storebrand

Storebrand Asset Management

Sustainable Investment Review

2021

Contents

A message from our Chief Executive

Rising to the challenge

As we print this report reviewing the main sustainability issues in 2021, the global situation has been transformed, as 2022 has started with a war breaking out in Ukraine. Storebrand has responded to these events by: excluding Russian sovereign bonds; excluding several companies with ties to the Russian state; and following NBIM in divesting from several Russian companies. Our Q1 2022 report, to be published shortly, will cover these issues in more detail.

Turning back to reflect on 2021, what stands out is the importance of our individual and collective commitment to leadership, to succeed on the road ahead.

The world is in transition, which opens up many opportunities. In 2021 Storebrand managed to rise to the business challenges we faced, recording solid growth in assets and revenues, and demonstrating leadership on many sustainability issues. However, we face a challenging political, social and macroeconomic context.

To begin with, the COVID pandemic isn't solved yet. For some of us who are privileged, life is returning to normal. But globally, millions of workers live in precarious health, working and social conditions, which affects the security of supply chains. For this reason, we have prioritised COVID recovery and labour conditions among our engagement themes.

Pre-pandemic, the world was just reaching a shared awareness of the global climate change challenge. That trend continued at the COP26 conference, where many important policy steps commitments were made, to support transition to a net-zero path. In the run-up to the event, we actively led and supported several collective efforts by the investor community to gain policy support for sustainability commitments.

Biodiversity is a looming, but still little-recognised issue. Globally, we are facing potentially irreversible loss of biodiversity. Many are unaware of this, and the consequences are yet to be felt. Yet, biodiversity is the foundation of a significant amount of the world's capacity to create economic value, in addition to being interlinked with our capacity to solve climate change.

Social inequality is rising, partly due to the COVID crisis, and to rising energy and food prices. This issue is critical both for fairness and social stability, as well as to generate the social consensus needed for collective action on climate change.

With that as a backdrop, our success in achieving sustainability depends on leadership – empathy, vision, and decisive action - to help solve these many challenges. During the year we have, among other things, begun targeted engagements with companies in our portfolios: to halt and reverse deforestation; and to reduce the emissions of the top 20 carbon-emitting companies. Similarly, we have led the Investor Policy Dialogue on Deforestation (IPDD), taking action on deforestation; joined the Net Zero Asset Managers initiative; helped lead unified investor support for climate policy commitments ahead of COP26; participated in the Climate Action 100+; and helped drive the launch of the Taskforce on Nature-related Financial Disclosures (TNFD).

Looking ahead, there is a mix of risk and opportunities before us: change is possible, but it won't be easy. At Storebrand, we will continue to focus on following through on our sustainability commitments. Words come easy, actions don't. And leadership lies in turning vision into action.

"Words come easy, actions don't"

Jan Erik Saugestad,
CEO Storebrand Asset Management.

A message from our Head of Sustainable Investments

Towards broader engagement and impact

2021 was a year of strengthening existing policies and practices in line with EU regulations, among which one of the most significant was the EU Sustainable Finance Directive (SFDR). Alongside this, we refined our engagement approach, prioritising four focus areas, in order to better influence companies' sustainability practices. We also increased our presence as an active owner through increased voting.

It was also a year for building on our commitments. In the area of human rights, we took a leading role in mobilizing investor collaboration to reduce or mitigate the risk of companies contributing to human rights violations after the military coup in Myanmar. We were active in addressing deforestation risk and emissions in our portfolios, towards our goals of a deforestation-free portfolio by 2025 and a short-term goal of 32% emissions reduction for specific asset classes by 2025.

The ”S” in ”ESG”, especially human rights, continues to be a key area for Storebrand. This year saw us join cross-investor and cross-sector initiatives such the Platform for Living Wage Financials (PLWF) to challenge and engage companies on achieving living wages within their supply chains. We also supported initiatives on equal distribution of COVID-19 vaccines, urging pharmaceutical companies to make the global availability of vaccines part of the remuneration policy of managers and directors. Social issues were also visible in our strong stance on violations of human rights and our standards, ultimately leading to our decision to exclude Activision Blizzard from our portfolios, the first time we have done so solely on the grounds of gender discrimination.

Overall, this was a significant year in terms of ”keeping our house in order”, working on our internal processes, while also contributing to help solve many real-world ESG challenges. Yet, many more challenges that lie ahead. Looking ahead to 2022, we hope to build on this year's efforts, particularly with respect to developing a broader biodiversity policy. Biodiversity is increasingly recognised for its centrality to many critical ESG issues, and we are certain that it will continue to rise in importance.

”The ”S” in ”ESG”, especially human rights, continues to be a key area for Storebrand”

Kamil Zabielski,
Head of Sustainable Investment

About us
Storebrand Asset Management in 2021

Storebrand Asset Management is a leader in the Nordic markets and a pioneer in sustainable investments. We provide active and passively managed UCITS-compliant mutual funds, as well as alternative investment strategies such as Private Equity, Real Estate and Infrastructure. As of the end of 2021, the company manages NOK 1,097 billion of assets for Nordic and international clients, and has offices located in Norway, Sweden and Denmark. Storebrand Asset Management is a subsidiary of the Storebrand Group.

Key Numbers

NOK 1097 bn	Assets under Management
NOK 2454 mn	Revenues
NOK 1056 mn	Operating Profit
325	Employees

Sustainability milestones

100%	funds screened for sustainability
91%	funds classified Article 8 and Article 9
68%	real estate assets with green certificates
44%	fossil-free fund share of assets under management
11%	assets in solutions
601	engagements

External recognition

Member of Dow Jones Sustainability Index 2021
Member of Corporate Knights Global 100

Timeline 2021

Q1

JANUARY
- Storebrand launches sustainable Nordic real estate fund. More customers want to invest throughout the Nordic region and in the future the outlook for the Nordic market remains promising.
- Investor group increases pressure on Brazil's government. Storebrand leads a global investor group that in a meeting with the Brazilian vice president has now called for stronger efforts to reduce deforestation.

MARCH
- Storebrand joins the Platform for Living wages Financials coalition collaboration, beginning work within the food and agriculture sector

Q2

JUNE
- Storebrand mobilizes 77-investor alliance engaging collaboratively to mitigate human rights risk in conflict-hit Myanmar

Q3

JULY
- In the annual Prospera survey, institutional clients rank Storebrand's asset management business at the top, for sustainable investments in Norway and Sweden, for the third year in a row.

SEPTEMBER
- Storebrand launches a new fund investing in solutions for the cities of the future. By 2050, 70 percent of the world's population will live in a city, which will require cities to be planned and developed in smarter ways. Companies that make cities better places to live in, therefore have great growth potential.

Q4

OCTOBER
- Storebrand acquires the company Capital Investment in Denmark, achieving a local position within Real Estate (alternative investments) across three Nordic countries (Norway, Sweden and Denmark).

