting decisions several days in advance, on our client-accessible proxy voting dashboard.

On our part as a responsible investor, transparency through corporate disclosures provides a foundation of material facts for us track companies, assess them and influence them in the right direction. A guest contribution that we are honoured to publish here, by **Tim Steinweg** of PRI, illustrates this: making the case for why insight into corporate lobbying can help investors better manage financial risks resulting from deforestation. Taking a broader view, we also assess the pan-European regulatory landscape impacting sustainable investment.

Finally, and most importantly, we continue our drive to help clients invest sustainably. There was a good amount of positive feedback during the quarter, as we won awards by Morningstar for our work in Denmark and Finland, while in Sweden we were similarly recognized by Söderberg & Partners. We are honoured by the recognition, which boosts our spirits as we move on into the second quarter.

"Our clients require and deserve both transparency and clarity"

Kamil Zabielski,
Head of Sustainable Investment

In brief

Commentary

Putting Nature on the Balance Sheet

"Nature is the world's most generous service provider, but most of these services that nature provides are for free," said **Pavan Sukhdev**, former head of the UN Environment Programme (UNEP) Green Economy initiative and former president of WWF International, at our internal event hosted Monday morning, January 22nd.

Our roundtable, titled *Putting Nature on the Balance Sheet*, brought together Mr. Sukhdev, **Idar Kreutzer**, one of the expert members of the Norwegian Commission on Nature Risk, and **Jan Erik Saugestad**, CEO of Storebrand Asset Management, and focused on the economics of biodiversity and ecosystem services.

Many of the resources that corporations regularly use and extract such as water, minerals and trees exist in the public space, and therefore come cost-free, emphasized Mr. Sukhdev in his talk. Internalizing these externalities or assigning an economic value to them can help corporations measure, report, and manage their social and environmental impacts.

Mr. Saugestad, on the other hand, emphasized that through investments and dialogues with both investees and policymakers, Storebrand will continue to strengthen its actions on nature, including the application of the precautionary principles.

Mr. Kreutzer's talk offered a preview of the upcoming report by the Norwegian Commission on Nature Risk and emphasized the need for bolstering trust-based systems of information sharing and collaboration between and among investors and companies.

We thank Mr. Sukhdev and Mr. Kreutzer for joining us on a very icy morning in Oslo, and we are excited to pursue other collaborations in the future!

↑ Pavan Sukhdev presenting his insights.

↑ Kreutzer, Saugestad, Sukhdev and Isciel gathered after the event.

Recognition

On the CDP A-list

In January 2024 Storebrand ASA made it into the CDP's A List Europe for its leadership in environmental transparency and action. Alongside 178 other European companies, Storebrand ASA was deemed worthy of distinction for its activities related to climate. Globally, CDP evaluates more than 21 thousand companies on their environmental impact.

Standing out in gender equality

Storebrand ASA has been selected by the data provider Equileap as the world's second-best company in gender equality. Equileap's report evaluates 3795 different companies in 27 countries based on gender balance in management and overall the organization, gender pay gap, parental leave policies, and freedom from violence, abuse, and sexual harassment. While the average point is 54 for Norwegian companies, Storebrand scored 79 and came right after Australian Transurban on the list.

Best quality fund in Finland

Storebrand Fonder won the Best Europe Equity Fund in Finland at this year's Morningstar Awards. Morningstar awards funds and fund houses for demonstrated superior risk-adjusted returns, consistency in performance, and excellence in long-term-oriented portfolio management.

Best asset manager in Denmark

Storebrand Asset Manager won the Best Asset Manager in Denmark at this year's Morningstar Awards. Morningstar honours asset managers for strong risk-adjusted performance across investment offerings.

Kamil Zabielski delivering his presentation at the seminar.

Helsinki Breakfast seminar

In January 2024, Storebrand Asset Management gathered a breakfast seminar in Helsinki focused on markets and nature. The event brought together CIO Fixed Income **Dagfin Norum**, who gave a keynote speech on market outlook for 2024, and Head of Sustainable Investments **Kamil Zabielski**, who gave a presentation on nature and biodiversity and how investors can address their nature-related risks.

Event

Investor roundtable for steel decarbonization

In January 2024, Storebrand Asset Management's senior sustainability analyst **Victoria Liden** presented the keynote address at the Investor Roundtable for Steel Decarbonization, hosted by TAH Foundation for a sustainable future and Hiilivapaa Suomi, a climate campaign by Friends of the Earth Finland. Liden shared her insights from Storebrand's engagement activities in the steel sector, a high-emitting and hard-to-abate sector.

The event also included a panel discussion between Liden and **Martin Norman** from ACCR, one of Storebrand's engagement partners in steel decarbonization, and **Bernt Nordman** from WWF Finland, as well as academic presentations by Timo Fabritius and Harri Lammi.

↓ Victoria Liden in the panel discussion.

Sustainable Actor of the Year in Sweden

Storebrand Fonder and SPP together have been awarded "Sustainable Actor of the Year" by Söderberg & Partners for their commitment to and performance in sustainable investments.

Mia Nyberg, the CEO of Storebrand Fonder, expresses pride in the team's efforts, stating, "We are happy and proud that so many people have chosen to save sustainably with us and that this fine award is an acknowledgment of all the work that my colleagues put in."

Johanna Lundgren Gestlöf, Head of Sustainability at SPP, emphasizes the importance of the recognition and Storebrand's ongoing dedication to sustainability, saying, "The award is a great recognition of our sustainability work, and it means a lot that such a reputable player as Söderberg & Partners gives it to us. We work hard every day to constantly improve our sustainability work, strengthen the follow-up and raise the issue in all parts of SPP, and this makes us even more motivated to continue fighting for a more sustainable world."

Risk and Return 2024

Storebrand Head of Climate and Environment **Emine Isciel**, was honoured to participate as a featured speaker at the Risk and Return 2024 event organized in Stockholm this March.

Organized by the business newspaper *Dagens Industri,* the event gathered leading participants in the institutional investment sector to assess industry developments, map trends and share experiences.

In the first session, Isciel shared insights on the steps taken by Storebrand Asset Management in managing its nature-related financial risks. In a panel session that followed, Isciel was joined by **David Seekell** of Atle, **Johan Floren** of AP7, and **Adrian Benedict** of Fidelity to discuss the evolving landscape of ESG integration and advancements in integrative reporting.

Lauren Juliff presenting insights at the seminar.

Local Government Chronicle Investment Seminar

Storebrand Asset Management UK once again welcomed Local Government Pension Scheme investors at Local Government Chronicle's Investment Seminar at Carden Park in the U.K.

Lauren Juliff gave a presentation on the "double whammy" of decarbonisation and de-risking in Emerging Market equities in a workshop where delegates:

- Discovered why decarbonisation and de-risking in developing economies can be counterproductive to 'Paris Aligned' investing
- Learned why a consideration of value chain exposure and demand growth in emerging markets is crucial to Paris Alignment
- Heard about ways of accessing diversified exposure to climate beta through solutions in emerging markets

Paris Agreement implementation is meant reflect equity and the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances; investors may question whether their Paris Aligned Benchmarks sufficiently distinguish between developed and emerging economies when examining their exposures.

Storebrand AM early adopter of TNFD

In January 2024, Storebrand Asset Management became an inaugural Taskforce on Nature-related Financial Disclosures (TNFD) Early Adopter. Storebrand will start making disclosures aligned with the TNFD Recommendations in its corporate reporting by financial year 2024. Four organizations initially partnered to create the TNFD: Global Canopy, the United Nations Development Programme (UNDP), the United Nations Environment Programme Finance Initiative (UNEPFI) and the World Wildlife Fund (WWF).
Since September 2020, 74 members, including Storebrand, formed an Informal Working Group (IWG) in order to prepare the launch of the TNFD.

Commentary to Nature Risk Commission

In response to an invitation, Storebrand provided commentary on a report by Norway's Nature Risk Commission, at a seminar organized by Forening for Finansfag.

At the event, the Commission Chair Aksel Mjøs, presented the main findings and recommendations of the report.

A key recommendation of the commission is that the assessment and management of nature risk, should follow five main methodological steps:

- Identify where and how the business interacts with nature, including in its value chains
- Analyze where and how the business depends on and impacts nature
- Assess how exposed the business sector is to nature risk
- Use the analyses and assessments as a basis for internal and external reporting
- Apply this knowledge as a basis for concrete decisions and actions

Storebrand Head of Climate and Environment **Emine Isciel** presented our commentary.

In her remarks, Isciel noted:
"This is a crucial piece, which will be important as Norway is currently developing its national strategy on biodiversity as a follow-up of the Nature Agreement which was adopted in Montreal in 2022. The report underlines that Norwegian nature is also under pressure and that the loss of biodiversity will affect several industries and economies. We are pleased to see that it draws inspiration from the work that has been carried out by private financial sector including Storebrand, such as the Task-Force on Nature related Disclosures (TNFD). The Commission primarily recommends a general methodology, inspired by TNFD, which will support the uptake of the framework at national level in Norway.

Using this framework will be of great importance to the private sector's assessment and management of nature risk and enable private finance to shift capital flows to companies that do not harm nature. It will also support private sector to meet new reporting requirements. In the coming years, many private actors will be subject to stricter requirements for reporting sustainability information as a result of the new requirements in the EU Corporate Sustainability Reporting Directive (CSRD) and the EU Sustainable Finance Disclosures Regulation (SFDR) for portfolio managers and financial advisers."

Appointed by Royal Decree on 22 June 2022, Norway's Nature Risk Commission is tasked with describing the concept of nature risk; assessing the status and potential impact of this risk on Norwegian industries and sectors; and examining how affected actors in Norway can best analyze and manage nature risk.

The commission submitted its report to the Minister of climate and environment in Oslo on Monday 12 February 2024, providing concrete recommendations at the national level, as well as to the public and private sectors.

TRA

In focus / The search for clarity In focus / The search for clarity In focus / The search

In focus / The search for clarity In focus / The search for clarity In focus / The search for

In focus / The search for clarity In focus / The search for clarity In focus / The search for clarity In focus / The search for clarity

Transparency


Photo: Colourbox.com

The pressure to meet sustainability commitments is rising exponentially. By now, we have little time left to take decisive action on many critical issues, such as keeping planetary temperature rise at manageable levels, preserving biodiversity and ocean health, and enabling incomes for people that can support dignified lives and social cohesion in our communities.

Sustainable investment is critical
Addressing these complex sustainability challenges successfully, requires governments, companies, civil society, and investors to work together. Naturally, investment and capital markets have a significant role to play in the equation. A massive mobilization of private sector capital is needed to shift companies and their activities towards entirely new systems of value creation that are aligned with sustainability.

Here, investment institutions such as us, employing our ability to direct capital towards reaching these sustainability goals, can be important actors in our collective struggle to achieve sustainability. For investors, that means both investing in solutions, as well as taking on stewardship responsibilities: engaging with companies to try to secure that they have — and comply with — credible transition plans.

Transparency the enabler
However, one of the important factors in this mobilization of capital is transparency: providing more clarity and insight into material aspects of companies' operations. Without greater levels of transparency than exist today in the financial sector, it will be difficult for investors to target capital in the right companies, for companies to understand investors' expectations and for asset managers to show investors a picture of what role their money really plays in the sustainability transition. This is why we have supported many efforts in the finance sector to increase corporate disclosure, such as the CDP and many others.

So this quarter, we touch upon some aspects of transparency, one of the most important tools we have as an asset manager for contributing to the achievement of sustainable outcomes.

Opinion

Disclosing political engagement

Why insights into lobbying on deforestation can help investors address financial risks

Text: **Tim Steinweg**,
Head of Stewardship-Nature
at PRI

Even with decades of research from academia and civil society, voluntary commitments by large corporations and collaborative action by investors, global deforestation rates have remained stubbornly high in 2023. However, missing the goals of the Glasgow Declaration of Forests and the Kunming Montreal Global Biodiversity Framework would pose substantial climate, biodiversity, and social risks. These include physical and transition risks that may be financially material to investors, as their ability to create long-term value is dependent on a wide range of ecosystem services.

Deforestation risks are systemic by nature. Universal asset owners may be exposed to the impacts of deforestation in other parts of their portfolio. For example, changing rainfall patterns caused by Amazon deforestation may reduce agricultural productivity in the south of Brazil at an estimated revenue loss of USD 186 million. Additionally, transition risks posed by regulatory changes to halt nature loss and deforestation could result in USD 150 million of value for unprepared companies in food supply chains.

Investors increasingly recognize that they cannot diversify away such systemic risks. Investor action on deforestation goes back some 15 years, and there is growing realization that public policies are a fundamental part of the solution.

Past deforestation trends illustrate how public policies can both drive demand for forest-risk commodities but also swiftly reverse deforestation trends. For example, EU's biofuel policies were a key trigger for the palm oil expansion in Southeast Asia, resulting in the clearing of millions of hectares of tropical forests. Government moratoria in Indonesia subsequently contributed to some of the lowest deforestation figures on record in recent years. In Brazil, the government implemented the Amazon moratorium in 2006 and witnessed a near-immediate drop in Amazon deforestation, followed by an uptick in rates and wildfires under the Bolsonaro regime. The Lula government is now making good strides in bringing back deforestation to less alarming rates.

Companies can influence these policy processes. Corporate engagement on environmental policy can play a critical role in helping governments create enabling policy solutions, but it can be a double-edged sword. Short term or narrow-sighted corporate political engagement, often represented by third-party organisations such as trade associations, can hinder policy action that aims to curtail deforestation. There are well documented examples of companies attempting to water down climate policies that could impact their business models, while ignoring the long-term impact of doing so. Research on climate lobbying has shown that there can often be misalignments between the companies' stated policy positions and the lobbying practices of the trade associations there are a member of.

By calling for clear and constructive measures to ensure Responsible Political Engagement (RPE), the initiative aims to contribute to a global policy landscape that is conducive to halting deforestation

Similar practices in deforestation-related policies could delay a company or sector transitioning towards more sustainable patterns of production, thus impacting its long-term viability and risk-return profile. In addition, reputational risks may heighten for companies with policy engagement positions that conflict with their own sustainability commitments. By disrupting efforts to halt and reverse biodiversity loss by 2030, companies risk imposing legal and reputational risks and long-term costs on investors and beneficiaries. On the other hand, businesses committed to reversing and halting forest loss could leverage their influence to advocate for policies conducive to the achievement of the GBF.

Spring, PRI's new stewardship initiative for nature, aims to apply investor stewardship tools to improve corporate political engagement on nature. By calling for clear and constructive measures to ensure Responsible Political Engagement (RPE), the initiative aims to contribute to a global policy landscape that is conducive to halting deforestation. To be responsible when engaging policy makers, requires companies to make a public commitment to align their political engagement with the Global Biodiversity Framework; to be transparent and consistent in their policy positions across jurisdictions; and to take corrective action when lobbying done on their behalf conflicts with these objectives. Spring is supported by a Signatory Advisory Committee, consisting of dedicated investors including Storebrand, and intends to launch in full later this year.

Note

This is an opinion by an external contributor, providing an expression of views held by them and the organisation they represent

PRI report 2023

Independent review of sustainable investment practices

Storebrand ASA has been a signatory of the Principles for Responsible Investment (PRI) since 2006. From 2019, Storebrand Asset Management has been a PRI signatory in its own right.

As a PRI signatory, we report annually on an extensive set of indicators related to our responsible investment practices. These disclosures are reviewed by the PRI and analyzed in an assessment report. The report shows the asset manager's scores for the individual indicators, grouping them into modules that together help to provide a perspective on specific areas, such as "Policy, Governance and Strategy", "Listed Equity" or "Fixed Income".

The PRI Assessment Report provides a robust and neutral basis to review our practices, relative to our peers and to what PRI considers to be best practice. We use PRI assessments to learn and improve. For example, based on our most recent PRI Assessment Report, we recently changed our voting procedures: now we disclose all our voting choices publicly five days in advance of shareholder meetings.

In the spirit of transparency, we publish our self-disclosed PRI Transparency Report as well as the Assessment Report produced by PRI. Clients deserve clarity about how we invest their capital and how we stack up against our peers. See below for the Summary Scorecard, and the full reports can be accessed on our website.

We now pre-disclose our voting decisions

Votes are made public five days before AGMs

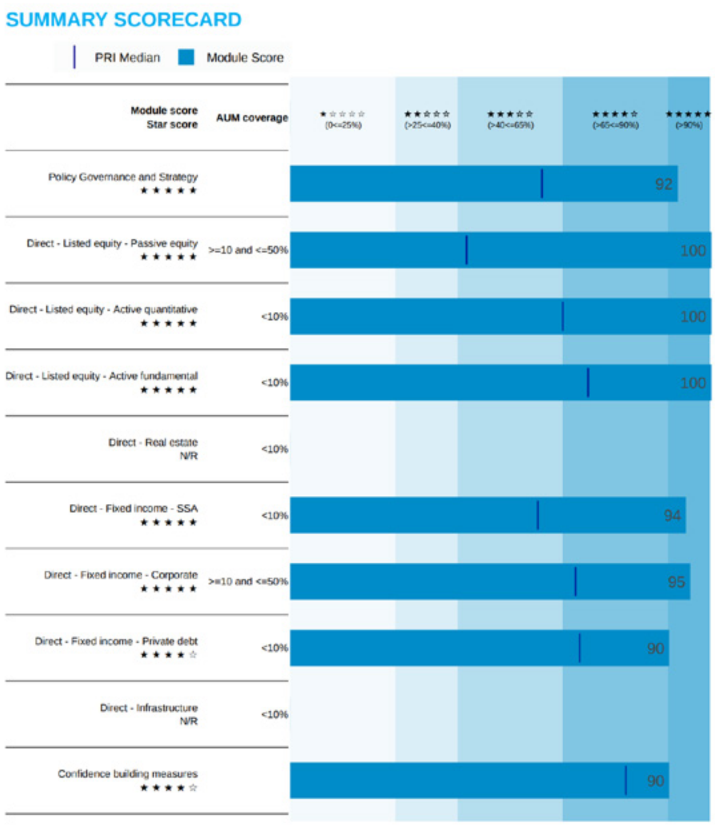
As of Q1 2024, we have changed our procedures, and will now pre-disclose our voting decisions, five days in advance of shareholder annual general meetings (AGMs).

