Storebrand Asset Management

Nature Policy

Adopted by:	Board of Directors, Storebrand Asset Management AS
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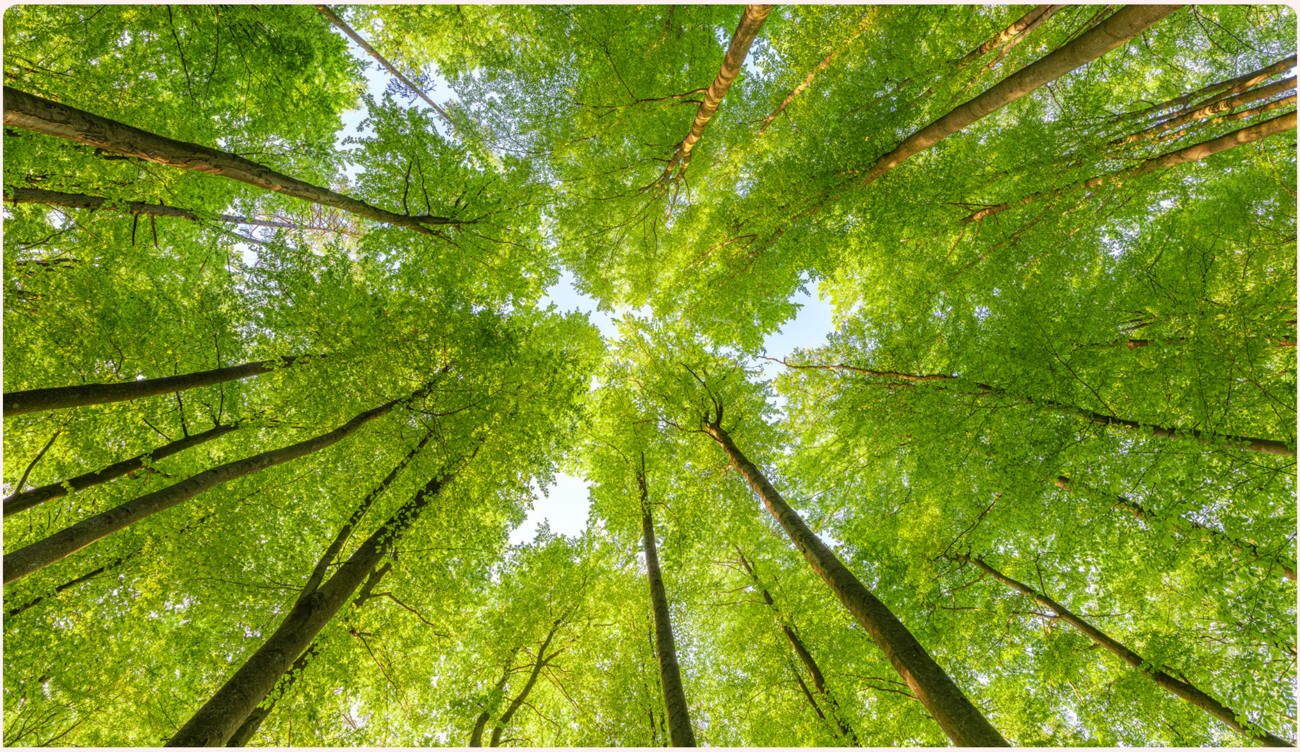
Document owner:	CEO, Storebrand Asset Management AS

1. Our commitment to nature

This policy is a supporting document to the Storebrand Group Sustainable Investment Policy, detailing how Storebrand can contribute to reversing nature loss.
The policy applies to investments made on behalf of customers of Storebrand Asset Management (Storebrand AM) including subsidiaries, and it covers investments in all asset classes.

Storebrand AM is committed to protect and restore nature through our financing activities. We believe biodiversity loss and associated decline in ecosystem services will affect the capacity of our long-term economic growth and is likely to have implications for long-term asset returns. Protecting nature is therefore an integral part of Storebrand AMs commitment to sustainability. As a signatory to the Finance for Biodiversity Pledge, we are also committed to collaborate and share knowledge, engage with companies, assess impact, set targets and report publicly on biodiversity annually.

This policy is detailing key areas where we believe we can contribute. These are mainly through; 1) Impact assessment 2) Risk management: Increasing our positive and reducing our negative impact on nature and 3) Reporting: Reporting in line with international standards and frameworks such as Taskforce on Nature-related Financial Disclosures (TNFD).



This policy is a supporting document to the Storebrand Group Sustainable Investment Policy, detailing how Storebrand can contribute to reversing nature loss. It also takes consideration of the EU taxonomy and Sustainable Finance Disclosure Regulations (SFDR) which will also be central in guiding what constitutes a positive impact on nature and will require increased transparency and reporting on biodiversity risks and impacts in our investment portfolios.

1.1 Definition of biodiversity and nature

We define biodiversity in line with the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) as following:

"The variability among living organisms from all sources including terrestrial, marine, and other aquatic ecosystems and the ecological complexes of which they are a part. This includes variation in genetic, phenotypic, phylogenetic, and functional attributes, as well as changes in abundance and distribution over time and space within and among species, biological communities, and ecosystems."