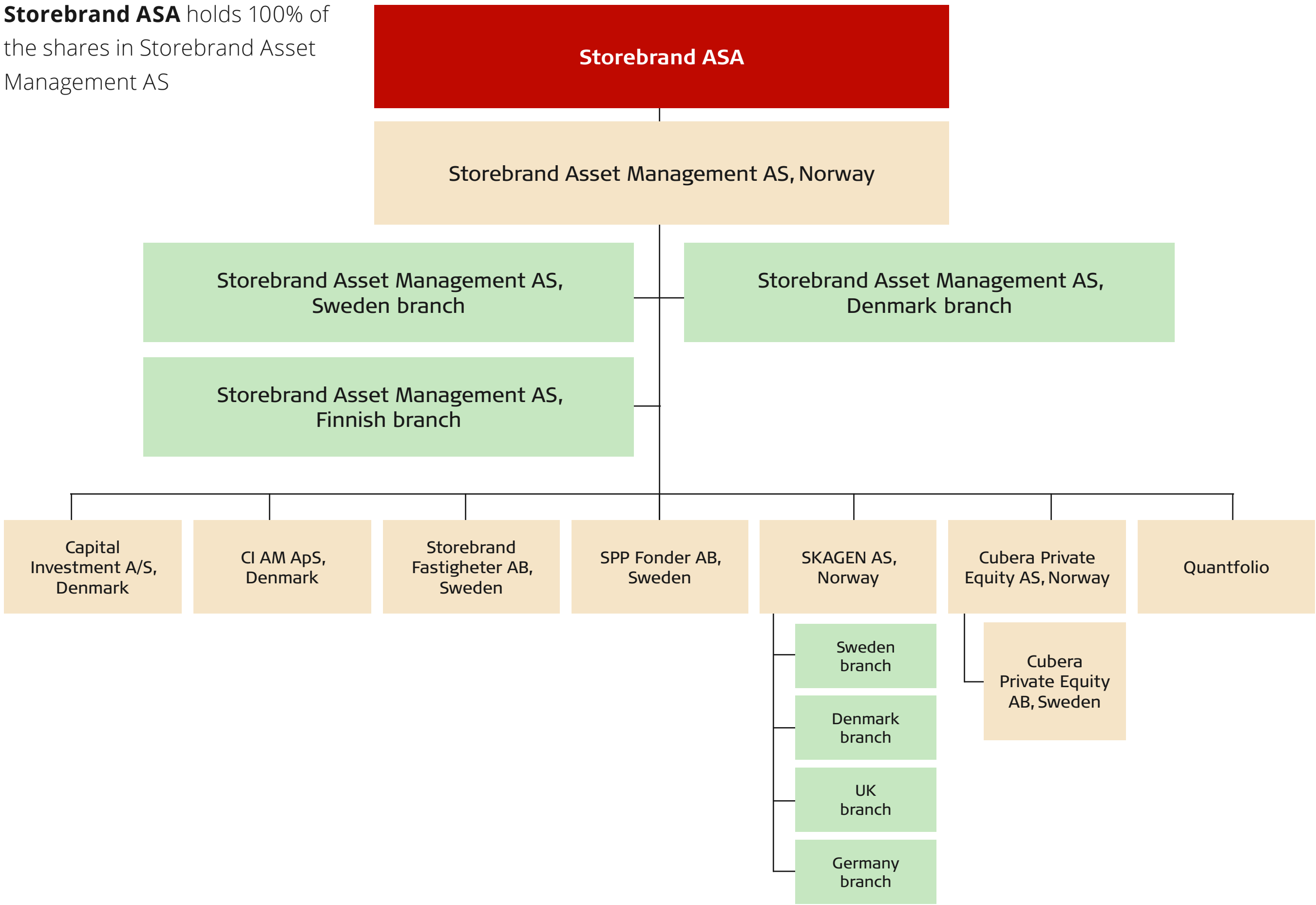
NOVEMBER
- Storebrand maintains its position as one of the world's most sustainable companies. For the second year in a row, Storebrand is ranked among the world's 10 percent most sustainable listed companies, according to the Dow Jones Sustainability Index

Asset management at Storebrand

Storebrand Asset Management AS is a fully owned subsidiary of Storebrand ASA. We are one of the largest asset management companies in the Nordics, as measured by assets under management. Our company is licensed under the Norwegian Securities Funds Act and Alternative Investment Funds Act to manage securities funds and alternative investment funds, and to deliver active portfolio management to clients.

Storebrand Asset Management's legal entities

Storebrand ASA holds 100% of the shares in Storebrand Asset Management AS



We use our experience and expertise in managing assets from the Group's life insurance companies to create a complete asset management concept with a distinct sustainability profile, that is offered to institutions, pension funds, distributors, and private customers.

The products we offer include securities funds, alternative investment funds and active management in most asset classes. This includes equity and interest-rate products as well as alternative asset classes, such as private equity, private debt, infrastructure and real estate. The asset management company has a clear strategy in the delivery of products to external clients through a multi-brand boutique setup that ensures solid client value and economies of scale through a joint operational platform.

Storebrand Asset Management is a major player in the Nordic institutional market with an increasing footprint in selected European markets. Our client base includes pension funds, municipalities, insurance companies, family offices, organisations and foundations. We also provide retail products within the securities fund space. The SAM Group manages its own securities funds and alternative investment funds under the brand names Storebrand, Delphi, SKAGEN, SPP Fonder and Cubera. As of 30th September, 2021, SAM acquired the Danish real estate manager Capital Investment.

Storebrand Asset Management's operations

storebrand

DELPHI FUNDS
Part of Storebrand

SKAGEN
Part of Storebrand

spp fonder

Capital Investment

Cubera
Part of Storebrand

Autonomous and complementary investment strategies with strong brands and client experience

Common operational platform

- Single unit holder registry
- Shared operational procedures

Common policies and principles

- Sustainable investments
- Harmonized fund pricing and valuation principles

Common technology and digital platforms

- Shared cloud-based platform for infrastructure and data
- Digital customer solutions

Multiple domiciles

- Domiciles in Norway, Sweden, Ireland, Luxembourg, Guernsey and Ireland
- Accessible for a wide range of investors and strategies

SAM's subsidiary **SKAGEN** offers actively managed, value-based funds in addition to a large selection of external funds and investment solutions. SKAGEN's goal is to provide customers with the best possible risk-adjusted return, service, and client follow-up. The company is based in Stavanger, Norway, with local branches in the United Kingdom, Germany, Denmark and Sweden.

Cubera Private Equity AS **("Cubera")** offers investors wide and diversified exposure to the Nordics and global private equity. The investment activity focuses on fund investments in Nordic buyout funds through both secondary and primary programs, and fund investments in global buyout funds mainly through primary programs. Cubera is also active in co-investments and fund restructuring. Cubera operates out of Oslo and Stockholm.