We have begun this new procedure as part of our commitment to transparency towards clients, for its signaling effect towards companies, and to maximize the potential influence of our decisions on other shareholders.

There is some evidence of the potential value of pre-disclosure in rallying votes for change. One of these is in a recent research study[1] published by the European Corporate Governance Institute that analyzed voting by Norges Bank Investment Management (NBIM), which runs the Norwegian sovereign wealth fund and is the world's largest single shareholder. The study found that NBIM's pre-disclosures of its votes led to an average increase of 2.7 per cent in shareholder votes "against" management recommendations.

To see all our voting choices, including advance notification of decisions for all upcoming meetings over the upcoming five-day period, please visit our [proxy voting dashboard](#).

→ **For the full details, please read our [PRI Assessment Report](#) and Public Transparency Report, published in December 2023, or visit our [Storebrand Asset Management document library](#).**



References

[1] "Leading by Example: Can One Universal Shareholder's Voting Pre-Disclosure Influence Voting Outcomes?"

Photo: Colourbox.com

A transformed EU reporting landscape

The EUs push for sustainability puts pressure on companies to provide more information about what they are doing, and for investors to explain the sustainability exposure of their investments

At the beginning of last year, the EU took a big step towards realizing continental ambitions on sustainability when the new EU Corporate Sustainability Reporting Directive (CSRD) was enacted. The new law sets in motion a series of requirements for companies that will result in much greater transparency before. To project the impact of the CSRD, it may be helpful to take a quick look back in time, to the goals and ambitions that gave rise to the new directives.

EU Green Deal set the compass

The roots of the CSRD lie in the **European Green Deal**, aapproved by the European Council in 2020. This comprehensive set of policy initiatives aimed to secure Europe's fitness for the future, in a world increasingly shaped by the commitments enshrined in the "Paris Agreement": the 2015 global treaty on climate change.

Related regulations

CSRD
(Corporate Sustainability Reporting Directive)

New EU regulation requiring large companies to regularly publish reports on impact of their corporate activities on society and the environment. It helps investors, consumers, policymakers, and other stakeholders evaluate large companies' non-financial performance. CSRD applies to all large and listed companies in the EU, and to some non-EU companies that operate in the EU.

CSDDD
(Corporate Sustainability Due Diligence Directive)

The Corporate Sustainability Due Diligence Directive (CSDDD) will require large companies operating within the EU to integrate risk-based due diligence into their operations to protect the environment, society and their suppliers.

SFDR
(Sustainable Finance Disclosure Regulation)

New EU rules requiring asset managers to disclose their ESG risk, policies and results. It aims to provide investors with greater levels of comparability and ESG transparency, by increasing information available about the potential positive and negative impacts of their investments and related ESG risks.

EU Taxonomy

A classification system applicable in the EU, that helps companies and investors identify "environmentally sustainable" economic activities to make sustainable investment decisions. It focuses purely on standardising definitions and classifications but does not mandate any performance levels.

Taking a holistic approach, the EU committed itself to the Green Deal, which encompassed policies across all sectors and issues, including for example climate, the environment, energy, transport, industry, agriculture and sustainable finance. Addressing these areas individually as well as in relation to each other, the Green Deal treats sustainability, economic competitiveness, and human development as interlinked goals.

If successful, the European Grean Deal will make the continent more competitive, setting it on track to reaching climate neutrality by 2050, while ensuring broad prosperity for its citizens.

CSRD setting the stage through disclosures

Next, the EU moved on to develop a legislative and regulatory landscape that would be consistent with, and enable, the goals and objectives and policies detailed in the Green Deal. This is where the **Corporate Sustainability Reporting Directive** (CSRD) came into play.

Adopted in 2021 and enforced since January 2023, the CSRD builds on, but extended well beyond, a previously existing set of regulations: the Non-Financial Reporting Directive (NFRD). The objective of the CSRD is to enable better decisions on sustainability by improving and making public, the facts around non-financial aspects of businesses.

The CSRD does this in two ways. The first dimension is the nature of the disclosures. Now companies are required to report on a wide range of environmental, social, and governance (ESG) matters, such as climate change, biodiversity, human rights, diversity, and anti-corruption. The reporting covers not only the impacts of the company's own activities, but also those of its value chain, including suppliers and customers.

CSRD introduces a set of mandatory reporting standards, based on existing international frameworks, that specify what information to disclose, how to measure and calculate it, and how to present it. The standards have been developed by the European Financial Reporting Advisory Group (EFRAG), in consultation with various stakeholders. The second dimension is the scope of the disclosures — the number of companies that must disclose these non-financial facts. The CSRD applies to all large and listed companies in the EU, as well as some non-EU companies that operate in the EU.

← **If successful, the European Grean Deal will make the continent more competitive, setting it on track to reaching climate neutrality by 2050, while ensuring broad prosperity for its citizens.**

Yes, CSDDD isn't perfect — but it's still a great start

Text: **Kamil Zabielski**, Head of Sustainable Investment

The soon-to-be approved EU Corporate Sustainability Due Diligence Directive could mark a turning point in business accountability

On March 15th, EU member states gave the green light to the EU's Corporate Sustainability Due Diligence Directive (CSDDD, or CS3D), after weeks of intense negotiations. The road to agreement wasn't easy, though. It took some serious back-and-forth and compromises to get there

Unfortunately, the final version of the directive ended up being watered down and limited in scope, as it only applies to companies that have both a turnover above 450 million euros and over a thousand employees. By this criterion, the directive applies to just about 0.05% of European businesses — a microscopic percentage.

There was significant and diverse opposition to some of the originally proposed provisions of the directive. Among the key opposition, were some larger countries such as Germany and Italy, which expressed concern that the regulations would excessively burden businesses, particularly small and medium sized ones.

Still, it's a win that we now have a law in place, holding the biggest companies with global footprints accountable for preventing, mitigating and remedying human rights and environmental abuses within their supply chains. There are also some potentially positive side effects, as the requirements that the largest companies must live up to now will raise both awareness levels of smaller companies, as well as the standards practiced by the many suppliers which they have in common with the largest companies.

Storebrand's and the Nordics' perspective

Since 2019, we began supporting an investor initiative led by the Investor Alliance for Human Rights requesting EU Human Rights regulation regarding supply chains. We also supporting these initiatives in other European countries, including Norway. The initiative is still active: the latest investor statement was distributed and presented to several members of the EU Parliament and the European Council, asking for an ambitious and effective European directive on corporate sustainability due diligence that would also cover the financial sector, in February this year before it was voted on.

We have supported investor statements requesting national human rights due diligence in Switzerland and the UK too. Neither of these countries are part of the EU and thus it is important that national regulation covers the same issues as the EU directive. For us as investors, it is important to create a level playing field for all companies. This means that the larger the number of countries requiring this type of due diligence from companies, the more likely it will be that companies pay attention to these issues.

In Norway, the Transparency act was passed in 2021, entering into force in July 2022 with the first

What's the CSDDD?

The Corporate Sustainability Due Diligence Directive (CSDDD) law will require human rights diligence for the largest companies, making them responsible for environmental and human rights violations within their operations and those of their suppliers.

CSDDD will apply to:

- **EU-based companies employing over 1,000 people and with a global turnover over €450m.**
- **Non-EU based companies that generate over €450m turnover in the EU, with no minimum threshold for number of employees.**

Initially approved by the European Council on March 15th, 2024, a final vote in April at the European Parliament **is needed to enact the directive**.

required reporting date already in June 2023. The law applies to around 9000 Norwegian companies or companies providing good or services in Norway. In 2019, Storebrand joined the KAN (Koalsjion for ansvarlige næringsliv, which translates in English as "Coalition for a Responsible Private Sector"), where, as investors we shared our views with civil society and companies, regarding the importance of such a law for investors. We also have given feedback to policymakers, via our Norwegian finance industry association (Finans Norge) and in panels organized by the coalition where Norwegian authorities were invited to discuss the bill.

There isn't a uniform Nordic position on due diligence, as the stance varies across borders. Sweden's government took a negative stance to CSDDD, first signalling that they would even vote against, but ended up abstaining from voting. In contrast, Norway has been ahead of the game in terms of due diligence requirements, with the **Transparency Act (Åpenhetsloven)** already being enforced since early 2022. Norway's Åpenhetsloven covers companies with more than 50 employees and with a turnover of over 70 million NOK, which is estimated to cover around 9000 companies. Hence, Norway requires more companies to do due diligence than the entire EU combined.

For the past few weeks, we at Storebrand have been publicly voicing our support for the directive. In November last year , we participated in a communique urging the Swedish government to play a proactive role in the trilogue negotiations. Storebrand advocated for the inclusion, rather than exclusion, of the financial sector in the CSDDD, to advance sustainable finance and aligning investments with broader societal and environmental goals. In February this year, we also participated in a joint public statement along with several Nordic businesses, such as Ericsson, IKEA, Axfood and Telia, urging the governments to support the CSDDD [2].

How we address due diligence

Storebrand has been working on human rights and due diligence for many years. We have committed to adhering to international standards and guidelines, including the **UNGPs (United Nations Guiding Principles on Business and Human Rights)** and the **OECD Guidelines for Multinational Enterprises**. By implementing due diligence processes aligned with these frameworks, we acknowledge our responsibility to identify, assess, manage, and mitigate the risks of adverse impacts associated with its investments. Due diligence is not just about ticking boxes for us; it's about taking a hard look at the risks associated with our investments and addressing them.

In our view, due diligence is a crucial tool for creating a level playing field and providing stronger incentives for companies and financial institutions to consider environmental and social factors in their value chains. We believe that the CSDDD should not be seen as an additional burden, but rather complementary to existing regulations such as the Sustainable Finance Disclosure Regulation (SFDR), Corporate Sustainability Reporting Directive (CSRD), and the EU Taxonomy. For example, SFDR is a reporting and transparency requirement, not a due diligence requirement. SFDR means that we must disclose information related to our due diligence, not that we must conduct it.

How does due diligence for us as investors work and look like in practice? In line with the CSDDD, we take a risk-based approach, which means that we identify areas where the risks of harm are greatest and prioritize parts for due diligence based on this. If we find that we, through our investments, are linked to harm, we should try to influence to prevent or mitigate harm and adverse impact. This can be done through our investment decisions, through dialogue with companies, through participating in collaborations to gain more support for the issue, or through other means following our escalation process.

> Due diligence is not just about ticking boxes for us; it's about taking a hard look at the risks associated with our investments and addressing them.

Supporting more constructive dialogue

We view this directive positively as it will now formalize the requirements and thus facilitate the dialogue that we have with companies. We have experience in discussing these issues with companies in their supply chains, ranging from forced labour, human rights in conflict areas to the rights of indigenous peoples. If we ourselves are expected to conduct due diligence, it can facilitate a better, more constructive, and more informed dialogue about these risks when we are forced to identify areas where we see a high risk of negative consequences.

Importantly, we acknowledge that many investors, including ourselves, already allocate significant resources to due diligence processes in line with international standards. The directive merely formalizes what responsible investors have voluntarily committed to. The foundations laid by the UNGPs, have now been formalized into actual law. CSDDD is not a new concept: it builds on the pioneering work of the late John Ruggie, an international relations and corporate responsibility expert, as well as the UNGPs, finally translating these international standards into national law.

References

[1] https://www.business-humanrights.org/en/latest-news/eu-danish-investors-call-for-inclusion-of-financial-sector-in-eu-due-diligence-directive/

[2] Nordic businesses call on their governments to support the Corporate Sustainability Due Diligence Directive — Business & Human Rights Resource Centre (business-humanrights.org)

CSRD and CSDDD: Where do we go from here?

The EU's new sustainability reporting directive could transform the landscape for sustainable business activities, through greater transparency, but appropriate due diligence still needs to be at the core

Kamil Zabielski
Head of Sustainable Investment

The CSRD may potentially have significant implications for the finance sector, as it will provide more and better information for investors to assess the sustainability risks and opportunities of portfolio companies, and to make informed decisions that align with their own sustainability preferences and goals. CSRD aims to improve the quality, consistency, and comparability of sustainability information disclosed by companies, and make it more accessible, predictable and useful for investors, consumers, regulators, and other stakeholders. The standards will hopefully lead to sustainability information that is more reliable, comparable, and verifiable, and that can be integrated with financial information.

It may also enable investors to better monitor and engage with companies on their sustainability performance, and to hold them accountable for their impacts. Moreover, CSRD may facilitate the development and growth of sustainable finance products and services, such as green bonds, ESG funds, and sustainability ratings, by providing a common and credible basis for their evaluation and verification.

Principle vs. practice

However, the jury is still out, so to speak, as to how the CSRD will be implemented in practice by companies, and how useful it will be to investors. The regulation has two mandatory KPIs (or ESRS) on General Information (ESRS 1) and General Disclosures (ESRS 2). The remaining 10 KPIs (5 Environmental KPIS, 4 Social KPIs and 1 Governance KPI) are voluntary and based on a materiality assessment by the company. If, for example, a company does not perceive the social KPI on affected communities (ESRS S3) as material for their business, they are not required to report on this, however they need to provide an explanation of the conclusions of its materiality assessment on this topic.

Inconsistencies

Another potential limitation is that some of the topics that are of focus for investors, and required by SFDR regulation, may not be fully harmonised with CSRD and therefore not reported on. For example, the KPIs on Biodiversity and Ecosystems (ESRS E4), or on workers in the value chain (ESRS S2) may be more challenging and/or costly for companies to evaluate and report on. This can lead to a data and information vacuum for investors that are wanting to report on risks to these indicators across their portfolios, or that need this information for identifying and targeting companies for engagement on these topics.

Finally, the CSRD should be viewed in light of the upcoming CSDDD. The scope of applicability of the CSRD is all large and listed companies in the EU (as well as non-EU companies that generate over 150 million Euro revenue). On the other hand, the scope of applicability of the CSDDD has been watered down, and is now more limited, applying to companies with a turnover above 450 million Euros and over a thousand employees.

Also dropped was the high-risk sector approach, which would have included companies that do not meet the revenue and employee criteria, but which operate in sectors recognised for having high human rights and environmental risks.

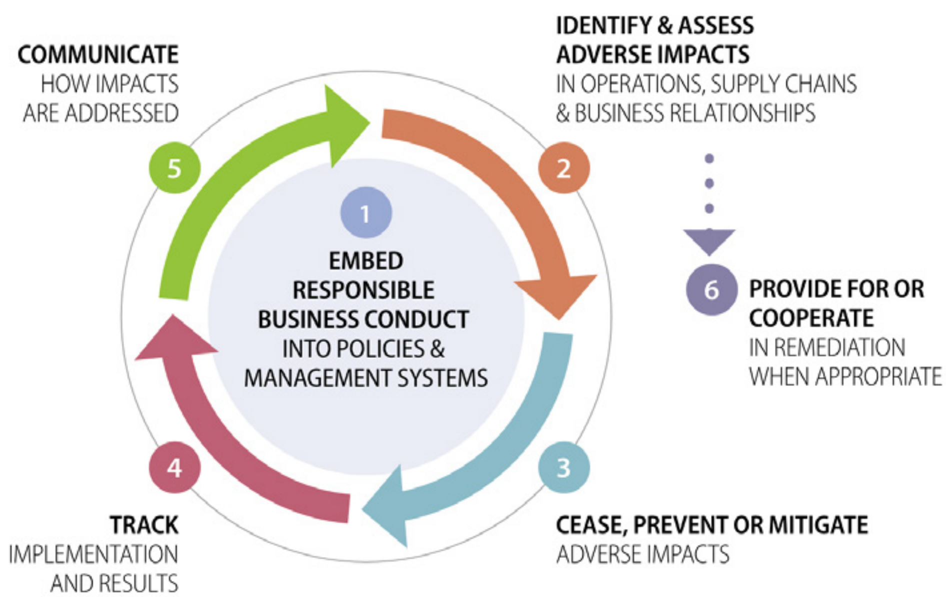
Consequently, CSRD will cover roughly 50,000 companies, while CSDDD will cover roughly 5500, a magnitude of order smaller.

Moreover, CSRD is a disclosure and reporting regulation, similar to SFDR, whereas CSDDD legally requires companies to investigate and address how their operations and supply chains impact the environment and human rights. The main objective is not reporting on status, but to take concrete action to stop harmful effects of its business activities. Regulations covering the broadest coverage of companies thus focus on disclosure of impacts, rather than mandating companies to take responsibility for their impact.

Viewed from the perspective of the widely accepted **OECD due diligence guidance for responsible business conduct**, the CSRD would require 10 times as many companies to take action on communication, the fifth stage of the process, compared to the number required to act on a much earlier-stage step, identifying & assessing adverse impacts, which as the second step should set the foundation for later stage steps such as communication and reporting.

Both the CSRD and CSDDD regulations serve important purposes for investors: however, the fact that the scope of the CSDDD is reduced to much fewer companies than the CSRD, implies that the compulsory due diligence requirements will cover fewer companies. This would impair the quality and comparability of the data reported under the CSRD; data that is important for investors to make informed decisions.

CSDDD compulsory due diligence requirements will cover fewer companies, and thereby impair the quality and comparability of the data reported under the CSRD; data that is important for investors to make informed decisions



← OECD recommended process on due diligence for responsible business conduct.