Biodiversity is the part of nature that is alive and includes every living thing on Earth. Nature is all the existing systems created at the same time as the Earth, all the features, forces and processes, such as the weather, the sea, and mountains. In other words, nature is all life on Earth (i.e. biodiversity), together with the geology, water, climate and all other inanimate components that comprise our planet. [1]

1.2 Drivers of nature loss

In 2019 the IPBES published a major report containing the first major assessment of the status of global diversity since 2005. The IPBES – Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services – is the independent biodiversity body of the United Nations. According to the IPBES, nothing less than a systemic change will halt the biodiversity crisis. Our political, economic, and technological system must be radically overhauled. Without these changes the ability of our planet to support life will be seriously compromised. And future generations will be deprived of the rich biodiversity we still enjoy today. Action now is vital to avert this threat.

IPBES identified the following main drivers of biodiversity loss:

- Land use change and nature deterioration
- Overexploitation
- Climate change
- Invasive species
- Pollution

1) Difference between biodiversity and nature, Convention Biological Diversity
2) IPBES (2019): Summary for policymakers of the global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. IPBES Secretariat, Bonn, Germany

1.3 The financial sector and changing perceptions on nature-related financial risks

According to World Economic Forum, $44 trillion of economic value generation – more than half of the world's total GDP – is moderately or highly dependent on nature and its services and is therefore exposed to risks arising from nature loss. The IPBES Global Assessment Report estimated that 1 million animal and plant species are threatened with extinction. Seven of the nine "planetary boundaries", that have ensured the stable conditions that have enabled all civilizations to form and prosper over the last 11,000 years, are already exceeded. This affects nature's capacity to continue providing the ecosystem services on which the society and economy depend.

Environmental change can therefore trigger significant disruptions to economic production. Business risk may be related to the impacts of a company's operations on nature, or to the dependence of a business on ecosystem services as inputs to production. The Dasgupta Review has set out that such risks associated with biodiversity loss have significant macroeconomic and financial implications. Besides posing a systemic risk, the Review classified the financial risks associated with biodiversity loss into physical risks, such as changes in ecosystem services due to degradation of natural assets; litigation risks, such as legislation and fines from damage to natural assets; and transition risks, such as policy changes and shifts in social norms as the economy adjusts to more sustainable approaches.

1.4 The 9 planetary boundaries

In 2009 the planetary boundaries framework[3] was developed by the Stockholm Resilience Centre, aimed to define the environmental limits within which humanity can safely operate. The nine planetary boundaries cover physical, chemical and biological processes of the Earth system, i.e. climate change, biosphere integrity, biogeochemical flows, land-system change, ocean acidification, freshwater use, stratospheric ozone depletion, novel entities and atmospheric aerosol loading.

To stay within the planetary boundaries, a transformation will be required with significant effort from all stakeholders, including financial institutions. Current misalignment of financial flows reflects broader weaknesses in the global economy as well as lack of regulations and public policy. While governments bear primary responsibility for addressing nature loss, we believe that the financial sector has an important complementary role. We will therefore apply the below to guide our investment decisions and actions on nature.

2. Roles and responsibilities

This Policy is approved by the Board of Directors of Storebrand AM.

Responsibility for implementation and assessment of related risk lies with Chief Investment Officers and Portfolio Managers within Storebrand AM, in close collaboration with the Risk & Ownership team. A report on activities and progress will be provided to the management and Board of Storebrand AM as required on a regular basis.

3) Nine Planetary Boundaries, Stockholm Resilience Centre 2009

3. Strategies and investment methods

3.1 Impact assessment and target setting

With our investment activities, Storebrand AM wants to contribute to the protection of biodiversity through increasing our positive and reducing our negative impacts on nature by strengthening and enhancing nature-related risk assessments in financial decision making.

We are currently assessing our impact using best available tools and will set further targets in line with international agreements such as the Global Biodiversity Framework under the Convention on Biological Diversity with the aim to support a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes. We are committed to disclose our biodiversity exposure and align this reporting with the Taskforce on Nature-related Financial Risks (TNFD) recommendations.

3.2 Engaging with companies and other relevant stakeholders

Storebrand AM will prioritise the most material sub-industries from the perspective of nature-related impacts to ensure that these companies are mitigating their potential negative impacts. Our expectations to companies are built on the mitigation hierarchy set out in the International Financial Corporation's (IFC) Performance Standard 6 and guided by investor expectations set by the Nature Action 100.

We expect companies to adopt and implement policies to address nature-related financial risks and opportunities in their investments and financial operations. The key elements will vary by industry, but as a minimum requirement, we expect companies to report on a four-pillar approach, structured around how organizations operate: 1. Governance 2. Strategy 3. Risk Management and 4. Metrics and Targets. In addition, companies should also incorporate the principle of "double materiality". This means companies should disclose not just how nature may impact the organization, but also how the organization impacts nature.