Among other established subsidiaries of Storebrand Asset Management are SPP Fonder AB and Storebrand Fastigheter AB, located in Stockholm, Sweden, and Capital Investment in Denmark. As of the end of December 2021, Storebrand Asset Management also has branches in Sweden and Denmark.

Storebrand Asset Management products are distributed from the Storebrand Group and through external distributors and platforms. Several of our funds are also available through NASDAQ in Denmark. In addition to the Norwegian and Swedish domiciled funds, Storebrand Asset Management also offers funds to international and Nordic investors through SICAV structures in Luxembourg. This includes a Nordic Real Estate Fund (established in 2020) and an Infrastructure fund established in 2021. Storebrand Asset Management has in 2021 also established a CFF structure in Ireland offering selective ESG strategies.

Sustainability Strategy

Integrating ESG into our processes and practices

At Storebrand we manage our customers' savings over several decades and we therefore have a long-term perspective.

We take an integrated approach to sustainable investments, in which we combine our sustainability strategy with our investment strategy. We believe that companies that have a good understanding of how to manage sustainability risks and opportunities have a competitive advantage that will enable them to deliver better returns, while contributing positively to sustainable development.

Evolving sustainability context

In recent years, the debate about sustainability has largely focused on cutting greenhouse gas emissions to reduce global warming. Going forward, the global sustainability agenda will increasingly also revolve around a more balanced agenda across all the aspects of environmental, social and governance issues. Within environmental issues, topics such as biodiversity and ecosystems are becoming recognised as interlinked with solving the climate challenge. And to achieve a just transition to a net-zero emissions society, social and economic justice issues are critical for gaining social licence for the change process. Finally governance is gaining importance for both investors and the investee companies to be able to monitor, manage and compare progress on sustainability change initiatives.

Guiding principles for sustainability

Storebrand Asset Management is governed by Storebrand' s sustainability principles, updated in 2018:

- We base our business activities on the United Nations (UN) Sustainable Development Goals (SDGs).
- We help our customers to live more sustainably. We do this by managing our customers' money in a sustainable manner, in addition to providing sustainable financing and insurance.
- We are a responsible employer.
- Our processes and decisions are based on sustainability – from the Board and management, who have the ultimate responsibility, to each employee who promotes sustainability in their own area.
- We collaborate to achieve the UN Sustainable Development Goals with our customers, suppliers, authorities, and partners.
- We are transparent about our work and our sustainability results.

Sustainable investment strategies

We believe that investments in companies that are well-positioned to deliver on the UN Sustainable Development Goals (SDGs) will deliver better risk-adjusted returns for our customers over time. A main goal is to positively support the achievement of the SDGs, without causing harm or having a negative impact on society and the environment. With this in mind, we strive to:

1. contribute to positive influence by allocating more capital to investments in solution companies (see below for definition), green bonds, certified real estate and green infrastructure
2. reduce the negative impact our investments can have, by exercising active ownership and excluding companies

The approach enables us to be a driving force for sustainable investments that contribute to positive change and development, while reducing financial risk.

Contributing to positive sustainability impact

We implement a strategy to further increase our positive contribution to sustainability, by allocating more of our portfolio into investments that are aimed at solving universally prioritized sustainability challenges, as defined by the UN Sustainable Development Goals (SDGs).

We do this in several ways, including implementing sustainability scoring across all investments, directing investments towards SDG "Solutions" companies, green bonds, and infrastructure.

Sustainability scoring

Since 2012, Storebrand has developed and integrated a sustainability score providing a foundation for investment decisions, by ranking the companies on operations, products, and services. In this way, we can effectively identify companies that have the potential to deliver good returns, while helping to solve sustainability challenges.

The score is comprised of two main building blocks: ESG risks and SDG opportunities. On the ESG risk side, the score assesses companies' exposure to, and management of, financially material sustainability risks. On the SDG opportunities side, we analyse sustainability data sources and use internal research on solution companies to find companies whose products and services contribute positively to the achievement of financially relevant SDGs.

The Sustainability Score is relevant across asset classes. Portfolio Managers at Storebrand Asset Management can access the score on several levels. Total Score, Risk Score, SDG Score, and scores for underlying themes within these building blocks, are all readily available.

The data sources underpinning the scores are external sources from quality-controlled data providers, coupled with internal research. We currently use the following providers:

- ESG Risks: Sustainalytics ESG Risk Rating (50%)
- SDG Opportunities - Products & Services: FTSE Russell Green Revenue Streams plus internal research (40%)
- SDG Opportunities - Operations: Equileap data on Gender Equality (10%)

Implementation of the score is dependent on the style and risk profile of the fund/portfolio in question. The score can be used to better assess the ESG risk of a particular investment, for identifying companies with an attractive SDG positioning, or for assessing the overall exposure on ESG risk and opportunities of a portfolio. Implementation of the score is dependent on the style and risk profile of the fund/portfolio in question. In addition, the score is used to optimize portfolios towards better-performing companies and to calculate an internal fund rating.

Solutions database

Through analysis, Storebrand Asset Management identifies what we classify as "Solution companies" - ones with business models that contribute to achieving the SDGs through their products and services, without causing significant harm. Solution company investments are one of several ways that we help shift capital towards alignment with the Paris Agreement, in particular paragraph 2.1.c): *"Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development"* and the SDGs, including social and climate solutions. A solution company should be compliant with the EU Taxonomy on Sustainable Finance if it is eligible for the classification system on sustainable business activities.

We assemble these identified companies into a "Solutions database" that is available for fund managers in their research for investment ideas. The research and identification of solution companies is information that is also fed back to and represented in the sustainability score, ensuring an important feedback loop of information being made available to portfolio managers.

Our Solutions database also serves as a basis for our thematic portfolios, i.e., on climate solutions or smart cities, both as part of a larger investment portfolio or as thematic investment products. SAM provides broader solutions-oriented investment products, investing across the themes we have defined to be material, to achieve the overall ambition of the UN Sustainable Development Goals.

Fixed income and green bonds

Storebrand offers a variety of funds with fixed income and balance mandates, that are classified as either Article 8 or Article 9 under the EU Sustainable Finance Disclosure Regulation (SFDR). In addition to adhering to Storebrand's Sustainability Policy, the majority of our fixed income funds are defined as fossil-free.

Furthermore, we invest in green bonds, which allow fixed income funds to increase their exposure to projects that are focused on sustainability. The green bonds are for companies that both meet the Storebrand Standard and are aligned with international standards such as the Green Bond Principles, the upcoming EU Green Bond standard, and with the framework of the International Capital Market Association (ICMA).

Infrastructure

We direct capital to Infrastructure investments, enabling the transition to a green economy. Every stage of our infrastructure investment- and asset management process complies with Storebrand's commitment including the UN Global Compact, the Paris Agreement and the PRI. In addition to Storebrand's extensive Sustainable Investment Policy, the selected sourcing partners have similar policies which all investments need to comply with.