Photo: Organisation for Economic Cooperation and Development (OECD)

SOLU

investments **Solutions** / Directing capital to sustainable investments **Solutions** /

Solutions / Directing capital to sustainable investments **Solutions** / Directing capital

to sustainable investments **Solutions** / Directing capital to sustainable investments **Solutions** / Directing capital to sustainable

Opinion

The tyrannies of ESG Investing

Defending situational wisdom of sustainability against pressures of singular objectivity

Philip Ripman
Fund Manager, Storebrand Global Solutions

In the last couple of years, ESG investing has been beaten down by the US-born backlash as well as the constant stream of criticism for lack of standardized, objective, and impartial information about the sustainability of companies and investments. The insatiable search for an objective truth makes many miss the point.

The Tyranny of Labels
It seems to me that we are increasingly having to deal with strawman arguments when it comes to ESG. To a certain extent, this is a badge of merit and progress—but it also perhaps mirrors a societal development contrasting with this progress.

There is no universally accepted definition of ESG, nor is there one for what constitutes a sustainable company, product, or service. This might seem like walking through an open door for many, but it deserves pointing out—and as such ESG finds itself in good company with many other concepts in finance. Do you know what else doesn't have universally accepted definitions within finance? The list is long. What constitutes a value, growth, quality investment, company or strategy. Even indexes or benchmarks have no universal definition—so why are we obsessed with finding an objective truth when the letters E, S and G are attached?

The Tyranny of an Objective Truth
We would perhaps be well served by separating the need to standardize the data, from standardizing the entire concept. Key data points need to be consistent over time, and transparent in definition, collection and how they have been aggregated. This is a good thing and can be beneficial so that end clients are better able to understand the data and how it has been used. However, as with any other financial product, just because it has a tag of value, growth or quality—it does not mean that this data has been applied in the same way or that they have used the same methodology.

We tend to agree on some sort of general principles that describe these areas—and I don't believe the variance itself is a problem, it is rather how binary we communicate our convictions that create problems. If you claim something is the truth, or you utilize juxtapositions between right and wrong, black and white, and sustainable or unsustainable to understand complex issues, then we have bigger problems than E, S, and G. Not everything has or needs a simple answer.

> *For every complex problem, there is an answer that is clear, simple, and wrong.*
> — H.L. Mencken

Here are some common principles I believe we can agree on:

- ESG should consider a long-term view.
- ESG is a search for environmental, social and/or governance information that is material to either the bottom line of a company or its valuation.
- ESG needs to consider "when" something is material, just as much as "what" is material
- ESG materiality is a moving target, it shifts along with markets, technology and politics

Beyond this, the skill of the practitioner, the ability to know when to use information, when to disregard the information and when to realize that the information doesn't exist is key to the practice. In the same way that financial analysts don't agree on the analysis of a company, neither do all ESG analysts agree on the same companies. If the latter is a problem, then surely the former is as well?

The Tyranny of Ratings

ESG has to some extent become conflated with ESG ratings. Rating agencies have been hugely important in driving the development of ESG reporting and represent a huge leap forward from where we were when I started in 2006.

While aggregated ratings might have a use—the concept of gathering hundreds of data points across such a vast range of topics to come up with a useful number that represents the answer to not one complex problem such as "what is sustainable" but a multitude of these complex problems including if a company is a good investment or not boggles my simple mind.

And the incentive structure too leaves little room for good judgment. Ratings, and the companies that provide them "must" offer something that the others do not. If the information becomes perfectly correlated across different agencies, the business proposition disappears. Unless we all agree to use the same vendor, your rating will never be the same as my rating, and the agencies will strive to create differences to keep attracting customers.

For example, on the topic of controversies, consider this scenario: one data provider assesses a company and determines that it violates international norms and conventions, while another provider hasn't even acknowledged the issue as controversial. In such cases, the responsibility falls on investment professionals who evaluate the company, much like we do every day when assessing potential investments. Our responsibility is to interpret all available information and make informed decisions based on it given our mandate and investment strategy, in a similar way as with any other inputs and data points.

As a repository for information, transparent ESG ratings can absolutely hold value. However, from my position, this is clearly a case of the parts (i.e., data points) being more valuable than the whole (i.e., the singular rating).

ESG is not the answer to everything

But it is the answer to some important things. While the practice of ESG can address both risks and opportunities, there are some principles that form the foundation:

Environmental, social and governance issues are not necessarily perfectly understood or priced for markets and companies.

> Not considering non-traditional issues would be a neglect of fiduciary duty. Business and markets evolve.

Companies and their boards have not always had the correct competence to understand and/or act on information outside of their fields.

In a world where we are overloaded by information, we are still looking for edges—and ways of better understanding markets, companies, and their stakeholders. Not considering non-traditional issues would be a neglect of fiduciary duty. Business and markets evolve.

Along the way, increased focus on ESG may also have resulted in:

- A reduction in carbon footprints where investors and stakeholders have pushed for substantial reductions.
- More sustainable and transparent supply chains
- More community engagement
- More focus on labour practices, diversity and inclusion, and fair wages
- Better public disclosure from corporate entities

None of these issues exist in a state of vacuum where there is only one cause and effect, and few of these issues are solved, but like many other issues progress is often measured in the delta of past versus the present.

In the future, we should aim for academic rigor in the practice of ESG without making it a search for the one and only truth (that is an entirely different discipline), and we should be transparent about how we do so.

Fiduciary duty for a changing climate

Integrating climate and sustainability into investment decision-making

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

Last week the Financial Markets Law Committee (FMLC)[1] published a paper intended to help Pension Fund trustees integrate climate and sustainability issues into their investment decision making processes. This offered an overdue and long-awaited update to the concept of fiduciary duty as we navigate an unprecedented global economic transition.

Background

Fiduciary duty comprises two fundamental components for pension fund governors:

First, the "duty of loyalty", requiring fiduciaries to act in the best interests of pension beneficiaries, commonly interpreted as their "best financial interests."[2]

Second, a "duty of prudence", requiring trustees to undertake their roles with "skill, care and due diligence."[3]

To uphold their fiduciary duties, UK trustees must seek appropriate investment advice, ensure portfolio diversification and refrain from imposing their personal political and ethical beliefs to investment decision making. Fiduciary duty is not a "legal barrier to pension funds' consideration of climate change" as an investment risk or financial opportunity.[4] Yet, prudence has been interpreted in a UK legal setting as conventional trustee conduct based on prevailing market norms, meaning adjustments are gradual and encouraging herding. This is problematic for trustees when dealing with disruptive, novel and urgent economic developments and further complicated when those developments evolve under a social, environmental or Responsible Investment (RI) definition, which may be perceived as non-financial considerations.[5]

Empirical research demonstrates trustees have varied interpretations of the purpose of a pension fund, their roles and responsibilities, creating uncertainty over the 'best interests' of beneficiaries, what constitutes a financial or non-financial consideration and what is appropriate RI behaviour.[6]

Academics have offered many views on how trustees can navigate the juxtaposition of historical interpretations of fiduciary duty and the current market environment.

Sandberg (2013) found fiduciary duty unsuitable for integrating ESG, proposing pension funds accept "independent social and environmental obligations" as a debt to society, "irrespective of" beneficiaries' interests.

At Storebrand Asset Management sustainable investing is considered a necessary part of enacting our fiduciary duty towards our clients

References

[1] The FMLC is an educational charity based in the City of London, dedicated to the sound administration of financial law. (About - FMLC)

[2] Tilba and Reisberg, 2019, pp.467

[3] Woods, 2009, pp.12

[4] Woods, 2009, pp.3; Tomlinson, 2017

[5] Woods, 2009; Sandberg, 2013; Tilba and Reisberg, 2019

[6] Tilba and Reisberg, 2019, pp.459; Sandberg, 2013

[7] Paper-Pension-Fund-Trustees-and-Fiduciary-Duties-Decision-making-in-the-context-of-Sustainability-and-the-subject-of-Climate-Change-6-February-2024.pdf (fmlc.org)

[8] Storebrand Asset Management Insights www.storebrand.com

Further reading

Sandberg, J. (2013) (Re-)Interpreting Fiduciary Duty to Justify Socially Responsible Investment for Pension Funds? Corporate Governance: An International Review, 21(5), pp.436-446.

Tilba, A.; Reisberg, A. (2019) Fiduciary Duty under the Microscope: Stewardship and the Spectrum of Pension Fund Engagement. Modern Law Review, 82(3), pp.456- 487

Tomlinson, B. (2017) Sustainability and Fiduciary Duties in the UK: Legal Analysis, Investor Processes and Policy Recommendations. Oxford Business Law Blog, 13 February 2017 [Online]. Available from: Sustainability and Fiduciary Duties in the UK: Legal Analysis, Investor Processes and Policy Recommendations | Oxford Law Blogs

Woods, C. (2009) Working paper. Funding Climate Change: how pension fund fiduciary duty masks trustee inertia and short-termism. Oxford University Research Archive [Online]. Available from: Funding Climate Change: how pension fund fiduciary duty masks trustee inertia and short-termism. - ORA - Oxford University Research Archive

Richardson (2015) called for regulatory change to enable socially responsible investing, arguing transparency reforms leave investors too much discretion.

Tomlinson (2017) highlighted if the financial materiality of an ESG factor is considered ambiguous, trustees can seek legal sanctuary in demonstrating a decision is aligned with beneficiaries' wishes and does not present substantial financial disadvantage.

The FMLC and Fiduciary Duty

In their new paper, "Pension Fund Trustees and Fiduciary Duties: Decision-making in the context of Sustainability and the subject of Climate Change,"[7] the FMLC aims to address legal uncertainties regarding integration of sustainability concerns in investment decision making.

On the topic of what constitutes a **financial or non-financial factor**, the FMLC clarifies:

- **Motive** for consideration is the key distinguishing issue
- There is substantial **breadth** in financial factors, meaning it may not be immediately obvious that a factor is financial
- It is reasonable that, when identifying financial considerations, pension fund trustees first view sustainability issues as financial factors: "The **relevant entry point** for consideration of sustainability in the context of pension funds is as a financial factor rather than as a nonfinancial factor"

There are two contextual arguments in the paper which could help trustees and asset managers better understand and communicate climate and sustainability risks:

[1] A necessary narrative
Our whitepapers on the use of climate data in portfolio construction point to unintended consequences from using limited emissions data as the main indicator of climate risk or opportunity.[8] Climate change is too complex and uncertain a risk to quantify with a single figure risk metric.

The FMLC points out that, "sometimes financial factors cannot be quantified but it does not follow that they lack weight" and calls for a focus on qualitative information to proper understand sustainability related risks and returns. It is unlikely that we will be able to effectively judge potential outcomes from climate and sustainability risks without a focus on both **"numbers and narrative"**.

[2] It is a matter of time
The FMLC highlights the important context of relevant **time horizons** for a pension fund when it comes to decision making related to climate change, as well as the **scope**—not only asset level or portfolio level but economy wide. Long time horizons, and considerable uncertainty regarding how climate and other sustainability challenges will be addressed, mean projections for risk and returns are largely hypothetical and can be abstract. The FMLC notes, "It may be necessary to consider whether a strategy should reject shorter term gains because they create identifiable risks to the longer-term sustainability of investment returns in the fund."

At Storebrand Asset Management sustainable investing is considered a necessary part of enacting our fiduciary duty towards our clients. We support the need for longer term thinking about risks and returns related to sustainability issues, such as climate change. We aim to help our clients better understand those risks using both numbers and narrative, while constantly seeking to improve the landscape for sustainable investing through engagement with companies and policymakers.

We hope that this new paper from the FMLC will help modernise interpretations of fiduciary duty for our changing climate.

Opinion

A new era of building energy

New implemented EU regulations are slimming down energy profiles of new builds—and placing existing buildings on a compulsory energy-efficiency diet

Sunniva Bratt Slette
Portfolio manager

Could all European buildings be classified in the highest energy rating category, "A", by 2050? The EU is taking giant leaps towards achieving this, by implementing impressive new regulations to promote energy efficient buildings with a high energy performance.

Why is this being done so urgently? According to the European Commission, 42 percent of energy consumption in 2021 was related to buildings; and 80 percent of energy for households was used to heat or cool down either buildings or the water used in buildings.[1] With more than a third of the EU's energy-related greenhouse gas emissions originating from buildings, cutting energy use in the sector can obviously help a lot towards meeting European climate commitments.

Regulations swiftly implemented

To get this done, two ambitious directives from the EU, which were rammed through in December 2023, are being quickly implemented in early 2024. According to the European Commission[1]), the "Energy Performance of Buildings Directive" and the "Energy Efficiency Directive", aim to:

1. achieve a highly energy efficient and decarbonized building stock by 2050
2. create a stable environment for investment decisions
3. enable consumers and businesses to make more informed choices to save energy and money

The new directives are making an immediate impact across the EU and beyond, including Norway, which is committed to the EU's race towards net zero, by way of the EEA Agreement, the mechanism though which EU directives are implemented into Norwegian policies and regulations.

The new directive, known locally in Norway as the "Bygningsenergidirektivet" (which is quite a mouthful) imposes a bit of urgency. According to a report by Estate News, by 2030 all new buildings in Norway must be of zero emission standard[2].

Renovation moves up on the agenda

The contents of the revised EU directive set the spotlight on renovation. Impressive improvements in the energy performance of old buildings can be made through measures such as insulation, building envelope (which refers to the components of a building that separate the indoor and outdoor environment) like changing doors and windows, smart grid applications, electric vehicle charging infrastructure or introducing new energy sources like solar rooftops or heat pumps.

For team Solutions, new regulations are interesting to follow because they represent milestones that confirm the fact that governments and municipalities are following up on the targets that have been set by the Paris Agreement. When all the arguments of legislation are exhausted, there is always the weightiest argument left: firms and households save money by wasting less energy. Hence, business models with products or services that enable this energy efficiency may gain higher profitability as a result sales growth, an effect of higher demand.

Firms that offer such business models are categorized as "solution companies". Across various solution themes, we collect and organize profiles of solution companies in "Alvis", our solutions database.

Solution companies that may benefit from improved energy efficiency in buildings are found in our solutions sub-theme "Urban Planning" with the following sub-categories: Lighting, Building Materials, Heating, Ventilation and Air-conditioning (HVAC), Energy Efficiency and Urban Infrastructure. Some exciting stocks in the smart cities theme of the fund Storebrand Global Solutions strategy, are the Spanish infrastructure consultancy Acciona, French energy efficiency champion Legrand, American insulation giant Owens Corning, American software firm Trimble and Japanese housing manufacturer Sekisui House.

References

[1] https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en

[2] https://www.estatenyheter.no/et-skritt-naermere-nytt-bygningsenergidirektiv/396131

Note

This is marketing material for professional investors only, in countries where we have marketing permission for the fund. Investment involves risk. Historical returns are no guarantee for future returns.

Global renewables capacity is increasing rapidly through a wide range of sources at various scales, such as this rooftop installation in Oslo, Norway.

Nader Hakimi Fard,
Portfolio Manager,
Solutions

The Road to 11 000 GW

First checkpoint on the trajectory

If you're looking for a pick-me-up in the aftermath of COP28, the IEA's newly published Renewables 2023 report could be it. Full of the latest facts and data, it offers encouraging signals on room for growth in renewables.

At the end of last year, world leaders gathered in Dubai, as the United Arab Emirates (UAE) hosted COP28, the annual UN conference on global climate action. A key objective of the summit was to ratchet up progress on the commitments made at COP21 in 2015, when the world agreed to limit global warming to a maximum of 1.5°C above pre-industrial levels, by 2050.

COP28 produced several outcomes, including:

- **Transition Away from Fossil Fuels:** Nearly 200 countries pledged to move away from fossil fuels, marking the first time a COP final decision explicitly targeted fossil fuels.

- **Renewable Energy and Energy Efficiency:** The global stock take text from the summit called for tripling renewable energy capacity globally and doubling the global average annual rate of energy efficiency improvements by 2030.

- **Climate Finance:** COP28 addressed the crucial issue of climate finance, particularly for developing countries. The summit agreed on a text to implement the global goal on adaptation, aimed at helping developing countries with finance for transition, adaptation, and recovery from climate impacts.

- **Future Direction of COP Meetings:** The outcomes of COP28 set a precedent for future COP meetings, signalling a shift in focus towards more concrete actions against fossil fuels and a push for renewable energy.

While each COP summit is important and frequently debated by the public, from the investment perspective it is also important to track concrete actions being taken to implement the energy transition—as opposed to the pledges being made at the summit. There are of course many different actors tracking the deployment of renewables and making forecasts. One of these organizations is the International Energy Agency (IEA) which recently released "Renewables 2023", its primary analysis on the sector, based on current policies and market developments. The report, which is published once every year, is the first major report presented after COP28. As such, it holds valuable insights on the trajectory of the sector in order to achieve the goals set at the COP meeting.

Mixed news on capacity growth

So, what can we take away from the IEA's fresh new report? As is usually the case, the Renewables 2023 report is filled with both positive insights and less positive ones. To begin with, one of the positive elements in the report, capacity additions increased by almost 50% in 2023, the fastest growth rate in the past two decades. More negatively, the report projects that, with existing policies and market conditions, global renewable capacity would reach 7 300 GW by 2028 . This growth trajectory would see global capacity increase to 2.5 times its current level by 2030, falling short of the goal to triple the capacity to 11 000 GW by 2030 set at COP28.

Although falling short of the goal is negative according to the IEA, governments can close the gap by overcoming current challenges and implementing existing policies more quickly. These challenges fall into four main categories, and differ by country:

1. policy uncertainties and delayed policy responses to the new macroeconomic environment.
2. insufficient investment in grid infrastructure preventing faster expansion of renewables.
3. cumbersome administrative barriers and permitting procedures and social acceptance issues.
4. insufficient financing in emerging and developing economies.

The report's accelerated case shows that addressing those challenges can lead to almost 21% higher growth of renewables, pushing the world towards being on track to meet the global pledge of tripling capacity by 2030.

Although falling short of the goal is negative according to the IEA, governments can close the gap by overcoming current challenges and implementing existing policies more quickly

We have previously written about some of the trends outlined in the report in our earlier Solutions Spotlight publications. There, amongst other subjects, we discussed permitting barriers, the positive trends seen in the sector, as well as the power grid and the investments opportunities we see there.