While Indigenous Peoples own, occupy, or use a quarter of the world's surface area, they safeguard 80 percent of the world's remaining biodiversity.[4] Securing Indigenous Peoples' customary rights is widely recognized as the most effective way of protecting biodiversity and ensuring sustainable use of nature. Storebrand AM expects companies to respect Indigenous Peoples' human rights, including rights to lands, territories, and resources, and to apply international best practice in seeking their Free, Prior and Informed Consent for business activities that may affect them.

In addition to dialogue with companies, we will actively use our shareholder voting rights to promote protection of nature. Through voting at company shareholder meetings, we will signal whether we consider companies to be making acceptable progress and we commit to the following:

- Supporting shareholder resolutions asking management of companies in high-impact sectors to assess, report on and reduce key impacts and dependencies on nature
- Support shareholder resolutions asking companies to set science-based targets for nature and climate, including emissions from forestry, agriculture, and land use
- Voting in favour of proposals asking for location-specific disclosure of dependencies and impacts on nature
- Voting in favour of proposals asking companies to abstain from operating in protected areas

Whilst engaging with companies is important, halting biodiversity loss also requires government action. Storebrand has played a central role in shaping global nature policies related to finance through our capacity as co-chairs of the Finance for Biodiversity Public Policy and Advocacy Workstream. In July 2020, Storebrand established and is co-leading the Investors Policy Dialogue on Deforestation (IPDD), a collaborative initiative of financial institutions to engage with public agencies and industry associations in selected countries on deforestation. Building on the lessons learned from this initiative, we will continue to engage with policy makers and regulating authorities with the aim to protect nature and align financial flows with the GBF.

Photo: Colourbox.com

4) The World Bank

3.3. Risk management: increasing our positive and reducing our negative impacts on nature

As a first initial step, we undertook high-level screening of direct nature-related impacts and dependencies for our portfolio of equity and bonds using the measurement tool ENCORE. The results provide a preliminary picture of potential risks and dependencies associated with Storebrand AM's portfolio. Further analysis of impact and dependencies and interaction with Key Biodiversity Areas (KBAs) and proximity to indigenous territories at company level has been conducted to understand these risks and dependencies in greater detail.

Storebrand will always seek to align its investments with scientific consensus on nature. This means that Storebrand AM supports the commitments outlined in the Convention on Biological Diversity and that statements and reports from the Intergovernmental Panel on Biodiversity and Ecosystem Services (IPBES) will provide the scientific basis for our subsequent investment decision making. If there is scientific uncertainty with regards to the negative effects of specific activities on nature, Storebrand AM will adopt the precautionary principle. Although we will assess each individual situation separately, there are certain practices we will avoid as we regard them to be harmful to biodiversity.

We exclude companies that are practicing the following activities:

- **Mining operations that conduct direct marine or riverine tailings disposal:** With the aim to protecting coastal and marine environments from mining waste and to reduce marine pollution, from land-based activities, Storebrand will not invest in mining operations that conduct marine or riverine tailings disposal.
- **Companies that operate in ecologically sensitive areas:** With the aim to protecting ecologically sensitive areas, companies that operate and severely impact these areas might be subject for exclusion.
- **Deep-sea mining:** The deep sea contains many of the world's most pristine, biodiverse, and poorly studied ecosystems, which provide a broad range of critical ecosystem services. Following the precautionary principle, Storebrand will not invest in companies involved in deep-sea mining until we have more scientific knowledge on the impacts of these activities. Significant challenges must be overcome before the sector can be recognized as environmentally and economically sustainable.
- **Lobbying:** We will not invest in companies that lobby against international agreements which promote sustainable use of biodiversity, such as the Convention on Biological Diversity.
- **Deforestation or conversion of native ecosystems:** Through our Deforestation Policy from 2019, we have made the commitment to not invest in companies with unsustainable production of soft commodities like palm oil, soy, cattle products, and timber. This commitment will be expanded to include deforestation or conversion for production of cocoa, rubber, coffee and minerals.

5) Encore tool, Natural Capital Finance Alliance in partnership with UNEP-WCMC

4. Reporting

We are committed to disclose our biodiversity footprint and report annually against targets including any positive or negative contribution to global biodiversity goals linked to our investment, once this is available, by 2025 the latest. We will align this reporting with the TNFD recommendations which has been established to develop and deliver an integrated risk management and disclosure framework for organizations to report and act on evolving nature-related risks, with the aim to support a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes.

The Risk & Ownership team, in collaboration with Chief Investment Officers and portfolio managers, will report on activities and progress related to this policy to the management of Storebrand AM and Board of Directors as required on a regular basis.

Externally, Storebrand Asset Management will report annually on our main actions to implement this policy. Updates on main initiatives related to this policy are also published on our website and quarterly in our Sustainable Investments Reviews, also available on our website. These are also distributed to clients and other stakeholders.

The policy applies to all the respective entities within Storebrand AM. As such, each respective entity will establish a strategy for implementation of the policy on an entity level and report progress to the respective Boards on an annual basis.

5. Revisions

Version	Approved by	Approved date
1.0	Storebrand Asset Management Board	11.2022
2.0	Storebrand Asset Management Board	09.02.2026

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