The main sourcing partner of the fund, AIP, has implemented an ESG due diligence framework that fully integrates ESG throughout all stages of the investment process, from initial screening and investment analysis, during due diligence, negotiation and closing of a transaction, and thereafter in the asset management phase. The framework consists of 43 specifically defined ESG risk factors that are analysed on a per-project basis. The ESG risk factors are defined by incorporating universally accepted principles and standards and by assessing the materiality of ESG risk factors.

If a sourcing partner approves an investment that Storebrand deems to be in conflict with the fund's objective, strategy, ESG policy or investment guidelines, this is communicated, and the Fund will not participate in that Investment. Storebrand does not invest into assets that do not comply with Storebrand's ESG policy at the time of Investment.

The Sourcing Partner and/or Storebrand maintain a dialogue with key stakeholders such as operators, constructors and equity partners. This is part of an active day-to-day managing of assets that typically revolves around securing downside protection and solving or overseeing issues. Such issues may include ESG, construction, production outages and contract management. This helos ensure continued ESG compliance; maintain the value of assets, and sustain long-term economic performance.

Reducing adverse sustainability impact

To reduce adverse sustainability impact, we screen potential investments, carry out an active engagement policy as part of our ownership responsibilities, and integrate sustainability risk ratings into our investment decisions.

Screening and exclusion

We screen assets, including equities, fixed income, real estate and alternatives such as infrastructure, to ensure that they meet the Storebrand Standard. This, our standard filter to ensure sustainable investments, excludes companies that are in breach of international norms and conventions or involved in unacceptable operations. The standard, based on product and norms of behaviour, covers the following themes: human rights and international law, corruption, corporate criminality, severe climate and environmental damage, controversial weapons (landmines, cluster munitions and nuclear weapons) and tobacco. In addition, companies with low sustainability ratings (in high-risk industries) are also covered. We also do not invest in companies excluded from the Norwegian Government Pension Fund Global (GPFG) by Norway's central bank.

In addition to the Storebrand Standard, we apply extended screening criteria to selected funds and saving profiles. The extended criteria apply to screen for involvement in fossil fuel production and distribution; alcohol, adult entertainment, arms and gambling; and green bond standards.

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

Active Ownership

While investing in companies, we exercise active ownership, working to influence them in a positive direction and the process maximize real-world sustainability impact. We ensure this gets done, through engagement in direct dialogue with the management and board of directors; engagement in multi-stakeholder dialogue and cooperation involving other investors, civil organisations, and governments; and voting directly or via proxy at corporate general meetings.

Our underlying general principles for engagement are:

- Seeking to create shareholder value through a focus on sustainability
- Aiming for constructive dialogue towards realising positive results
- Seeking to maximise impact through a Nordic approach
- Collaborating for multi-stakeholder engagement where relevant
- Utilising targeted engagement where ownership provides leverage

To maximize the impact of our investment in engagement activities, we periodically define engagement priorities, based on several factors, including periodic ESG materiality assessments, our investment exposure, leverage, and historical factors. Our most recent assessment has defined four prioritized engagement themes for the period 2021-2023:

- Race to net-zero: Storebrand is committed to achieving net-zero greenhouse gas emissions across all its assets under management by 2050
- Biodiversity and ecosystems: Storebrand Asset Management aims to operate an investment portfolio that does not contribute to deforestation, by 2025. We will not knowingly finance illegal operations, fail to protect high conservation value forests/land, or violate the rights of workers and local people.
- Resilient supply chains: respect for labour rights in company supply chains has been an important engagement theme for Storebrand for many years. Addressing these issues helps build corporate value through resilient supply chains while allowing for the eradication of other social issues such as poverty, child labour, forced labour and low-living standards

- Corporate sustainability disclosure: as an investor that focuses on sustainability, Storebrand believes that all companies should report on standardized and company-specific sustainability metrics. We are therefore highlighting the importance of consistent, reliable, and verifiable reporting on 26 sustainability indicators, in our dialogue with our portfolio companies during the 2021-2022 period.

After investment, if we later find that an investee company is potentially in violation of the Storebrand Standard, we followed a structured protocol depending on the exact nature of the issue. These procedures are described in detail in the section on our sub-section on screening and exclusion, as well as in our section on exclusions.

Integrated sustainability risk ratings

We work to reduce adverse sustainability impacts by integrating sustainability risk ratings in our investment decisions. Using Sustainalytics' ESG Risk Rating tool, we measure material ESG risk or the risk of causing adverse sustainability impact in all the companies we invest in. The ESG Risk Ratings measure the degree to which a company's economic value is at risk driven by ESG factors, or the magnitude of a company's unmanaged ESG risks. The ESG Risk Rating feeds into the Storebrand Sustainability Score assigned to all the companies we invest in – and is available for our portfolio managers to integrate into their investment decisions.

This enables us, within all given risk classes and investment strategies, to direct capital towards companies with lower sustainability risk and move it away from high sustainability risk companies.

Sustainability Governance
Storebrand's sustainability strategy is managed in according with the Storebrand Group Sustainability Policy.

Monitoring
Storebrand Asset Management Board has responsibility for the implementation of this Group Sustainability Policy. Storebrand Asset Management's Investment Control and Analytics (ICA) department is responsible for verifying that management complies with individual mandates as well as internal and external laws and regulations. As part of the daily compliance controls, all trades and positions are controlled for breaches of the Group Sustainability Policy, particularly exclusions.

As part of the exclusion process, our investment universe is monitored daily for potential breaches of Storebrand standards and screened quarterly to assess if companies are in breach of this sustainability policy. All holdings are continuously screened by ISS-Ethix and Sustainalytics, which send "company alerts" once a month, including background information on the possible event. The incident is then analyzed by our experts on the specific topic and the decision to exclude a company (or include an excluded company) is based on assessment of the specific case by Storebrand's investment committee. The committee comprises several representatives of the Storebrand Group's senior management team and other executives, who meet quarterly. For more information about this process, please see Screening and excluding companies from our portfolios section.

Oversight for engagement and active ownership activities lies with the Active Ownership Forum including Storebrand Asset Management's CIO, portfolio managers representing different funds and analysts from the Risk and Ownership team. The main focus areas for sustainability engagement and engagement strategy are decided by this Forum. The forum meets periodically to: follow-up engagement strategy; discuss results as well as new ESG themes; and coordinate engagement activities involving both portfolio managers and analysts from the Risk and Ownership team. The forum reports to Storebrand Asset Management's board.

Follow-up of voting at general meetings is done on an ongoing basis. All voting is registered digitally. Voting rights on behalf of the funds under management shall be exercised with the aim to enable for portfolio companies to fulfil the principles of corporate governance set out in each fund company's guidelines for corporate governance. If voting, or other exercise of ownership rights, takes place in violation of the guidelines, appropriate justification must be documented. For more information regarding voting, please see the Engaging with companies and voting at Annual General Meetings section.