In our view, the overall trend is positive, and change is happening. However, there are some headwinds and challenges.

One headwind is the higher inflation and interest rate environment that has led to challenges in the sector. Although we don't have a view on neither inflation nor interest rates, we see signs of market participants learning and adjusting practices which will lead to better balance in the sector regardless of the direction of inflation and interest rates.

One of the big challenges is that what is needed to reach the collective target to triple renewables by 2030 varies significantly by country and region. The report states that G20 countries account for almost 90% of global renewable power capacity today. And could triple their collective installed capacity by 2030 in IEAs accelerated case, which assumes enhanced implementation of existing policies. However, to achieve the global goal, the rate of new installations needs to accelerate in other countries, too, including many emerging and developing economies outside the G20, some of which the report states, do not have renewable targets and/or supportive policies today.

Encouraging signals for investors

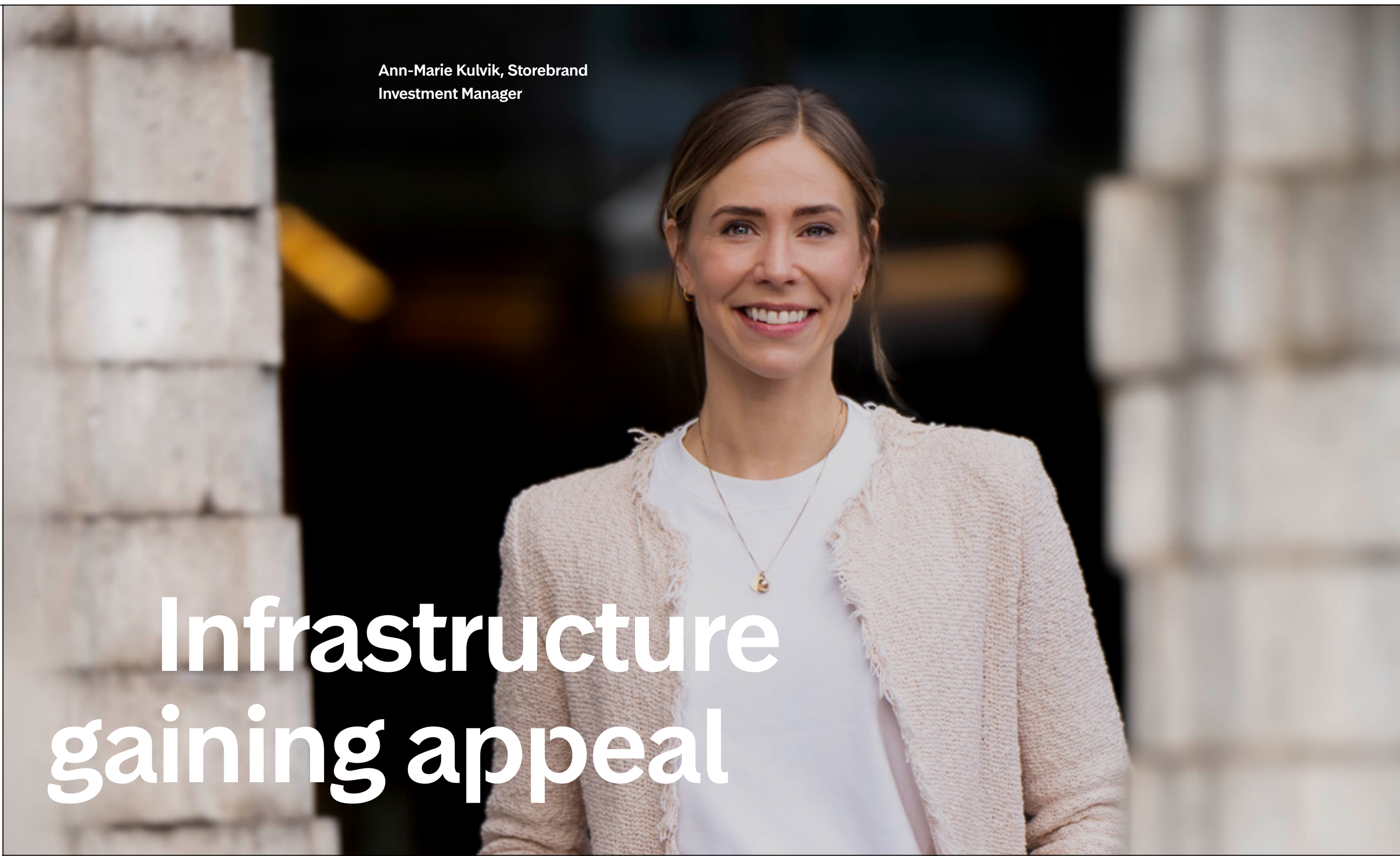
I think the following statement is the best way to conclude where we are in terms of progress on deployment of renewables:

"The new IEA report shows that under current policies and market conditions, global renewable capacity is already on course to increase by two-and-a-half times by 2030. It's not enough yet to reach the COP28 goal of tripling renewables, but we're moving closer — and governments have the tools needed to close the gap," said IEA Executive Director Fatih Birol."

But I would also like to add one thing to the point made above which is that companies have many of the products and services to help reaching the targets. We have the technological solutions—we just need to increase the positive pace of change! That is why we continue to see renewable energy as a good investment opportunity.

Note

This is marketing material for professional investors only, in countries where we have marketing permission for the fund. Investment involves risk. Historical returns are no guarantee for future returns.



Ann-Marie Kulvik, Storebrand Investment Manager

Infrastructure gaining appeal

Investment Manager Ann-Marie Kulvik shares insights on how the net-zero transition is driving infrastructure investment and Storebrand's plans

What's your role and your goals, as a member of Storebrand Asset Management infrastructure team?
The team's primary objective is to manage Storebrand's investments in infrastructure through Storebrand Infrastructure Fund. This responsibility includes a variety of tasks, where identifying and executing on investment opportunities in line with the fund's mandate is central. In addition, we spend time on tasks related to management of investments, client deliveries, sustainability, and fund administration. Within the team, I have a special focus on sustainability as well as client dialogues. However, we are a small team and are all very much involved in both investment opportunities and client contact.

At the end of last year, we strengthened the team with the addition of an investment manager, Dennis Reichhardt, who has solid investment experience. Storebrand has been working with infrastructure since 2021, and in addition to our work on investment opportunities, we are also focused on business development. It's incredibly exciting to be involved in shaping Storebrand's activities within infrastructure in the years to come.

Which infrastructure projects do you choose to invest in and why?
We invest in sustainable infrastructure assets within three themes; energy transition, decarbonisation and digitalisation. Geographically we focus on Europe and North America. Within our mandate, we prioritise providing a diversified exposure to infrastructure investments that actively contribute to or align with the development towards net-zero emissions. We invest with a long-tern horizon, and it is crucial that the investments we make today are robust in the future.

Some examples of the sectors we invest in are renewable energy production, storage, electric modes of transport, district heating, and fibre networks. To gain exposure to the attractive characteristics of infrastructure, such as diversification, stable cash flows, and linkage to inflation, we focus on investments in the core/core+ segment. This means that the investments usually have a low to medium risk profile.

How did you become interested in infrastructure? Has your previous positions led you to it?
I would say it was a combination of past experience and personal motivation that sparked my interest in infrastructure. While I was familiar with the asset class and its attractive financial characteristics through previous positions, focusing on asset allocation and fund selection, it was the unique impact potential in terms of directing long-term private capital to critical areas of the energy transition that triggered my personal motivation for infrastructure investing. I see it as a great privilege to work with an asset class with a meaningful objective and strong momentum in a firm with a such a strong commitment to sustainability as Storebrand.

2023 was an eventful year. How are infrastructure investments affected by market fluctuations, inflation, and high interest rates?

The cash flows from unlisted infrastructure assets are expected to remain relatively stable during periods when other markets and asset classes are characterised by uncertainty and volatility. A key reason for this is that the underlying demand for infrastructure services or products, such as electricity or internet, is not dependent on the economic cycle. Moreover, the price is often regulated or contractually fixed for a long period. This means one can expect stable earnings and dividends even through weak market conditions. Our current portfolio has demonstrated such expected resilience recently.

The significant fluctuations in interest rates combined with general market uncertainty have, however, contributed to lower transaction activity in the infrastructure market over the last two years. When interest rates rise sharply, it affects the value of long-term cash flows. Higher inflation will, then again, lead to increased future cash flows for infrastructure investments with cash flows linked to inflation. After a period of uncertainty, we now see signs that transaction activity is increasing, and we have an interesting pipeline of attractive investment opportunities.

What is the interest in infrastructure among institutional investors?

The global market for unlisted infrastructure has grown significantly over the past ten years. The total assets under management (AuM) for the asset class now exceed 1 trillion US$, confirming its appeal among institutional investors. Although market conditions in recent years somewhat softened the growth, this asset class is expected to continue growing in the years ahead.

While the asset class may be relatively new for some of the smaller and medium-sized investors in our home markets, most of the largest institutional investors in the Nordics already have infrastructure as a building block in their institutional portfolios. In a Nordic context, Danish investors were early to invest in infrastructure. We experience that investors appreciate the combination of the financial and diversifying properties of infrastructure, along with the opportunity to make direct impact.

To achieve net-zero emissions by 2050 requires a tremendous amount of capital. How can investments in infrastructure projects contribute to that?

Reducing global emissions to net-zero before 2050 will require a massive transition in how we produce, transport, and consume energy, in addition to significant behavioural changes. The transition requires large investments in the expansion and adaptation of infrastructure.

According to the "Energy Transition Investment Trends 2023" report by BNEF, annual investments of over 4 trillion dollars in "energy transition" are required until 2030 for us to reach the goal of net-zero emissions by 2050. It amounts to a tripling of annual investments compared to 2022 levels, and a five- and six-fold increase in annual investments during 2030–2040 and 2040–2050, respectively.

BNEF has identified several key drivers for achieving net zero, and amongst them investments in renewable energy, power transmission, and electric transport constitute the largest investment areas up until 2030. These are some of the main focus areas in Storebrand Infrastructure Fund.

Are there other players offering infrastructure strategies to institutional investors? Do the products differ?

In a global context there are many providers of infrastructure funds, and the offering has grown hand in hand with the market over the past 5-10 years. You have dedicated infrastructure managers as well as large fund managers with broad product ranges, including infrastructure. Here in the Nordics, the offering of infrastructure funds is more limited, but growing.

The biggest differentiator between the various managers is probably the risk and return profile of their respective product. However, there are also differences in the sectors and geographical regions they focus on. Players with a higher risk profile will have a higher exposure to risks such as development risk, price and volume risk, or exposure to future growth. Some focus on Nordic investments, and others have a global focus.

At Storebrand, we focus on providing exposure to the financial characteristics that are unique to infrastructure and contribute to the diversification of an investment portfolio. These characteristics are strongest within the core/core + segment and become weaker the higher up the risk scale one goes.

Looking ahead, do you have any exciting projects underway?

We are in the middle of an exciting period for Storebrand Infrastructure. We are continuously working on deploying more capital to investments in our first fund, Storebrand Infrastructure fund, and we hope to announce several new investments throughout this year. While the transaction market slowed down following the sharp rise in interest rates and inflation over the past few years, we are now seeing positive signs as buyers and sellers are once again finding each other at new price- and return levels. We are looking at interesting opportunities, both through the AIP partnership and through other potential partners, and have a promising pipeline.

As we progress in deploying our first fund, we are also preparing to launch our next fund, Storebrand Infrastructure Fund II (SIF II). SIF II will largely be a successor to the first fund, focusing on sustainable infrastructure investments within the core/core + segment. We look forward to taking the new product on the road and begin fundraising later this year.

← Ann-Mari Kulvik, Jo Gullhaugen and Dennis Brix Reichardt of Storebrand Asset Management's Infrastructure team

Note

Investing involves risk. Products within alternative investments are aimed solely at professional investors.

Dennis Brix Reichardt,
Investment Manager

Source: Storebrand

The brand-new addition to Storebrand Infrastructure

Dennis Brix Reichardt on the infrastructure asset class and its contribution to the green transition

Welcome aboard, Dennis!

Please, tell us about your career journey. How did you get interested in infrastructure assets?
I started my career at Ørsted back in 2014, where I witnessed its big transition from an old-line coal-intensive company into a forward-leaning renewable energy leader, which I found very inspiring. Afterwards, I spent several years in M&A and Corporate Finance at Deloitte, working across several sectors before focusing on TMT (technology, media, and telecom) and digital infrastructure.

Most recently, I worked at Egmont, a leading Nordic media company, where I focused on strategy and investments. Since my time at Ørsted, I've always been interested in infrastructure's role in our society: it's important in many ways, ranging from energy transition and security to enabling digital transformation.

What are some of the priority areas for investors interested in the infrastructure asset class in 2024?
After a couple of years with increasing inflation, interest rates and supply chain issues, it will be interesting to assess the robustness of the asset class, especially those assets that are associated with more risk. In the Norwegian context, 2024 will be an important year for offshore wind with the auction for SørligeNordsjø II opening on 18th of March. Five applicants have been qualified to participate in the auction.

What does sustainability mean to you?
For me, sustainability is being aware that natural resources have limitations that we need to respect. A big part of this is the green transition that's needed across a lot of sectors (energy, transportation, industrial, just to name a few).

On a personal level, I am also always conscious of my own consumption habits, as I want to fulfil my part in achieving a sustainable world.

How can infrastructure assets contribute to sustainability?
Infrastructure plays a crucial role in the green transition as many infrastructure assets are essential to reaching a Net Zero scenario. At the Storebrand Infrastructure Fund, we focus on sustainable infrastructure within three main themes: energy transition, decarbonization, and digitalization. This includes infrastructure assets within renewable energy production, energy storage, carbon capture, electrification of transportation, etc. All these areas are important if we are to succeed with the Net Zero ambitions.

How would you sum up your experience at Storebrand so far? Any surprises or preconceptions proven right?
It has been a great start in Storebrand. It is an exciting future for both the asset class and Storebrand Infrastructure Fund. The current investment pipeline is strong with several interesting investment opportunities coming up, and we expect to launch a successor fund later this year.

No big surprises so far, but as a Dane, the number of skis that I see around the office really impresses me!

After a couple of years with increasing inflation, interest rates and supply chain issues, it will be interesting to assess the robustness of the asset class, especially those assets that are associated with more risk.

ACTI

Active Ownership / Engaging to influence companies

Active Ownership / Engaging to influence companies Active Ownership /

Storebrand is an inaugural TNFD Early Adopter

Progress on nature disclosures is a critical step for solving bio-diversity and climate challenges

Jan Erik Saugestad
CEO Storebrand Asset Management

As of January 2023, Storebrand Asset Management has become an inaugural TNFD Early Adopter. This commitment means that we will start making disclosures aligned with the TNFD Recommendations in our corporate reporting, by financial year 2024.

Biodiversity loss was a breakthrough topic last year in within our sector, after what has been a long battle for many of us advocating for the issue. But now, this issue is increasingly being understood to rank alongside climate change — and to be intrinsically linked to solving it -as areas of significant systemic risk for investors.

We have already started to implement the TNFD methodology in our portfolios to better understand our nature-related risks and opportunities and are committed to publish our first TNFD disclosures from 2025, based on 2024 data.

Four organizations initially partnered to create the TNFD: Global Canopy, the United Nations Development Programme (UNDP), the United Nations Environment Programme Finance Initiative (UNEPFI) and the World Wildlife Fund (WWF). Since September 2020, 74 members, including Storebrand, formed an Informal Working Group (IWG) in order to prepare the launch of the TNFD.

This move arose from an urgent need to recognize that nature underpins the global economy — and that our economies are embedded within nature, not external to it. The purpose of TNFD is to establish a foundation for consistent and comparable assessment and reporting on nature by businesses worldwide.

We encourage businesses to take action now, as it is only a matter of time before these recommendations become requirements, as we are seeing with the TCFD. The European Corporate Sustainability Reporting Directive for Biodiversity and Ecosystems requires similar disclosures from 2025 (based on 2024). An estimated 60,000 businesses will be affected globally, Saugestad concludes.

The recommendations are modelled on climate disclosure guidelines developed by a separate task force in 2017, and are consistent with global sustainability standards of the International Sustainability Standards Board (ISSB), as well as the impact materiality approach used by the Global Reporting Initiative. They also align with Target 15 reporting requirements under the Global Biodiversity Framework approved last December in Montreal.

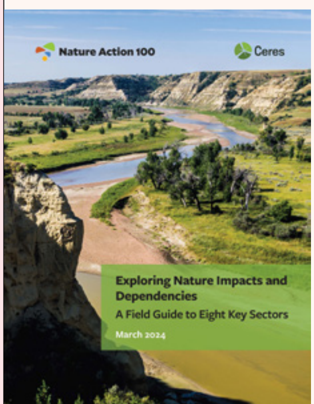
NA100 Field Guide Launched

New tool makes identifying nature impacts and dependencies faster and easier for investors

Nature Action 100, in collaboration with the sustainability nonprofit Ceres, has released a comprehensive new field guide aimed at aiding investors in identifying and managing nature risks and dependencies in eight key sectors. These include biotechnology and pharmaceuticals, chemicals, consumer goods retail, food, food and beverage retail, forestry and packaging, household and personal products, and metals and mining. This is in line with NA 100's current engagement priorities, with these sectors carrying importance for reversing nature and biodiversity loss by 2030.

The field guide comes with fact sheets for each sector dissecting their value chains and identifying relevant nature risks and dependencies. It also exemplifies companies in each sector fact sheet. The guide also shares examples of questions that might be relevant to investors in their individual and collaborative engagements with various companies.