Reporting and Communication
Storebrand Asset Management's dedicated Risk and Ownership team sends quarterly reports regarding exclusions first to portfolio managers and compliance, so they are aware of new exclusions. Fund managers have approximately 20 days to sell their holdings in excluded companies. Once this is achieved, other key internal and external stakeholders and clients are directly informed. A list with all exclusions is published and updated quarterly on our website.

The Risk & Ownership team gives a detailed, yearly report to the Storebrand Asset Management Board of Directors on our work on sustainable investing in general, and on our engagement efforts specifically. Our activities regarding engagement will be reported in the Storebrand Asset Management annual report, in addition to being reported in the annual reports for the individual mutual funds and websites. Our voting policies, and a searchable overview of our voting records is also available on our website.

All fund management companies in the Storebrand Asset Management Group, are required to, in the annual reports of the funds or in a separate report, account for the follow-up of corporate governance and sustainability work. The report must contain a general description of the fund company's voting in the portfolio companies for example, number of general meetings, geographical distribution and a summary of how the fund company voted for the portfolio companies' general meetings. The report must also state whether there were any important votes during the period, such as where the fund company has been a major owner, or where any important or controversial issues have been up for decision at the Annual General Meeting).

Information must be provided regarding cases where the fund company has used advice or voting recommendations from a voting adviser. The report is required to also contain information on the sustainability aspects that are considered in the management of the fund, the methods used for sustainability work and the work that the Fund Company conducts to influence the companies in which the fund's assets are invested. The report on the advocacy work must contain information about dialogues conducted with the portfolio companies, how they have carried out and, where applicable, what they resulted in.

The Board of Directors of the fund company is required to be sent a report, at least annually, on corporate governance and sustainability work and compliance with this policy. To ensure transparent communication, and to let stakeholders follow up on the implementation of our Sustainable Investment policy, we are committed to:

- Publishing and making available to investors via our website this Policy for Sustainable Investments
- Fulfilling the PRI's reporting requirements, and publishing results accordingly
- Reporting on excluded companies on a quarterly basis
- Reporting on companies on our observation list on a quarterly basis
- Reporting on relevant key performance indicators, targets and results annually
- Updating stakeholders on key initiatives via our websites and annual reports

Key figures

Key performance indicators	Results 2018	Results 2019	Results 2020	Results 2021	Goals 2022	Goals 2025
Share of total assets screened for sustainability	100 %	100 %	100 %	100 %	100 %	100 %
NOK billion invested in fossil-free products [1]	68	277	379.2	483	N/A	N/A
Carbon footprint from equity investments: tonnes of CO2e per NOK 1 million in sales income (against index) [2]	22 (32)	18 (24)	12 (18)	12 (18)	N/A	N/A
Carbon footprint from bond investments: tonnes of CO2e per NOK 1 million in sales income (against index) [3]	New	7 (15)	9 (16)	9 (17)	N/A	N/A
Exposure to high emitting sectors: NOK billion / share of equity investments	37.7 / 19 %	34.6 / 13 %	32.2 / 8%	42.5 / 9%	N/A	N/A
Investments in solutions (solutions companies, green bonds, green infrastructure and property with environmental certification): NOK billion / share of total assets [4]	38.8 / 5.5 %	53.7 / 6.5 %	92.6 / 9.6%	123.1 / 11.2 %	13 %	15 %
Investments in green bonds: NOK billion/ share of total bond investments	8.4 / 2.9 %	12.4 / 3.1 %	22.2 / 5%	25.7 / 6 %	N/A	N/A
Investments in green infrastructure: NOK billion / share of total infrastructure investments	New	New	New	1.5 / 100 %	N/A	N/A
Investments in solution company equities: NOK billion/ share of total equity investments	New	24.3 / 9.3 %	50.3 / 13 %	62.6 / 13 %	N/A	N/A
Investments in certified green property: NOK billion/ share of total real estate investments [5]	13 / 30 %	17 / 41 %	20.1 / 43 %	33.3/68 %	75 %	90 %
Companies that have been contacted to discuss ESG through active ownership: number/share of investment universe [6]	314 / 10.8 %	408 / 9.7 %	572 / 12 %	601 / 12 %	N/A	N/A
Carbon footprint direct real estate investments: tonnes CO2e / kg CO2e per m2	10 818 / 9.96	10 228 / 9.12	8456 / 7.9	6703 / 5.9	8.6	6.5

1) Fossil-free products are one of several ways to achieve our overall goal of net zero emissions, and we have therefore not set a specific goal for how much to invest in fossil-free products.
2) The method for calculating carbon footprints has been further developed for the annual report 2021. Data are obtained through Trucost (S&P Global)'s systems and weighted by market value per position. For index figures, corresponding calculations are weighted per index and it is weighted together with the portfolios' indices based on portfolio values. This represents a coverage ratio of 96.7% in our carbon footprint from equity investments, and a coverage ratio of 93.8% for indices.
3) The method for calculating carbon footprints has been further developed for the annual report 2021. Data is obtained through Trucost (S&P Global)'s systems and calculated data from the management, weighted by market value per position. For index figures, corresponding calculations are weighted per index and it is weighted together with the portfolios' indices based on portfolio values. This represents a coverage ratio of 48.8% in our carbon footprint from bond investments, and a coverage ratio of 92.1% for indices.
4) We have decided to set an overall goal for resp. 2022 and 2025, instead of one target for each asset class.
5) Capital Investment, which we acquired in 2021, has not yet reported to GRESB, and the properties the company manages are not included in the figures for certification.
6) The number of companies we have engaged in has increased at the same time as the investment universe has increased. Number of engagements as a share of the investment universe will thus be the same as in 2020.

Solutions

Directing capital towards sustainable investments

Storebrand aims to be a driving force for lasting change in the way companies are managed, while ensuring the best possible return for customers and owners.

We fundamentally believe that investing in companies well-positioned to deliver on the UN's Sustainable Development Goals (SDGs), will deliver better risk-adjusted long-term returns for our clients. We therefore put capital into action to fund socially beneficial, sustainable solutions aligned with the achievement of the SDGs; and we reduce exposure to activities that impact society and the environment negatively.

Context: EU Sustainable Finance Action Plan

One of the important drivers that our strategy depends on, is the European Union (EU) adoption of the Sustainable Finance Action Plan (SFAP), as part of its "European Green Deal". The goal of this initiative is to promote sustainable investment across and beyond the EU. The SFAP will come into effect in several stages, starting in March 2021. The EU's objective is for the union to be carbon-neutral by 2050, and the SFAP is a key part of reaching this goal. For the financial sector, there is a new Sustainable Finance Disclosure Regulation (SFDR) aiming to better classify and streamline the sustainability credentials of investment funds, and a new EU Taxonomy for classification of various economic activities. The taxonomy, which has six environmental objectives, will make it easier for investors to compare financial products promoting environmental characteristics.