Emine Isciel, head of climate and environment at Storebrand Asset Management, believes that the guide will be helpful to ESG investors as it cuts through the complexities of nature agenda. She states that the guide will enable Nature Action 100 investors to better identify the typical priority dependencies and impacts on nature that companies should consider before identifying and assessing their risks and opportunities and strengthen the engagement with companies. Although it is targeted to the finance sector and investors, it does provide a good overview for all businesses to better understand sector-specific nature-related impacts and dependencies.



← The new field guide will assist investors in navigating the complexities of nature risks and impacts

Leveraging Storebrand's Nordic position

Aiming to drive greater corporate action on nature loss

Emine Isciel
Head of Climate and Environment

Storebrand has positioned itself as a 'gateway' to the Nordics for customers who want to invest with Nordic asset managers or in Nordic investment solutions. Acting as a gateway to the Nordics is also about leveraging our Nordic position.

We prioritize our engagement with Nordic companies, where our Nordic position and knowledge enables constructive and meaningful dialogue that creates value for these companies, Storebrand, and our clients. That is why we are also leading on the engagement with the Nordic companies under the Nature Action 100.

NA100 has identified the 100 companies, with a collective market capitalization of over US$ 9 trillion, that it will prioritize in key sectors to tackle the major drivers of nature loss caused by corporates. Among them are the Nordic players Stora Enso, UPM, Novo Nordisk and Essity.

As we have entered the engagement phase and had the first meetings, we have focused on companies' current ambitions, the quality of materiality assessments by companies, target setting and nature governance within the organization.

Below is an overview of the four NA100 companies we engage with, and their sector relationship with nature. Nature impacts and dependencies vary from sector to sector — and even from company to company — creating different levels of risk exposure for companies. The nature-related impacts and dependencies illustrated below only covers direct operations and medium to very high materiality impacts and dependencies.

Essity

Country: Sweden

Sector: Household and Personal Products Industry. Household and personal products, a sub-industry of the consumer goods sector, is made up of companies that manufacture goods for personal and commercial consumption, ranging from cosmetics to soaps and detergents. Many of the inputs used for manufacturing personal goods products come from the biotechnology and pharmaceuticals and chemicals sectors. The sector heavily relies on natural resources for raw materials — palm oil is a key ingredient for the products in this industry. Household and personal product companies typically sell their products through consumer goods retail companies.

Nature-related Impacts:

Impact Category	Household and Personal Products
Air Pollution	M
GHG Emissions	H
Soil Pollution	M
Solid Waste	H
Water Pollution	M

Nature -related Dependencies:

Dependency Category	Household and Personal Products
Fibers and Other Materials	M
Water Quantity	H

Material nature-related impacts and dependencies across the direct operations of the household and personal products sectors.

Materiality ratings:
VH = very high, H = high, M = madium. Low ratings are left blank.

Novo Nordisk

Country: Denmark

Sector: Biotechnology and pharmaceutical industry. These companies share similar product lines and industry interconnections— pharmaceutical companies often buy and scale biotechnology discoveries. However, their distinct approaches to product development set biotechnology and pharmaceutical companies apart. Biotechnology companies research, develop, and produce various commercial products, including vaccines, plastics, biofuels, and genetically modified organisms, by altering the function of living organisms such as yeast, crops, and bacteria. In comparison, pharmaceutical companies use chemical and synthetic processes to create medicines, often relying on nature for bioactive compounds and genetic diversity.

Nature-related Impacts:

Impact Category	Biotechnology	Pharmaceuticals
Air Pollution	M	M
Soil Pollution	H	H
Solid Waste	H	H
Water Pollution	H	VH

Nature -related Dependencies:

Dependency Category	Biotechnology	Pharmaceuticals
Genetic Materials	M	M
Water Resources	H	H

Material nature-related impacts and dependencies across the direct operations of the biotechnology and pharmaceutical sectors.

Materiality ratings:
VH = very high, H = high, M = madium. Low ratings are left blank.

UPM and Stora Enso

Country: Both Finland

Sector: Forestry. Forest management includes the establishment and management of all types of forests, as well as the harvest and production of timber products such as sawlogs, plywood, pulpwood, fuelwood, used for furniture, building materials, and bioenergy. Pulp and paper production includes the processing and manufacture of newsprint, office paper, paper packaging, tissue, and related products. Pulp and paper production accounts for 13-15% of global wood consumption and 33–40% of industrial wood trade. The U.S. is the world's largest pulp producer and U.S. paper and paperboard production and consumption rates are second only to China. Given their reliance on timber and other wood products, pulp and paper companies are intrinsically linked to forest management companies—and the nature-related impacts and dependencies of the forestry industry extend to pulp and paper production.

Nature -related Impacts:

Impact Category	Forest Management	Pulp and Paper Products
Air Pollution		M
GHG Emissions	H	
Soil Pollution	H	H
Land Use	VH	
Water Pollution	VH	VH
Water Use		H

Nature -related Dependencies:

Dependency Category	Forest Management	Pulp and Paper Products
Bioremediation	M	
Enabling Services	VH	M
Protecting Services	VH	
Provisioning Services	VH	VH

Material nature-related impacts and dependencies across the direct operations of the forestry and packaging sectors.

Materiality ratings:
VH = very high, H = high, M = madium. Low ratings are left blank.

Source: ENCORE and Global Assessment for Private Sector Impacts on Water.

→ Clearing of natural land for farming commodity crops such as soya is among the leading causes of deforestation

Photo: Colourbox.com

Bunge commits to deforestation action plan

Global agribusiness leader takes steps in response to shareholder proposal co-filed by Storebrand Asset Management and others

Text: **Vemund Olsen**, Senior Sustainability Analyst

Bunge Global SA, a leading global agribusiness company, has agreed to report on deforestation and conversion risks in its supply chain and take immediate corrective action to protect tropical ecosystems. The commitment came in response to a shareholder proposal from six investors — Green Century Capital Management, AXA Investment Managers, Nordea Asset Management, Schroders, Storebrand Asset Management and UBS Asset Management — asking the company to address deforestation risks driven by its current policies.

In exchange for withdrawal of the proposal, Bunge also committed to 100% geospatial monitoring for soy and enhanced disclosure of traceability for indirect suppliers (where soy is mixed from multiple farms). The report will cover both legal and illegal deforestation, as well as native vegetation conversion, or the repurposing of wild land for agriculture.

In 2021, Storebrand and Green Century filed a shareholder resolution asking Bunge to accelerate efforts to eliminate conversion from its supply chain, which received a 98% majority vote with support from the board. Although the company had already committed to eliminate deforestation by 2025, investors remained concerned that its 2025 "cut-off date", which allows the company to buy crops from land deforested through the end of 2025, effectively incentivizes a race to deforest until that date.

"Bunge's 2025 target is fine, but without a cut-off date in the past, there is a risk that farmers will rush to clear forests for new fields before the deforestation ban kicks in," notes Vemund Olsen, senior sustainability analyst at Storebrand Asset Management. "We're glad to see that Bunge has committed to report on the risk of inadvertently incentivizing deforestation and we hope the company will take appropriate corrective action."

Deforestation and native vegetation conversion degrade ecosystems such as the Cerrado savanna in Brazil that are critical to preserving biodiversity and mitigating climate change. Soy production is a leading cause of negative vegetation conversion in South American habitats and contributes to a broader decline of South American wilderness.

The agreement marks a new phase in the multi-year deforestation engagement with Bunge. The investor group plans to continue its dialogue with the company on these and connected issues, and on the fulfillment of Bunge's most recent commitments.

Storebrand is hopeful that Bunge will achieve deforestation and conversion-free supply chains as soon as possible and contribute to lift the agribusiness sector as a whole."

Taking a stand on plastics

Storebrand joined global group of investors for the Finance Statement on Plastic Pollution, to signal the urgent need for a global plastics treaty

In early April, Storebrand was a signatory to a statement, declaring to governments the finance sector's support for an ambitious international legally binding instrument to end plastic pollution.

Organized by UNEP FI, PRI, Finance for Biodiversity Foundation, the Business Coalition for a Global Plastics Treaty, the Dutch Association of Investors for Sustainable Development (VBDO) and CDP, the Finance Statement on Plastic Pollution, opened for signatures in February 2024, was concluded and published on April 10th, 2024. 160 investors, banks, insurers and finance-related initiatives from 29 countries, representing USD 15.5 trillion in combined assets, signed the statement.

Through the statement, the financial institutions are collectively signalling to governments worldwide of the urgency for UN Member States to agree an ambitious plastics treaty. What is sought is a treaty that creates the mandatory framework and the enabling environment for the private finance sector to fully play its role in ending plastic pollution.

The statement is part of a response to a surge in the production and consumption of plastic, which in turn has led to a significant increase in plastic waste and pollution, projected to grow to well over 250 million metric tons annually by 2040 under business-as-usual. The plastic pollution crisis contributes to and worsens the triple planetary crisis of climate change, biodiversity loss and pollution. Further, it poses a growing threat to human health and economic stability.

← Plastics pollution is a driver of the "triple planetary crisis" of climate change, biodiversity loss and pollution.

Read the full statement:
The Finance Statement on Plastic Pollution — United Nations Environment – Finance Initiative (unepfi.org)

The trajectory continues

Ahead of the 2024 AGM season, here are our reflections on voting and shareholder resolutions

In the landscape of sustainable investment, the Annual General Meeting (AGM) season looms large. Typically concentrated in the spring months, this season witnesses a surge in AGMs across numerous markets. It is during these meetings that shareholders exercise one of their most critical rights: voting on various issues pertaining to the company's management, governance, and strategic direction.

The AGM season is not just a procedural formality; it is a potent platform for shareholders, especially institutional investors, to influence corporate behaviour. As a long-term investor, we at Storebrand Asset Management have a vested interest in steering companies towards durable sustainability and profitability. Voting at AGMs is a key tool in this effort, allowing us to voice our expectations and guide corporate management in a manner aligned with our principles for sustainability and good corporate practice. In line with this, we have this year begun pre-disclosing our voting choices, in advance of each AGM.

The power of AGM voting lies in its capacity to address diverse issues ranging from the appointment of directors and approval of financial statements to resolutions on environmental, social, and governance (ESG) concerns. In recent years, there has been a discernible shift in the focus of shareholder resolutions, pivoting towards sustainability and social responsibility. This change reflects a growing recognition among investors that ESG factors are material to long-term value creation and risk management. However, we have also seen signs of "culture wars" at AGMs, with a small but increasing number of shareholder resolutions attacking company efforts to secure diversity, equity and inclusion, for instance.

Vemund Olsen
Senior Sustainability Analyst

New oil & gas net-zero standard

Climate Action 100+ publishes net-zero standard for oil and gas companies alongside analysis of ten companies

Climate Action 100+ is the world's largest investor engagement initiative on climate change. Investors are focused on ensuring that 170 of the world's biggest corporate greenhouse gas (GHG) emitters take the actions necessary to align their business strategies with the goals of the Paris Agreement. This includes improving corporate governance of climate change, reducing GHG emissions, and strengthening climate-related financial disclosures.

New framework to assess oil and gas
Net Zero Standards (NZS) are sector-specific frameworks developed to help Climate Action 100+ investors and other stakeholders assess the alignment of transition plans with a 1.5°C climate scenario ("Net Zero"). They are designed to integrate with and complement the sector-neutral CA100+ Company Benchmark.

The oil and gas sector typically represents the largest and most concentrated source of transition risk in investors' portfolios. This framework can help investors committed to net zero to understand the risks and opportunities that come with investing in oil and gas companies and inform productive engagement efforts. Understanding the wide variation in the quality of companies' disclosure and diversification strategies, enables investors to see where this risk is most acute.

The Standard concept emerged from the desire to better understand the growing differences in company transition plans. To better support investor engagement of shareholders and bond holders, it was necessary to evolve the assessment beyond the current sector-neutral Climate Action 100+ Company Benchmark.

Analysis of the 10
The following European and North American companies were assessed using the Net Zero Standard for Oil and Gas: Exxon Mobil, Shell, Chevron, TotalEnergies, ConocoPhillips, bp, Occidental Petroleum, Eni, Repsol and Suncor Energy.

While several companies continue to target net zero, some companies covered by the assessment have been observed to retreat from the original ambitions of their climate strategies. The result from the analysis highlights that current transition plans are insufficient for investors to accurately gauge transition risk. Given that a minimum score of around 80% indicates a robust transition plan (see figure below), the results indicate that the sector has much progress to make. However, having a transition plan is not evidence that a company is transitioning - it is simply the roadmap a company has set out. Progress on the transition must be monitored and updated regularly, as with any other element of company strategy.

The absence of disclosure on critical elements such as carbon capture or upstream production makes it difficult for investors to understand how they will get there, as well as the transition risks of each company. Overall companies met just 19% of the sector-specific metrics in the Net Zero Standard (average score of companies).

The results also show stark differences in transition plan ambition and level of disclosure between North American and European companies. European companies are also pursuing a range of energy solutions and therefore score highly on Solutions metrics compared to the North Americans.

Storebrand Asset Management is engaging with several oil and gas companies on climate change, including leading the dialogue on Equinor through CA 100+. This new framework will be valuable in adapting our expectations and indicators in oil and gas engagements moving forward.

Balancing transition and biodiversity

Dealing with extractives in key biodiversity and ecologically sensitive areas

Extractive sectors have a critical role to play in meeting the world's resource needs and ensuring an equitable energy future. However, the mining and oil and gas sectors have significant impacts on nature, with extractive activities often occurring in or near environmentally sensitive sites. To ensure progress towards the energy transition does not come at the expense of biodiversity, insights into how projects interface with nature will be imperative for Storebrand.

Transition risks are likely to accelerate in the near term, given that the Kunming-Montreal Global Biodiversity Framework was adopted by 196 countries at the UN Biodiversity Conference COP15 in December 2022. Governments are now expected to translate the framework into national plans and policies over the next two years, with an overarching target to halt and reverse biodiversity loss by 2030. This global policy is already being translated to regulation in various jurisdictions, including in the EU through CSDR.

In contrast to climate change, biodiversity impacts are highly location specific. A better understanding of where operations and supply chains are located is therefore key for us to identify and minimize our nature-related risks. We have therefore started the initial mapping of companies with operations in some of the most important places in the world for species and their habitats.

In 2023 we screened companies in our portfolios for Arctic oil and gas drilling. While this year we started the engagement with selected number of electric vehicle (EV) manufacturers encouraging them commit to a moratorium on sourcing minerals from deep sea mining, consistent with the principles announced in the Business Statement Supporting a Moratorium on Deep Sea Mining.

Some of the companies that we are invested in such as BMW, Volvo, Volkswagen and Renault have already committed to a global moratorium on deep sea mining, pledging to keep their supply chains deep sea mineral free until scientific findings are sufficient to assess the environmental risks of DSM.

Mitigating conflict-related risk

Storebrand joins investor project on Conflict Affected and High-Risk Areas (CAHRA)

Recent years have seen a steady increase in the number, duration, and intensity of conflicts globally, with associated human rights violations, which companies might be exposed to responsibility for. The scope and severity of this potential risk exposure, has been increased by new EU due diligence regulation, and requirements for companies to align themselves with UN Guiding Principles and OECD Guidelines.

As a result, investors are expressing growing interest in, and seek guidance on, strengthening their stewardship activities related to their portfolio exposure to Conflict Affected and High-Risk Areas (CAHRA).

Pilot initiative
In this context, Storebrand is working together with the Investor Alliance for Human Rights, Heartland Initiative, and Peace Nexus and a select group of investors to develop and pilot a process for identifying, analyzing, prioritizing, and managing portfolio risk linked to business operations and relationships in CAHRA.

The initiative began in the second half of 2023. During Q1 2024, lead investors have been contacting companies to explain the project and to schedule first calls. The first stage of the engagement will engage companies in the Information and Communication Technology (ICT) and renewables sectors, as they are considered high-risk sectors for this particular theme.

Overall, the ultimate goals of the initiative are to:
- prevent and mitigate harms to rightsholders
- minimize negative impacts on conflict dynamics
- address salient human rights and material risks

Mutual benefits
Ultimately, the initiative will be mutually beneficial for investors and companies.

Participating investors will gain insights by exploring evolving and potential best practice on enhanced human rights due diligence among ICT and renewable energy leaders. These insights will be useful to us in own stewardship activities and to use to advance the level and quality of due diligence practices among other portfolio companies with exposure to CAHRA.

Participating companies also benefit. The dialogues are taking place under Chatham House rules, in which participants are empowered to utilize and share learnings, without personally identifying which participants contributed what information. As such, the project represents an opportunity for company staff to frankly — and collaboratively - discuss the challenges concerning policy, practice, and governance related to CAHRA-based risks to inform investor expectations and shape future dialogues.

Furthermore, in light of the global scope of participating investors, the project is an opportunity to roll up several parallel tracks of potential investor dialogues on human rights in CAHRA, into a single set of conversations. Finally, these conversations represent an opportunity for the companies to showcase to leading shareholders their efforts to prevent and mitigate CAHRA-related risks.

→ In contrast to climate change, biodiversity impacts are highly location specific. A better understanding of where operations and supply chains are located is therefore key for us to identify and minimize our nature-related risks. We have therefore started the initial mapping of companies with operations in some of the most important places in the world for species and their habitats.

Responsible mining for transition

Storebrand joins investor group advocating responsible mining in EV supply chains

The energy transition will require critical minerals like copper, lithium, nickel, cobalt and bauxite. Nickel is a transition mineral used to produce the cathode material of lithium-ion batteries, which are used to power electric vehicles. The single-largest growth in the demand of nickel in the next two decades is expected to come from the electric vehicle (EV) industry.

At the same time, a rising number of reports on the negative environmental and social impacts of nickel mining activities in Southeast Asian countries, including Indonesia and the Philippines, have worried investors. Common issues include deforestation, water and air pollution, biodiversity loss and conflicts with local communities.

Now, 31 investors have formed the Investor Initiative on Responsible Nickel Supply Chains, committed to advocate for responsible mining practices and higher environmental and social standards in nickel supply chains. The investor group will engage with downstream companies like automakers and EV battery manufacturers, asking them to mitigate environmental and social risks throughout their nickel supply chains.