The SFAP has three main objectives:

1. To reorient capital flows towards sustainable investment and away from sectors with high greenhouse gas emissions
2. To manage financial risks stemming from climate change, resource depletion, and environmental degradation
3. To foster greater transparency and long-termism in financial and economic activity in order to achieve sustainable and inclusive growth

The EU's Sustainable Finance Action Plan is relevant for asset managers, pension funds, banks and insurers, among others. There will also be sustainability indices developed for better benchmarking and comparability of investment strategies and funds.

Context: EU Sustainable Finance Disclosure Regulation

The EU Sustainable Finance Disclosure Regulation (SFDR) is a new set of EU rules for increased comparability and reduced greenwashing among financial products. The regulation will increase the information available for investors about both the potential positive and negative impact of their investments and the related ESG risk.

The new disclosure regulation is, together with the above-mentioned Sustainable Action Finance Plan a crucial part of the EU's Sustainable Finance Framework and European Green Deal. The SFDR sets out strict criteria for the classification of funds that defines itself as sustainable. These criteria are described in the regulation's Articles 6, 8 and 9.

- Article 9 funds, also known as 'products targeting sustainable investments', covers products targeting bespoke sustainable investments and applies "… where a financial product has sustainable investment as its objective."
- Article 8 funds, also known as environmentally and socially promoting', applies "… where a financial product promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices."
- Article 6 covers funds that are not Article 8 or 9, however sustainability may still be part of the portfolio manager's process, e.g., by assessing the sustainability risk. This category covers all other products and consequently includes everything from funds that report sustainability as not relevant, to funds that have good integrations of sustainability, but which are not defined as such by the SFDR (for example, an index fund that excludes the worst companies from an ESG perspective).

Approach

Storebrand works to increase our positive contribution to sustainability by directing more capital to investments that are well-positioned to deliver solutions to global sustainability challenges, as described through the United Nations Sustainable Development Goals (SDGs). We do this by increasing investments in solution companies, green bonds, investments in real estate and infrastructure that support the SDGs.

Since 2012, Storebrand has developed and integrated a proprietary Sustainability Score to identify companies that have the potential to deliver good returns, while helping to solve sustainability challenges. All our portfolio managers can use the Sustainability Score in a way that is aligned with the investment strategy and risk profile of individual funds and portfolios.

One of our goals is to invest 15 per cent of our assets for management in solution companies, green bonds, green infrastructure, and certified real estate by 2025.

Equities

Storebrand offers a variety of funds all of which are classified as either Article 8 or Article 9 under the EU Sustainable Finance Disclosure Regulation (SFDR), a new set of EU rules for increased comparability and reduced greenwashing among financial products. The regulation will increase the information available for investors about both the potential positive and negative impact of their investments and the related ESG risk.
The SFDR, a crucial part of the EU's Sustainable Finance Framework and European Green Deal, sets out strict criteria for the classification of funds that defines themselves as sustainable.

Through proprietary analysis, we identify what we call ”solution companies”. These are companies that help achieve the SDGs through products, services and operations, without causing significant harm. The companies that are categorized as solution companies are included in a database that is updated regularly. The database is a valuable tool for fund managers in their work on sustainable investments and serves as the basis for our thematic solution portfolios (for example, on renewable energy, smart cities and equal opportunities), or as part of broader investment portfolios. At the end of 2021, 13 per cent of our equity investments were invested in solution companies.

All of Storebrand's funds are classified at least within the designation of Article 8. In addition, we offer actively managed Article 9-classified Solution Funds focused on investing in companies that provide solutions, primarily through products and services that are well-positioned to benefit from the identified megatrends within the United Nations Sustainable Development Goals (SDGs). These funds are subject to additional sustainability criteria beyond the basic Storebrand Standard that apply to all our funds.

During the year, Storebrand also launched two new Solution Funds: one focusing on sustainable cities and one focusing on equal opportunities. This brought the number of Solutions Funds we offered to a total of three at the end of the year.

Case:
Sustainable Cities

Investing to shape urban areas of the future


Photo: Alexander Abero, Unsplash

Storebrand's aims to increase its investments in companies that contribute to solving the UN global sustainable development goals: so-called "solution companies". Our investments in solutions companies are divided into four themes: renewable energy, smart cities, circular economy and equal opportunities. Part of Storebrand's strategy is to make each theme available as separate fund.

As part of this initiative, in October 2021 Storebrand launched Storebrand Smart Cities. This global, fossil-free, equity fund aims to achieve long-term superior returns by investing in companies with business concepts focused on solving social and environmental challenges related to urbanization.

Global urban growth engine

Currently, more than half of the world's population lives in cities already. That number will continue to grow dramatically. By 2050, 70 percent of the world's population is expected to live in cities. This bulk of this shift, amounting to 90 percent of urban expansion, will occur in the developing world [1].

Tremendous opportunities for social and economic development lie at the heart of this megatrend. Cities are powerhouses of economic growth contributing about 80 percent of global GDP [1]. Historical data suggest that on average, urban populations have higher living standards than in rural areas, and for many, cities provide a way out of poverty.

However, urban areas around the world currently suffer from complex challenges related to quality of life, transportation and pollution, among others. For this megatrend to result in cities that are better to live and work in, much smarter urban planning and more sustainable urban development is needed.

Transformation required

Making cities sustainable means creating career and business opportunities, safe and affordable housing, and building resilient societies and economies. It involves investment in public transport, creating green public spaces, and improving urban planning and management in participatory and inclusive ways.

Significant investment potential

In this context, companies that are deliver products and services for efficient urban planning, seamless transport, better water management, energy-efficient infrastructure and sustainable construction, are well-positioned to grow and thrive. While there are many dimensions to the transformation, three themes in particular stand out that Storebrand Smart Cities is focused on.

The first of these is urban planning, including energy-efficient and functional built environments, which plays a central role to mitigate and adapt to climate change worldwide; to mobility; and to water. Buildings account for almost 40 percent of energy-related CO_2 emissions [2]. Green buildings have been graded as the segment with the highest investment potential in cities towards 2030, across all regions worldwide [3]. Investment in resilient and energy-efficient buildings can deliver financial savings and reduce GHG emissions.

Another key theme is mobility, a major source of emissions and air pollution. Over 90 percent of urban inhabitants breathe polluted air of worse quality than WHO's recommended limit [1]. With massive efforts begun, aimed at reversing urban air pollution, investment in clean technology to counteract negative emissions to air will be needed. In 2018, research by the International Finance Corporation's suggested that the investment opportunity in electric vehicles and public transport combined could amount to USD 2.6 trillion [3].

Water Management is crucial for supplying high quality drinking water, minimizing water loss, and adapting to climate change through resilient infrastructure. Climate-smart water systems are estimated to be the third most investable business opportunity worldwide, with a USD 1 trillion opportunity towards 2030 [3].

Contributing to UN SDGs

By focusing on companies with sustainable business models that can help solve these themes, Storebrand can contribute to the fulfilment of the UN SDGs as an integral part of the investment services that we provide to our clients.

Previously, *Smart Cities* had been available to the Storebrand Group's pension customers since 2018, but now Storebrand has made the fund available to all.

SDGs linked to sustainable cities theme

Make cities and human settlements inclusive, safe, resilient and sustainable

Sustainable cities means attractive business opportunities, affordable housing, public spaces, clean surroundings, resilient societies and seamless transit. To reach this goal, investment is needed in public transport, green buildings and public spaces, sound urban planning and water and waste management.

Ensure availability and sustainable management of water and sanitation for all

City infrastructure is vital to obtain more efficient use and distribution of water. Water management needs to address increased demand, threats to water security and the high frequency and severity of droughts and floods resulting from climate change. To reach this goal, investment is needed in the entire water value chain, including exploration, water utilities, water purification, wastewater treatment and infrastructure.

1) UNDP. (n.d.). Goal 11: Sustainable cities and communities. Retrieved from United Nations Development Programme: https://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-11-sustainable-cities-and-communities.Html

2) World Business Council for Sustainable Development. (n.d.). Driving city scale action for energy efficiency in buildings. Retrieved from WBCSD:https://www.wbcsd.org/Programs/Cities-and-Mobility/Sustainable-Cities/LEEP/Resources/Driving-city-scale-action-for-energy-efficiency-in-buildings-Handbook-to-create-dynamic-local-markets

3) International Finance Corporation. (2018). Climate Investment Opportunities in Cities. Retrieved from IFC, p. xi: https://www.ifc.org/wps/wcm/connect/875afb8f-de49-460e-a66a-dd2664452840/201811-CIOC-IFC-Analysis.pdf?MOD=AJPERES&CVID=mthPzYg

Fixed income

Storebrand offers a variety of funds with fixed income and balance mandates, that are classified as either Article 8 or Article 9 under the EU Sustainable Finance Disclosure Regulation (SFDR). In addition to adhering to Storebrand Sustainability Policy, the majority of our fixed income funds are defined as fossil-free.

Furthermore, we invest in green bonds, which allow fixed income funds to increase their exposure to projects that are focused on sustainability. The green bonds are for companies that both meet the Storebrand standard and are in line with international standards such as the Green Bond Principles, the forthcoming EU Green Bond standard, and with the framework of the International Capital Market Association (ICMA).

By the end of 2021, we had invested NOK 25.7 billion in green bonds. This accounts for 6 per cent of our total bond investments, up from 5 per cent in 2020.

One example of our green bond investments is a fund investment we made in the Nordic Investment Bank's bond, which aims to improve water quality in the Baltic Sea. Another example is a bond issued by our Green Bond Fund, towards Hybrit, a project that the mining company Luossavaara-Kiirunavaara Aktiebolag (LKAB) is running together with the steel manufacturer SSAB and the power company Vattenfall. Together the companies have launched Hybrit, aiming to develop a method for producing steel using hydrogen instead of coal. Today, steelmaking is one of the major carbon dioxide sources globally. However, this project could completely revolutionize how to produce steel, cement and many other energy-intensive materials.

In 2022, there are many exciting factors that will further strengthen the green bond market. We expect that during the year, both the taxonomy and the EU green bond standard will be concretized by the EU Commission and Parliament. Their stated aim is to create deeper and more liquid market in EU Green Bonds, which in turn will make it easier to invest with sustainability as a priority.

Real Estate

We integrate sustainability throughout our real estate business and aim to be the Nordic region's leading player in sustainable real estate management.

The share of our buildings that were environmentally certified (BREEAM or equivalent) increased from 43 per cent in 2020 to 68 per cent in 2021. We reduced emissions from our real estate investments, from 7.9 kg CO2 per m2 in 2020, to 5.9 CO2 per m2 in 2021. In 2021, three out of four reporting companies with direct real estate investments achieved a 5-star rating from the Global ESG Benchmark for Real Assets (GRESB).

The Danish-based company Capital Investment, which we acquired in 2021, has not yet reported to GRESB, and the properties that the company manages are not included in the figures for certification and greenhouse gas emissions above.

Infrastructure

Storebrand also manages capital for infrastructure investments that enable the transition to a green economy. The transition away from fossil fuels will require significant investment in renewable energy infrastructure, both from the public and private sector.

During 2021, Storebrand Asset Management established and raised capital for a fund that invests in sustainable infrastructure. The main categories of investments include (but are not limited to) offshore wind, onshore wind, solar, biomass, district heating, power transmission and distribution, battery storage and electric transportation. The fund has set up a strategic partnership model, where the deal sourcing, diligence process and day-to-day management of assets is conducted by our carefully selected investment partners.

Throughout the year, the fund made three direct investments in partnership with our main strategic partner, AIP Management: a US onshore wind farm, an offshore wind farm in the UK and 65 electric train sets in the UK. Each investment has a positive sustainability impact.

Case:

Agility Trains East

Investing in sustainable railway infrastructure

Storebrand Infrastructure Fund has, in partnership with AIP, invested EUR 450m in Agility Trains East in the UK.

According to the UK Office of Rail and Road (ORR), just 38 percent of Britain's railways are electrified. Yet, electric trains have been estimated to emit as much as a third less carbon emissions than diesel ones. Investment in electrified track and rail fleet infrastructure is therefore critical, to meet UK Network Rail's target of a net zero railway by 2050.

The asset consists of a train fleet of 65 electric train sets to replace diesel trains. The trains run from London to Scotland on the East Coast Main Line, a key transport route on the eastern side of the UK. The asset has a strong positive climate impact due to electrification of major train lines in the UK. In addition, it increases passenger capacity to relieve other modes of transport.


© Agility Trains East

How we contribute to the UN Sustainable Development Goals through investments in solutions

13 CLIMATE ACTION

We invest in companies that deliver climate solutions and contribute to achieving the Paris Agreement.

7 AFFORDABLE AND CLEAN ENERGY

We invest in companies that promote energy efficiency and enable increased production, distribution and use of renewable energy in the global energy mix. We increase investments in infrastructure, grid, storage and clean energy technology.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We invest in companies that deliver solutions in sustainable management and efficient use of natural resources. We promote circular economy and waste reduction in the product life cycle.

6 CLEAN WATER AND SANITATION

We promote safe drinking water solutions at an affordable price, improved sanitation, water quality, efficient water consumption, management of water resources and recovery of water-related ecosystems.

11 SUSTAINABLE CITIES AND COMMUNITIES

We ensure exposure to companies that contribute to sustainable urban development, transport systems, and reduce the impact of cities on the environment. More specifically, companies that improve air quality and waste management, promote inclusion, promote resource efficiency, mitigates and adapts to climate change and increases resilience to natural disasters.