Among other expectations, investors are asking companies to introduce requirements for Free, Prior, and Informed Consent (FPIC) of Indigenous Peoples and local communities in mining operations, as well as to include independent auditing using transparent social and environmental standards during risk and impact assessments of mining and refining sites.

The collaborative engagement initiative is investor-led and supported by civil society. VBDO (Dutch Association of Investors for Sustainable Development) and Rainforest Foundation Norway operate as facilitators and main knowledge partners. Other organizations supporting the initiative are IUCN NL, Earthworks, Transport and Environment (T&E), Mighty Earth, Madani Berkelanjutan, Auriga, Fern, Climate Rights International, Forest Watch Indonesia, Satya Bumi and AidEnvironment.

Background

- 31 investors with US$ 2.7 trillion in combined AuM, have signed a statement asking companies to enhance their environmental and social due diligence in nickel supply chains.
- The Investor Initiative on Responsible Nickel Supply Chains will focus on automakers and EV battery manufacturers.
- Investors are calling for incorporation of responsible mining requirements into mineral supply chain policies, including no-deforestation commitments.

Ratcheting up ambition on emissions reduction

Storebrand signs on to finance sector statement calling for 90% EU emissions reduction by 2040

Over 100 businesses and investors signed a joint letter calling on the EU to set a greenhouse emissions reduction target of at least 90% by 2040. A robust climate target and the decarbonization of our economies will improve the EU's resilience to shocks, energy security and competitiveness.

The letter was handed over to Climate and Environment Ministers during a Green Growth Partnership dinner taking place directly after the Environment Council happening that day. Participants at the dinner included Ministers of Belgium, Finland, Latvia, Ireland, Austria and Spain and State Secretaries from Sweden, Germany, Poland and Slovenia. The letter was handed over directly to the Belgian Minister, as Belgium currently holds the Presidency of the European Council. The Minister welcomed the initiative and private sector leadership on this issue. Kurt Vanderberghe, Director General of DG CLIMA, European Climate was at the dinner and 'greatly appreciated' the letter and support.

Prior to the dinner, Environment and Climate Ministers discussed the 2040 climate target during the Environment Council. Denmark, the Netherlands, Bulgaria, Finland and Spain endorsed a 90% greenhouse gas emissions target by 2040. Austria, Slovenia, Portugal and France welcomed the Commission's recommendation or called for ambitious targets without clearly endorsing the 90% target.

Three countries marked their opposition including Poland, Czech Republic and Hungary. As this is the start of the discussions between Member States, several other countries stressed the need to assess the enabling conditions to achieve the target before making a decision, including Sweden, the Czech Republic and Germany. These discussions will continue in the coming months. The European Commission is expected to issue a legal proposal on the target in Q1 2025 before the European Parliament and Council start the process of setting their positions on the target.

Read more in the statement.

Collective Impact Coalition for Ethical Artificial Intelligence

Second phase of initiative kicks off engagement with a wider scope of companies

During February 2024, Storebrand endorsed the World Benchmarking Alliance's (WBA) investor statement on Ethical AI. The statement emphasized the need for companies to move beyond high-level principles in the face of significant risks stemming from the new generation of AI tools to demonstrate robust AI governance and implementation. Following on from that initial step, at the end of Q1, we joined the second phase of this initiative initiated in 2022. The initiative has engaged 44 companies assessed by WBA's Digital Inclusion Benchmark on ethical AI that did not yet have publicly available ethical AI. Now, the initiative has expanded its scope vastly, to what have been identified as the 200 most influential technology companies in the world.

The Collective Impact Coalition for Ethical Artificial Intelligence aims to push technology companies to advance ethical AI policies and practices and it builds on the findings of WBA's Digital Inclusion Benchmark, which has revealed large transparency gaps in companies' disclosures on ethical AI.

The benchmark found that very few companies had public commitments to responsible and ethical AI, thus failing to meet one of the most fundamental high-level expectations that can be applied to AI. Ethical AI is a critical area of digital inclusion that requires systemic change, and a basic commitment to ethical AI principles can serve as a gateway to building trust with users and to reducing risks and harms to individuals, societies, and companies themselves.

Objectives of Phase 2

This phase will focus on asking that digital technology companies implement, demonstrate, and publicly disclose:

1. a set of ethical principles that guide the company's development, deployment, and/or procurement of AI tools;
2. strong AI governance and oversight across the value chain of AI development and use;
3. how these principles are implemented via specific tools and programs of action relevant to the company's business model, including on the product and service level;
4. impact assessment processes applied to AI, emphasizing human rights impact assessments (HRIAs), especially in high-risk use cases.

Engagement data

Q1 2024

YTD as of 31st March 2024

879 Ongoing engagements
127 activities
50 activities directly linked to engagement

All engagement data presented here, represents unreviewed, unaudited year-to-date totals of engagements conducted, during the period from the beginning of the year until the end of the quarter being reported in. We use these rolling summaries of year-to-date data, because the nature of engagement activity involves engagement points that are not always predictable. Therefore, our engagement activity would not be properly represented presenting isolated snapshots of data within each quarter of the year.

As of end of Q1 2024, we had 879 ongoing engagements in total, with 639 unique counterparties/issuers. A significant share of these engagements—approximately 80%—are collaborative engagements where Storebrand is participating mainly in a supporting/non-lead role. This is a continuation of an ongoing trend, in which, where appropriate, we aim to both maximize our impact and simplify engagement processes for the companies, through joint engagements alongside other investors to achieve shared objectives.

In total, we have registered 127 activities/interactions with issuers during Q1, through meetings, e-mails and letters. Of these activities, 50 of them were directly linked to an ongoing engagement with the issuer.

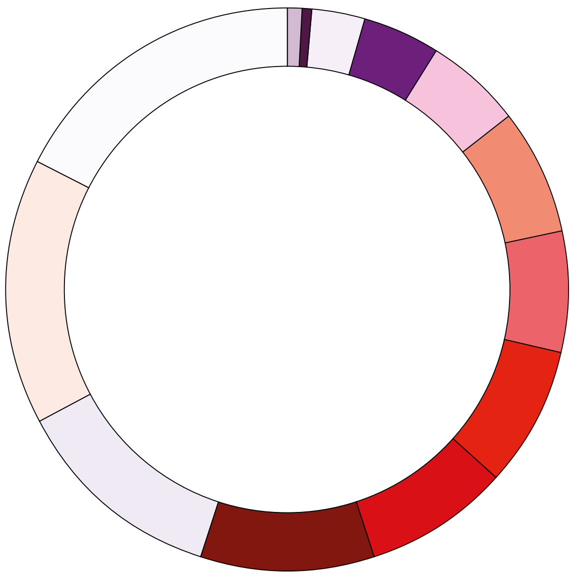
The new engagements initiated so far in 2024, have focused on public policy and advocacy on biodiversity, as well as human rights in occupied territories. But since engagements typically run over longer time periods, a lot of the meetings and activities that we conducted during Q1 related to already existing and ongoing engagements. The focus topics for the activities linked to engagements have primarily been social topics, such as human rights in conflict zones and occupied territories, labour rights, living wages and digital rights.

Where we engaged

Top countries engaged in

Country	Number of engagements	
United States	226	25.74 %
Norway	67	7.63 %
Japan	56	6.38 %
Germany	38	4.33 %
United Kingdom	38	4.33 %
France	37	4.21 %
China	31	3.53 %
Sweden	26	2.96 %
Switzerland	24	2.73 %
Indonesia	23	2.62 %
All other countries	312	35.54 %

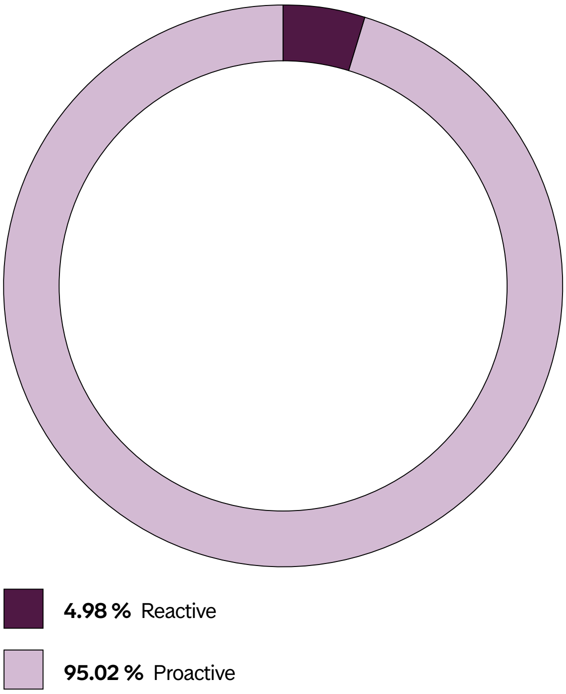
Sectors engaged in



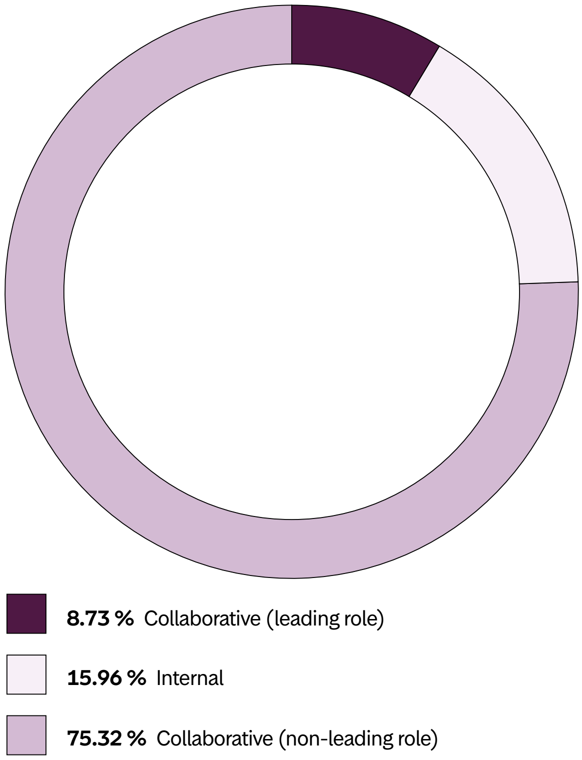
0.23 % None/Other
0.57 % Real Estate
3.08 % Healthcare
4.44 % Information Technology
5.69 % Utilities
7.06 % Financial
7.06 % Communication Services
8.2 % Energy
8.31 % Consumer Discretionary
10.02% Industrials
12.53% Other
15.38 % Consumer Staples
17.43 % Materials

Why and how we engaged

Reasons for engagements

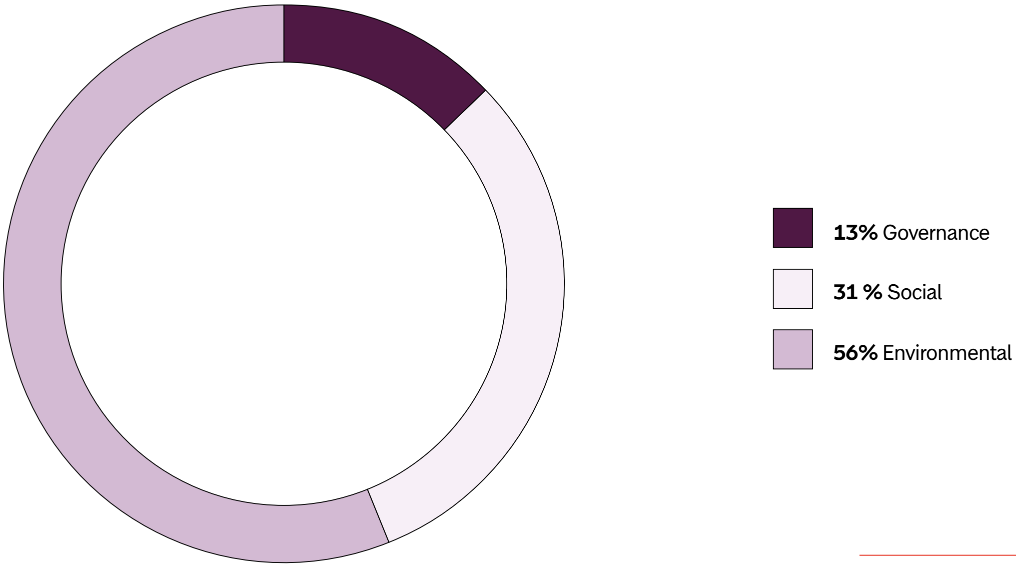


Format of engagements



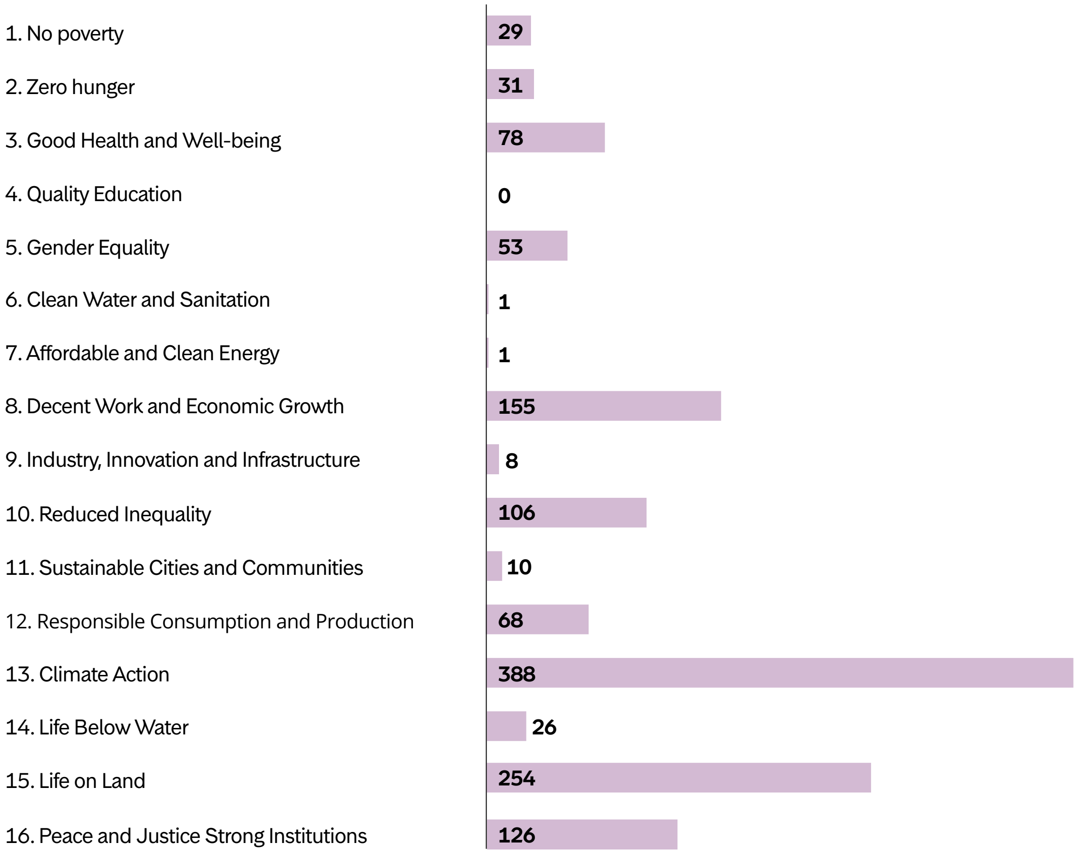
What we engaged in

ESG categorization of engagements

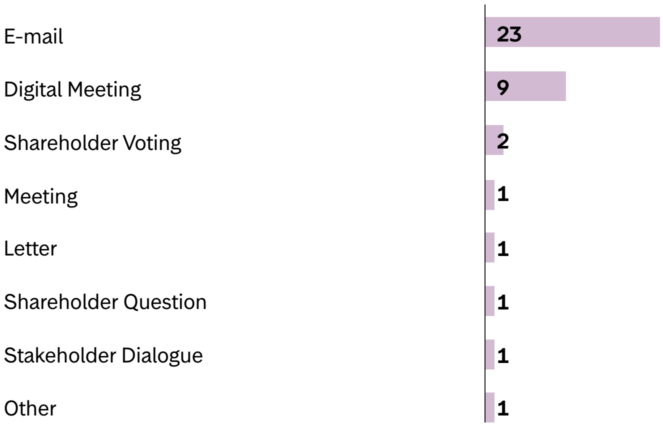


What we engaged on

SDGs impacted by engagements

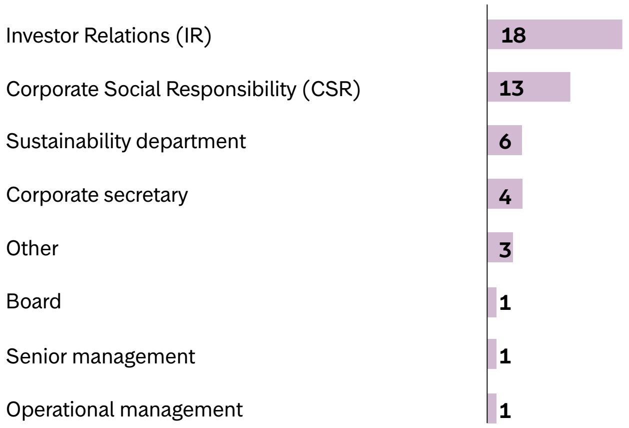


Engagement activity type: How did we contact companies?



We take the viewpoint that all our engagement activities contribute to SDG 17, meaningful partnerships for goals.

Engagement contacts: Who did we contact at companies?



Learn more about our engagement process and see engagement data in real time [at our active ownership web page]

Voting summary Q1 2024

In this first quarter of the year, we have carried on where we left off last year, seeking to maximize the impact of our efforts when it comes to voting.

In that respect, it is instructive to cast a glance back to 2023, when Storebrand Asset Management voted at 1999 company meetings throughout the year. While that figure could be viewed as representing just 45 per cent of all the votable meetings, its significance is better understood in terms of the fact that those 1999 company meetings, represented over 90 per cent of the capital that we have invested in public equities.

We maintain the same ambition for this year: maximum impact of invested capital. So, this year, we aim to vote at the company meetings of:

- our largest holdings globally
- our largest holdings in our home markets Norway and Sweden
- all meetings of companies engaged by any active ownership initiatives that we are part of, or that have environmental or social proposals on the agenda

From Q1 this year, we have included all oil and gas companies in the portfolio on our voting list, to ensure that we use our voting rights to support just and ambitious transition plans for this high-impact sector.

We cast votes on more than 3000 different proposals during Q1, of which the vast majority were related to corporate governance issues, such as director election, routine business and compensation. A total of 45 of our votes were related to environmental or social matters. Several of these were so-called anti-ESG proposals in the US, including two proposals at the AGMs of Deere & Company and Costco to "restrict spending on climate change-related analysis or actions". Similarly, two shareholder proposals at the AGMs of Apple Inc. and John Deere (Deere & Company) attempted to get the companies to pull back their diversity, equity and inclusion programs to prevent "reverse discrimination". We voted against these proposals, which all failed.

The AGM of Tyson Foods, the world's second largest animal protein producer, stood out as having a high number of environmental and social shareholder proposals. We supported proposals on climate lobbying, deforestation, recycling and child labour in the supply chain.

At the AGM of Apple Inc, we supported a shareholder proposal asking the company to report on the use of artificial intelligence (AI). Improved transparency and the disclosure of an ethical guideline may alleviate shareholder concerns about risks associated with the use of AI or the actions the company is potentially taking to mitigate those risks. We expect to see more of this kind of proposal at the AGMs of major tech companies.

Voting key figures Q1 2024 only

General voting data

	Voted	Votable	Percentage voted
Number of general meetings voted	275	740	37.20 %
Number of items voted	3072	6688	45.90 %
Number of votes on shareholder proposals	72	126	57.10 %

Top countries voted in

	Voted meetings	Votable meetings	Percentage voted
South Korea	52	163	31.90 %
USA	41	56	73.21 %
Japan	29	50	58.00 %
China	24	160	15.00 %
India	17	59	28.81 %
Sweden	16	47	34.04 %
Denmark	12	19	63.16 %
Brazil	10	19	52.63 %
Finland	9	18	50.00 %
Norway	7	8	87.50 %
Switzerland	7	13	53.85 %
Colombia	5	11	45.45 %
Indonesia	5	9	55.56 %
Mexico	5	11	45.45 %
United Kingdom	5	5	100.00 %

Percentages rounded off to nearest decimal

To learn about our voting guidelines and see a live presentation of more voting data, visit our proxy voting dashboard

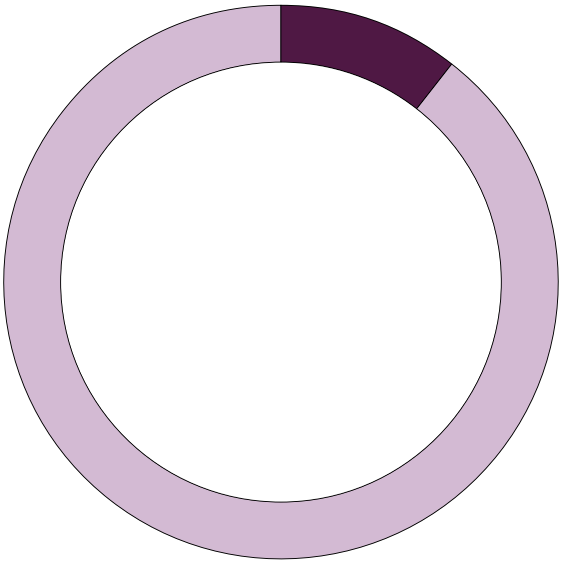
All voting data presented here represents quarterly totals, documenting the voting activity we conducted during Q1 2024 (the period 01/01/2024 to 31/03/2024).

Shareholder proposals overview

	Number of proposals	With management	% with management	With ISS Sustainability policy	% with Policy	ESG Flag
Audit Related	144	143	99 %	144	100 %	G
Capitalization	156	153	98 %	156	100 %	G
Company Articles	121	109	90 %	121	100 %	G
Compensation	362	306	85 %	362	100 %	G
Corporate Governance	4	1	25 %	4	100 %	G
Director Election	1272	1093	86 %	1265	99 %	G
Director Related	520	477	92 %	520	100 %	G
E&S Blended	15	13	87 %	15	100 %	ES
Environmental	11	8	73 %	11	100 %	E
Miscellaneous	17	16	94 %	16	94 %	G
Non-Routine Business	44	43	98 %	44	100 %	G
Routine Business	400	386	97 %	400	100 %	G
Social	19	9	47 %	19	100 %	S
Strategic Transactions	28	25	89 %	28	100 %	G
Takeover Related	5	5	100 %	5	100 %	G

Alignment with management recommendations

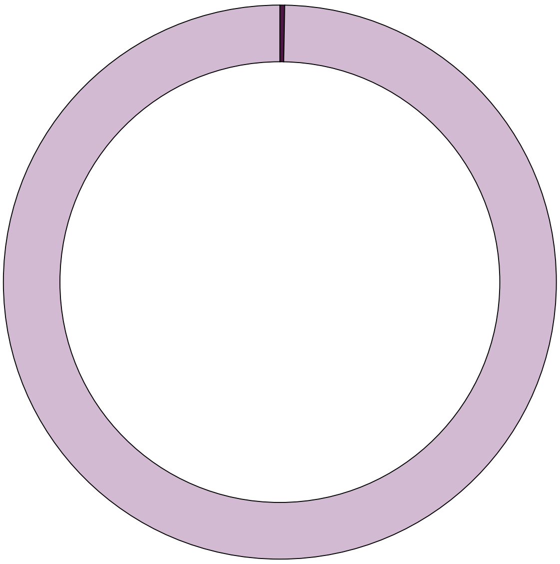
Voting choices compared to management recommendations



10.6 % Votes against management

89.4 % Votes with management

Voting choices compared to ISS recommendations



0.3 % Votes against ISS Sustainability Policy

99.7% Votes with ISS Sustainability Policy

EXCL

Exclusions / Screening and eliminating investments

Exclusions / Screening and eliminating investments

Exclusion key figures Q1 2024

Companies excluded by Storebrand, as of 31st March 2024

Storebrand exclusion list

Category	Newly excluded	Total excluded
Environment	0	20
Corruption and financial	0	9
Human rights	4	60
Tobacco	0	27
Cannabis	0	0
Controversial weapons	1	40
Coal	2	114
Oil sands	1	5
Lobbying	0	4
Arctic drilling	0	0
Marine/riverine tailings	0	4
Deep-sea mining	0	1
Deforestation	0	14
Cannabis	0	0
State-controlled companies	0	15
Total	8	298*
(Observation list)		3

Storebrand extended exclusion list (for selected funds)

Category	Newly excluded	Total excluded
Serious environmental	0	14
Corruption and financial crime	0	4
Human rights	1	47
Fossil fuels	15	516
Alcohol	2	89
Weapons/arms	1	64
Gambling	0	38
Adult entertainment	0	0
Total	19	772*

*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 Fund — Global. We have also excluded 33 countries that are systematically corrupt, systematically suppress basic social and political rights, or that are subject to EU sanctions and UN Security Council sanctions.

Updated exclusion information

Although the "Storebrand Standard" was our policy and approach to exclusion for many years, it was not formally adopted as "policy" in the same way as our more recently created polices have. However, this has now changed.

As part of our continual process of strengthening our internal governance and clarifying our sustainability polices, guidelines, positions, and related documentation, we made several important changes in the fourth quarter of 2023. Those changes included the development of a sustainability documentation hierarchy, with top level policies applicable to all the companies in the Storebrand Asset Management (SAM) group. At the end of 2023, the policies were formalized, with approval from the SAM Board and subsequent adoption into our procedures.

Our updated **Storebrand-Exclusion Policy** is now available on our website. The content of the policy is the same as the former Storebrand Standard — no exclusion criteria have been taken away.

Øyfjellet Wind Investment AS Excluded

After an observation period of nearly two years, Storebrand has concluded that Øyfjellet Wind Park entails an unacceptable risk of contributing to human rights violations against the members of Jillen-Njaarke reindeer herding district, who are Sámi Indigenous people. Storebrand has therefore excluded bond issuer Øyfjellet Wind Investment AS from its investment universe, for breach of the human rights criterion of Storebrand's Exclusion policy. At the same time, Eolus Vind AB has been removed from Storebrand's observation list, as the company is no longer involved in Øyfjellet Wind Park.

Companies involved in Øyfjellet Wind Park

Øyfjellet Wind Park consists of 72 wind turbines and an extensive network of access roads in a concession area of 40 square kilometres in a mountain area in Vefsn, Nordland. The project has 400 MW installed capacity and projected annual energy production is 1320 GWh.

Øyfjellet Wind Park was developed and built by the Eolus Vind AB, but the project company Øyfjellet Wind AS was in 2019 sold by Eolus Vind to Aquila Capital, a private investment and asset development company. Øyfjellet Wind Park was put into operation in September 2022, and in April 2023 Øyfjellet Wind AS took over the wind park from Eolus Vind. The parties agreed that Øyfjellet Wind AS would also assume responsibility for operating the wind park, thus ending Eolus Vind AB's involvement in the project. Øyfjellet Wind AS is a wholly owned subsidiary of Øyfjellet Wind Investment AS, which is primarily a financing vehicle and a holding company with no other assets than the shares in Øyfjellet Wind AS.

Impact on Indigenous peoples' rights

Based on the precedent set by Norway's Supreme Court in the Fosen case in 2021, it is Storebrand's opinion that the construction of Øyfjellet Wind Park has caused a violation of the right of Sámi reindeer herders to enjoy their own culture, protected by Article 27 of the International Covenant on Civil and Political Rights (ICCPR), - this constituting a breach of Storebrand's Exclusion Policy. As, in our opinion, sufficient measures have not been taken to mitigate the human rights impact, we see there is a risk of a continual and future breach of our Exclusion Policy.

Øyfjellet Wind park exacerbates the significant cumulative impacts from other interventions in the reindeer herding district, including roads, railway, agriculture and hydropower, causing a high risk of passing the threshold for a violation of article 27 of ICCPR. The high vulnerability of the Southern Sámi culture, and the importance of reindeer herding for the survival of this culture and the Southern Sámi language, was an important element of the Supreme Court's decision in the Fosen case, and the same applies for Øyfjellet Wind Park.

Storebrand's opinion, the impact of Øyfjellet Wind Park causes significant harm to the ability to continue traditional reindeer husbandry in the area. The presence of wind turbines prevents the traditional use of an established reindeer migration route to and from a winter grazing area upon which the district depends. The wind park also negatively affects grazing areas normally used during spring and autumn migration. Traditional reindeer husbandry requires flexibility to account for natural variability like weather and grazing conditions, presence of predators, and the reindeer's instincts.

While reindeer husbandry has adopted use of new technology in recent decades, natural migration is still the central element of this traditional production form, which is protected by Art. 27 of ICCPR. The fact that it may be possible to force the reindeer herd through the project area, does not in our opinion prevent a breach of the right to exercise reindeer husbandry in accordance with traditional practices of Southern Sámi culture. In our opinion, the plan for mitigating measures adopted by the Ministry of Energy on 8 March 2024, is unlikely to avoid a breach of Article 27 of ICCPR.

In addition to the direct impacts of Øyfjellet Wind Park, it is our opinion that the project was developed and built without the Free, Prior and Informed Consent of the affected Indigenous Sámi community of Jillen-Njaarke District, and that insufficient measures have been taken to remedy this situation by seeking the consent of members of Jillen-Njaarke District to mitigating actions.

Eolus Vind AB no longer under observation

While Storebrand considers that **Eolus Vind AB**, as project developer, is jointly responsible for creating the situation which in our opinion causes a human rights violation, Eolus no longer has any role in the project and thus no opportunity to take mitigating measures that may stop the human rights breach.

Storebrand considers that Eolus, as a result of the dialogue with Storebrand, has taken significant steps to reduce risk and ensure respect for human rights in its business operations. The company has adopted a policy on human rights and guidelines for protection of Indigenous peoples' rights, and has integrated these into project management procedures and staff training. Storebrand has also assessed other projects of Eolus Vind with potential impacts on Sámi communities in Sweden and has not found evidence of human rights breaches. Storebrand has therefore decided to remove Eolus Vind AB from the observation list and lift investment restrictions on the company.

→ The growing number of Israeli settlements in the oPts have prompted new cautions from the government of Norway.

Norwegian government updates advice on Israeli settlements

Changes with implications for businesses based in Norway

Storebrand has been working on the issue of managing risk related to the occupied Palestinian territories (oPt) for many years. Given the level of risk, we have a process of continually assessing our exposures and taking decisions based on our findings.

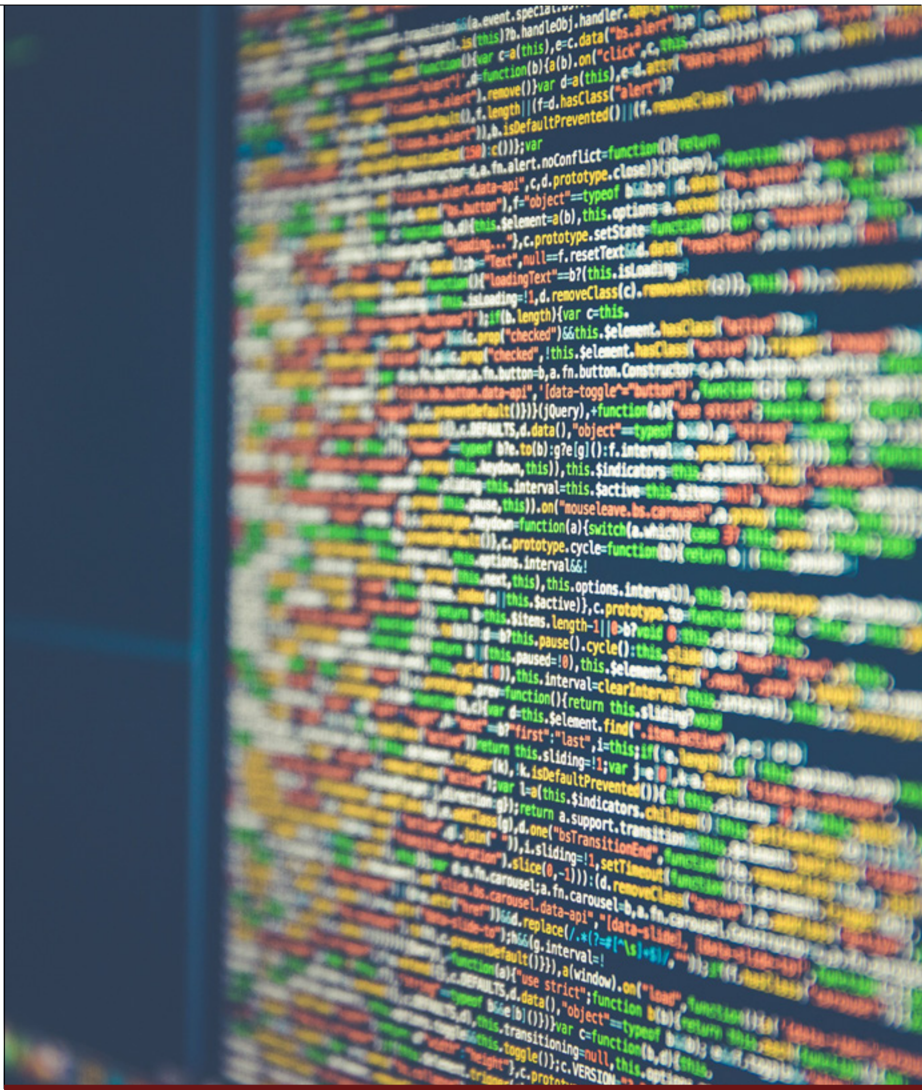
Based on that experience, we have since 2009 developed a set of criteria to assess to what extent companies contribute to the regime resulting from Israel's 50+ years of occupation. The criteria cover companies that:

- may be providing surveillance and identification equipment at checkpoints and therefore enabling the regime resulting from the occupation (most severe contribution)
- contribute to construction, maintenance and expansion of settlements and exploitation of natural resources, including infrastructure and direct financing (second-most severe contribution)
- buy goods or services from companies that have operations in Israeli-occupied territories.

Companies falling within the first and second most severe categories are candidates for engagement and potential exclusion, if engagement fails. We took a new assessment in March 2024 when, against the backdrop of deadly conflict in Gaza and the West Bank, the Norwegian government issued recommendations to Norwegian businesses regarding Israeli settlements on the occupied Palestinian territories (oPt).

In sum, the government's updated advice cautions Norwegian companies of the risk that they could be contributing to violations of international humanitarian law and human rights, by conducting economic of financial activity in the illegal Israeli settlements in the oPt. The advice to Norway's business sector concerns business activity and trade in goods produced in Israeli settlements.

Learn more in the Government of Norway's March 14th, 2024 press release on Israeli settlements.



IBM excluded and DXC Technologies included

Decision based on involvement in database used to implement apartheid

During the first quarter of 2024, based on our analysis of the occupied Palestinian territories (oPt), we took the decision to exclude from investment **IBM (International Business Machines Corporation)** a multinational technology company headquartered in the U.SA. The analysis also led us to include in our investment universe, DXC Technologies, a technology and consulting services company headquartered in the same country.

Database project

IBM reportedly operates the database of Israel's Population, Immigration, and Borders Authority (PIBA). The database in question includes information on both citizens and non-citizens within Israel and the occupied Palestinian territory (oPt). The database's main component is Israel's biometric population registry, which records people's ethnic and religious identity — information that is recorded on government-issued ID cards, which by law, all residents must carry. IMB's contract includes the management, maintenance, and operation of the system, as well as designing the newly implemented system.

The database and the ID system it powers normalize the situation of citizens of Israel in illegal settlements and is the backbone of the regime of segregation implemented by Israel, which discriminates against Palestinians and hinders their movement. Therefore, the databate facilitates the fragmentation of Palestinian society; determines the legal jurisdiction that Palestinians fall under (civilian vs. military law); and restricts their participation in the political system (who can vote and be elected), where they can live, work, and travel, and their access to government services. The Special Rapporteur for the occupied Palestinian territory (oPt), has categorised this regime as a state of apartheid, which is classified as a crime against humanity.

IBM is not willing to discuss this issue with Storebrand and explained that the scope and details of its client contracts are confidential and added that it has a robust review process to screen client contracts, consistent with applicable laws and IBM's own policies, including its policy on human rights. However, IBM has not denied having operations in oPts.

PIBA was operated first by Hewlett Packard (a company which we initially excluded, then later included as it ceased to be involved in this database project).

Project changes result in DXC Technologies inclusion

DXC Technologies has been gradually phased out of the project and replaced since 2021, by the new system now operated by IBM. DXC Technologies was again contracted via its subsidiary until 2025 to provide biometric program development services for PIBA. However, DXC Technologies' subsidiary was acquired by an Israeli IT company in 2022 and thus no longer is owned by company DXC Technologies. Thus, we have now included DXC Technologies, as it is no longer involved in this project.

UN Rapporteur's conclusion on a state of apartheid

In a UN Human Rights Council session on March 22, 2022, Michael Lynk, the previous UN Special Rapporteur on the situation of human rights in the Palestinian territory occupied since 1967, concluded that the political system of entrenched rule in the occupied Palestinian territory satisfied the prevailing evidentiary standard for the existence of apartheid.

"...First, an institutionalised regime of systematic racial oppression and discrimination has been established.

Second, this system of alien rule had been established with the intent to maintain the domination of one racial-national-ethnic group over another.

And third, the imposition of this system of institutionalised discrimination with the intent of permanent domination had been built upon the regular practice of inhuman(e) acts.
With the eyes of the international community wide open, Israel had imposed upon Palestine an apartheid reality in a post-apartheid world.1
..."

Apartheid is considered a crime against humanity.

For more information, please see the [Convention on the Suppression and Punishment of the Crime of Apartheid, 1973]

CAF Excluded

Decision based on involvement in transportation system for illegal settlements

We took a decision during the first quarter of 2024 to exclude from investment **Construcciones y Auxiliar de Ferrocarriles (CAF)** due to activities related to the occupied Palestinian territories (oPt). The company, which operates across the transportation sector, is headquartered in Madrid, Spain, with operations and a customer base in many countries around the world.

CAF holds a 50 per cent share of the consortium that operates the Jerusalem Light Rail (JLR) network, jointly owned with its Israeli partner, Shapir Engineering and Industry, which is already excluded. It also holds a 50 per cent share in the company conducting the Operation and Maintenance contractor of the JLR project.

The Jerusalem Light Rail network is a large-scale Israeli transport infrastructure project connecting the large settlement blocks in occupied East Jerusalem, to the centre of the city and its western side. The network creates territorial continuity and eases settler movement on both sides of the Green Line, therefore normalising the annexation of East Jerusalem to the rest of Israel.

Since 2020, the JLR has been expanding several lines into Israeli settlements in East Jerusalem, with CAF also involved in the expansion work. Through these operations, CAF is reinforcing the permanence of the existing illegal settlements, and contributing to the expansion of new settlements, thus furthering Israel's illegal acquisition of territory. The transference of Israel's population into the occupied territories constitutes a violation of international law.

CAF is not willing to engage on this issue with Storebrand, instead referring us to its annual and sustainability reports with regards to these specific operations. The company claims to be fully committed to due diligence in human rights matters and its operations in alignment with OECD guidelines.

TEAM

Team / Risk and Ownership Team

Team / Risk and Ownership Team Team / Risk and Ownership Team

Storebrand manages sustainability risks through the coordinated efforts of our risk and ownership team, in collaboration with our investment managers, including the Solutions investment team. 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.

Kamil Zabielski

Head of Sustainable Investment

Zabielski, who joined our sustainable investments team in 2021, was previously Head of Sustainability at the Norwegian Export credit Agency (GIEK), and advisor at the Council of the Ethics for the Norwegian Government Pension Fund — Global. His specializations 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 sustainable investments team in 2008, specializes in human rights, labour rights, Indigenous peoples' rights and international humanitarian law. She is responsible for Storebrand'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 sustainable investments 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 multi-lateral 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 sustainable investments 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 organizations in Colombia and has an M. Phil in Human Rights Law from the University of Oslo.

Victoria Lidén

Senior Sustainability Analyst

Lidén, who joined our sustainable investments team in 2021, is based in Stockholm and works with ESG analysis and active owner-ship, 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 has 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 sustainable investments team in 2023, has extensive experience in analyzing issuers' ESG profiles and green frameworks. Prior to joining Storebrand, Landré was with the London Stock Exchange Group, where he worked with 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.

Emine Isciel, Storebrand's Head of Climate and Environment

Navigating the Green Frontier:

Emine Isciel on Sustainable Futures

Emine Isciel on climate and nature crises and investor challenges in addressing them

You are part of the Storebrand Asset Management sustainability team, as the Head of Climate and Environment — what does a typical workday look like for you?

My workday is diverse; no two days are the same. I'm involved in a wide range of tasks, from creating policies related to climate and environment for Storebrand Asset Management to conducting dialogues with companies and government bodies. A significant part of my time is devoted to collaborating with fellow investors in various initiatives like Climate Action 100+, where Storebrand holds a leading role. The global financial sector has made a commitment of achieving net-zero emissions by 2050. The most effective pathway to this goal is through collective action and collaboration.

What inspired you in the past to want to work on climate and environmental issues?

I started working on environmental issues back in 2003, and my interest in the field was sparked during my studies. Since then, the situation has become more serious. The world's countries are facing the twin crisis of climate and nature, and time is running out. At the same time, it has probably never been more incorrect to believe that it is too late to do something, and more right than ever before to work on climate and environmental issues.

A big question, but if you had to briefly describe the state of the world's climate and environment and how it has changed over the past few decades, what would you highlight?

The Earth has become warmer, and the consequences of this are being felt everywhere. The UN has shown that climate change has led to more extreme weather, and in the future, we will be affected more frequently and severely by heatwaves, hurricanes, floods, and droughts. Poor harvests, bacterial epidemics, and rising sea levels can no longer be ignored, and it's the vulnerable communities that historically have contributed the least to emissions that are experiencing the worst negative consequences. Furthermore, the UN emphasizes that we are in the midst of a nature crisis, with the risk of a million species becoming extinct if we fail to save the ecosystems they inhabit. We have already reduced the world's wildlife population by 69% since 1970 [2],, and the decline continues at an increasingly rapid pace, leading to what is often described as "the sixth mass extinction" due to the rapid loss of valuable ecosystems.

Your job is to examine financial risks associated with natural hazards. Can you explain how these are linked and why, for example, biodiversity is crucial for potential continued production and growth worldwide?

Nature provides a wide range of ecosystem services on which the economy relies on. Examples of such services include pollination, flood mitigation, carbon storage, and the purification of water, air, and soil. The value of these services has been estimated to $120-145 trillion annually, or in other words, over one and a half times the global gross domestic product. The World Economic Forum (WEF) estimates that half of the global gross domestic product is either highly or moderately dependent on nature and the services it provides. At the same time, many sectors continue to have negative impact on biodiversity loss. For nature to continue to provide its services to the economy, it is necessary to protect and restore nature.

The entire world's environment and the figures you've presented are enormous issues to address and solve for society, business, and individuals. How does

one work as an asset manager to change and influence in this area?

When it comes to nature, it has so far been challenging for the industry to analyze and manage these risks in a systematic manner. The main reason for this is the lack of data at the company level. Therefore, it was extremely important for Storebrand to be present in Montreal during the COP 15 UN Biodiversity Conference and ensure that the new agreement has an explicit reference to corporate reporting on nature. The new agreement urges authorities to ensure that companies report on their impact on and dependence on nature, and we already see this materialize in the form of new regulations in several jurisdictions, including the EU through CSRD (Corporate Sustainability Reporting Directive). This information will allow financial institutions to compare and assess companies and manage the risks with the aim of redirecting capital away from companies that contribute to the destruction of nature.

And without data — what can you do then?

In the absence of data, we have made the best of available /existing data. We know which factors are driving the loss of nature. According to the UN [1], land use change is the primary cause of biodiversity loss. An example of this is when we convert forests into agricultural land. Secondly, we know which ecosystems are most valuable in terms of biodiversity or the biodiversity hotspots. One such ecosystem is the rainforest. Even though rainforests cover only 6 per cent of the Earth's surface, half of the world's species live here. And that's a conservative estimate: Some estimates suggest that as much as 80 per cent of all terrestrial species are found in the rainforest. With this information as a starting point, we have dedicated considerable time to eliminate commodity driven deforestation from our investments. A combination of available company data and satellite imagery has allowed us to identify companies in our portfolios that may be linked to activities that drive deforestation. This ranges from companies producing soy in Brazil to Norwegian salmon industry using Brazilian soy in their salmon farms. We expect these companies to ensure full traceability and provide documentation demonstrating that they have not contributed to deforestation at any stage of their production chain.

The need for data in sustainability has long been discussed, emphasizing that without proper reporting in place, one cannot act fully. How do you respond to this, and what is generally the most 3 challenging aspects within your field of work?

Data is a fundamental prerequisite for risk management. Without robust information, we cannot compare companies within a particular sector. However, the lack of data can also be used as an excuse for not taking action. Sometimes, what is needed isn't more data or perfect data, but rather the right type of information to make the crucial decisions.

And what can and should an institutional investor consider regarding their investments related to nature?

Firstly, it is important to understand exposure and identify risks and opportunities. There has been tremendous progress in this area in recent years, both in terms of developing frameworks such as TNFD (Taskforce on Nature-related Disclosures) and in terms of data availability. The so-called LEAP approach is of central to TNFD framework and serves as guidance for how businesses should systematically work to identify, evaluate, and report nature-related risks.

Sometimes, what is needed isn't more data or perfect data, but rather the right type of information to make the crucial decisions.

The acronym LEAP stands for:

- Locate: Identify/locate the interfaces between the business and nature
- Evaluate: Assess the business's dependence on and impact on nature
- Assess: Evaluation of the business's risks and opportunities
- Prepare: Preparation for managing nature-related risks and reporting

When I hear the staggering figures you mention about the changes that have occurred in climate and the environment, it feels stressful and overwhelming because these are significant global issues and enormous problems we must address as a society. But it also sounds hopeful because there are solutions. How do you find the energy to continue driving and raising awareness of these important issues?

I think it's entirely natural to feel gloomy when reading the UN's predictions about the future of the planet. At the same time, it's essential to balance pessimism with optimism. We work in a sector that is absolutely crucial for the transition, and the capital market plays a decisive role in shifting towards a greener society. I am highly motivated by working in a sector and being part of an institution that has demonstrated that we can make advancements especially when we involve the full breadth of financial institutions.

You recently spoke at *Risk & Return*, a major investor event in Stockholm. What other interesting assignments and projects do you have ahead of you, and is there any particular climate and environmental issue that is particularly relevant?

We are currently working on a document together with Finance for Biodiversity and 170 other financial institutions which will be released later in April. This document lays out policy measures and instruments that are needed to align financial flows with the Kunming-Montreal Agreement. An enabling environment is absolutely crucial if the financial sector is to play its role in the transition.

References

[1] IPBE's *Global Assessment Report on Biodiversity and Ecosystem Services*

[2] WWF's *Living Planet Report 2022*


WORLD BUSINESS
B3

Roundup

In the media

New Nature Action 100 sector guide cuts through the complexity of nature agenda
ESG Investor
March 27, 2024

In an update on launch of the Nature Action 100's sector guide, Storebrand Assset Management's Head of Climate, Emine Isciel provides commentary on the importance of taking sector-tailored approach, to maximize success in identifying both risks and opportunities.

https://www.esginvestor.net/na100-launches-sectoral-guide-to-nature-engagement/

Big read: Are non-tropical forests an investor blind spot?
Responsible Investor
March 12, 2024

A feature article on how investors are addressing loss and degradation of non-tropical forests. Storebrand Asset Management Senior Analyst Vemund Olsen is quoted noting that logging boreal forests for wood pellets is an example of how a single-minded focus on emissions reductions may cause significant harm to other social and environmental objectives. Storebrand's collaboration with KLP on an investor letter to companies is mentioned, as well as the efforts of the Nature Action 100 coalition.

https://www.responsible-investor.com/big-read-are-non-tropical-forests-an-investor-blind-spot/

PRI announces endorsers and target firms for Spring nature initiative
Responsible Investor
February 7, 2024

News article reporting on the endorsers and targets for the Spring initiative, which was launched last November, during the PRI in Person Conference in Tokyo. Storebrand Asset Management mentioned as one of the first endorsers and described as a nature heavyweight in the context of sustainable investments.

https://www.responsible-investor.com/pri-announces-endorsers-and-target-firms-for-spring-nature-initiative/

Who's doing what for Nature Action 100?
Responsible Investor
January 17, 2024

Feature article taking stock of investors' commitments and activities in the context of Nature Action 100. Storebrand Asset Management shared engagement targets, mainly in the Nordic countries, to ensure transparency.

https://www.responsible-investor.com/ri-survey-whos-doing-what-for-nature-action-100/

Events calendar

Looking ahead

#Infra4dev Conference
Rabat, Morocco
May 9-10, 2024

The World Bank's Infrastructure Vice-Presidency is gathering the fourth session of Infrastructure for Development conference to promote dialogue between researchers and policymakers and investment practitioners on utilizing infrastructure for development, including digital infrastructure, transport networks, and energy systems.

https://www.worldbank.org/en/
events/2023/11/27/infra4dev-con-
ference-the-future-of-infrastructu-
re-financing

Blue Food Innovation Summit
London, UK
May 21-22, 2024

The Blue Food Innovation Summit brings focuses on investing in and developing solutions for sustainable aquaculture. CEO Jan Erik Saugestad will present Storebrand Asset management's approach to nature risk.

https://www.bluefoodinnovation.com/

NordicSIF 2024 Conference
Oslo, Norway
June 12, 2024

Norsif will be gathering the NordicSIF conference in summer 2024, bringing together members of Dansif, Finsif, Swesif, IcelandSIF, and Norsif. The meeting will focus on bolstering discussion and collaboration between Nordic sustainable investors and this year's theme is challenges and opportunities entailed by the transition to a net-zero economy. Some keynote speakers include Alex Edmans, the author of Grow the Pie: How Great Companies Deliver Both Purpose and Profit; Kjerstin Braathen, the CEO of DNB, Norway's largest financial institution; and Ulf Sverdrup, who led the government-appointment commission on the long-term perspective of the Norwegian Government Pension Fund Global.

https://norsif.org/aktiviteter/nordics-
if-2024/

Responsible Investor Europe 2024
London, UK
June 12-13, 2024

This year's RI Europe event will bring together investors and fund managers to discuss the state of the industry and future pathways including focus themes such as the changing EU regulatory landscape on sustainability, improving engagement practices, biodiversity and nature in finance, next steps in transition finance, and the 2024 European Parliament elections and its impact over the sustainable finance landscape.

https://info.pei.group/
ri-europe-24-agenda.
html?_gl=1*t5lhvs*_ga*MjkyM-
DU5NjI0LjE3MTMyNTUxMDc.*_
ga_MPW4G472WJ*MTcxMzI1N-
TEwNy4xLjEuMTcxMzI1NTE-
0My4wLjAuMA.

Sustainability Week US
New York, US and online
June 12-13, 2024

The fourth annual sustainability week brings together sustainability professionals from business and finance to discuss industry challenges, changing regulatory landscapes, and innovative moves.

https://events.economist.com/
sustainability-week-usa/

Important information
This is a marketing communication, and this document is intended for institutional investors. Alternative investment funds are only eligible for professional investors. Except otherwise stated, the source of all information is Storebrand Asset Management AS, as of the date of publication.

Statements reflect the portfolio managers' viewpoint at a given time, and this viewpoint may be changed without notice. Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on market developments, the fund manager's skills, the fund's risk profile and subscription and management fees. The return may become negative as a result of negative price developments. Future fund performance is subject to taxation which depends on the personal situation of each investor, and which may change in the future.

Storebrand Asset Management AS is a management company authorised by the Norwegian supervisory authority, Finanstilsynet, for the management of UCITS under the Norwegian Act on Securities Funds. Storebrand Asset Management AS is part of the Storebrand Group. No offer to purchase shares can be made or accepted prior to receipt by the offeree of the fund's prospectus and KIID and the completion of all appropriate documentation.

For all fund documentation including the KIID, the Prospectus, the Annual Report and Half Year Report, unit holder information and the prices of the units, please refer to **www.storebrand.com/**. No offer to purchase shares can be made or accepted in countries where a fund is not authorized for marketing. Investors' rights to complain and certain information on redress mechanisms are made available to investors pursuant to our complaints handling policy and procedure. The summary of investor rights in English is available here: **www.storebrand.com/**. Storebrand Asset Management AS may terminate arrangements for marketing under the Cross-border Distribution Directive denotification process.

Find out more about our work and offerings

Storebrand Asset Management is part of the Storebrand Group, managing NOK 1100 billion of assets for Nordic and international clients.

Sara Skärvad
Director of communications
Storebrand Asset Management
Vasagatan 10, 10539 Stockholm, Sweden
+46 70 621 77 92 (Mobile)
sara.skarvad@storebrand.com

Visit the Storebrand Asset Management document library
Follow us on LinkedIn

Storebrand