3 GOOD HEALTH AND WELL-BEING

We promote companies that contribute to good health and quality of life. We are increasing exposure to companies that are helping more people access necessary health services, medicines and vaccines, health insurance, and companies that prevent deaths as a result of unsatisfactory water and sanitation conditions.

Active Ownership

Approach to active ownership

More engagement on a wider set of issues, with focus on delivering on sustainability commitments.

We set requirements for the companies we invest in and use our position as owners to influence the companies for improvement. To reduce negative impact, we have a clear and transparent process to ensure that companies meet our sustainability risk standards. This, combined with a structured corporate governance process, reduces our exposure to sustainability-related risks, such as climate risk. During 2021, we further developed our general principles of engagement. We also started several international initiatives.

Five principles of engagement guide Storebrand's active ownership:

1. Creating shareholder value: our activities shall contribute to long-term value creation in a responsible manner.
2. Aiming for a positive impact: our activities should be driven by the goal of creating a real difference, not symbolic value.
3. Nordic approach: we focus on topics and issues where Nordic actors have real influence and/or have a major impact on Nordic stakeholders.
4. Multi-stakeholder engagement: we work with a wide range of stakeholders, including governments, organizations, businesses and investors.
5. Targeted engagement: we strive for maximum impact by leveraging our influence at companies where we have a significant stake the greatest potential to achieve change.

Reflections on engagement principles

Our main objective with sustainable investments, is to contribute to real world impact and long-term value creation for the companies we are invested in. In term of engagements, this means moving away from a reactive approach in which engagement with companies comes after the fact of a controversy, to a proactive approach aimed at identifying potential risks in advance and encouraging companies to address risks before harms occur.

Focus on proactive approach

Taking a proactive approach to engagement, does not mean that reactive engagements are not necessary – they always will be, as no system can perfectly predict all outcomes in advance. However, through a proactive approach it is possible to address risks in advance, so they do not escalate to controversies, as well as encourage companies to work with more long-term transition strategies. Such a direction may result in some immediate changes from a company, such as in the form of policy commitments and plans, and awareness raising. That said, real change can take time. Achieving it requires that issues are addressed more systematically or structurally, in the form of, for example: new governance structures, operational procedures and practices, and not least, corporate culture.

Externalities that are beyond the influence of companies, such as regulatory, political or technical challenges, may also affect the situation, and limit the possibilities for positive change. This means that our role as an investor is to also engage other stakeholders and help create the frameworks that will enable companies to make the required decisions and improvements in their companies, to transition to sustainable ways of doing business.

In our experience, often we have the potential to exert the greatest influence by targeting companies where: we have a significant stake, especially within the Nordics; and targeting situations where our internal expertise and experience in various areas of ESG, such as human rights, conflict areas, climate, biodiversity, deforestation, and governance, can be valuable to companies.

Balanced perspective

We see that investors continue mobilizing for issues such as climate change, but also other environmental issues such as deforestation and biodiversity are increasingly gaining attention.

Where companies are not responsive, investors are now escalating issues. This escalation includes, for example the shareholder resolution we co-filed in May 2021 calling on Bunge Ltd to eliminate deforestation in its supply chain. Similarly, we placed both Bunge Ltd. and Archer Daniels Midland on our observation list at the end of 2021, due to the risk of their contributing to severe environmental damage from deforestation and conversion of native ecosystems in Brazil.

Furthermore, in part due to the coronavirus pandemic, we have seen an emergence of interest among investors for social issues in the last three years. Although Storebrand has been working actively with social issues for over a decade, we find that recently it has become possible to more easily engage with other investors, to exercise more leverage on issues, such as our recent investor statement to pharmaceutical companies on COVID-19 vaccine access. Now, we can no longer describe a focus on social issues as a trend – it is now a business imperative. This is evident the number of initiatives, ranging from themes such as digital rights and cybersecurity to access to medicine, access to nutrition, forced labour, living wages or war and conflict.

Thanks to a large investor initiative that Storebrand has led, awareness on forced labour in Xinjiang and how companies publicly act on this issue has received significant attention. Storebrand also led an initiative on Myanmar which mobilized over 75 investors (representing assets under management totalling USD 3.9 trillion) during 2021, leading to over 22 engagements with companies. Some of the companies in infrastructure and extractives linked to the military government in Myanmar have terminated operations in the country, thanks to investor engagement in alliance with civil organizations in the country. There are ongoing engagements with other companies..

In 2021, Storebrand joined the Platform for Living wages Financials (PLWF). Living wages is a good example of systemic issue that requires a multi-stakeholder approach, and this is exactly what the PLWF follows. Although progress is slow, the companies engaged in three different sectors are broadening their definition of living wage and undertaking initiatives like the collection of wage data to assess their impact, which is considered best practice - highlighting the way forward for their peers. That said, the actual payment of living wages seems an elusive concept with the provision of remedy to workers rarely coming to fruition. However, the PLWF continues to engage with investee companies, and is growing its leverage as its members continue to grow. There is also more focus on this issue from the regulatory side for example as an explicit requirement in Norway's new Human Rights Due Diligence law (Åpenhetsloven). This means that the importance of formally recognizing living wages and/or living income as a salient issue and how to effectively realize the payment of living wages in company direct operations and supply chain is no longer "a nice to have" – now it has become a "must have". Investors will now therefore be pushing companies on this issue with even more authority.

Reflections on our prioritized active ownership themes

Before the year began, we chose to prioritise four topics for active ownership for 2021-2023:

- Race to Net Zero
- Biodiversity and Ecosystems
- Resilient Supply Chains
- Corporate Sustainability Disclosure

At the close of the year, these are our reflections on the themes:

- **The race to net zero:**
  Storebrand is committed to achieving net zero greenhouse gas emissions in all our assets under management by no later than 2050, in line with the Paris Agreement. This entails a decarbonised portfolio across all asset classes. In line with this commitment, we have set a sub-goal of reducing the carbon footprint of Storebrand's total equity, corporate bond and real estate investments by at least 32 per cent by 2025 with a base year in 2018. Storebrand was one of the founders of the UN-backed Net-Zero Asset Owner Alliance initiative in 2019. We also became a member of the Net Zero Asset Managers Initiative in 2021.

- **Biodiversity and ecosystems:**
  Nature is an essential foundation for human life and economic value creation. Companies across all sectors directly or indirectly depend on the existence of healthy, thriving, biodiverse ecosystems to support human wellbeing, stable climates, food systems, liveable habits, material supply chains, and so on. Some of these ecosystems, such as oceans, forests and wetlands are extremely sensitive and at risk. Failure to ensure that these ecosystems remain stable and thriving, puts at risk the capacity of nature to support economic value creation.

  It is critical for businesses and investors such as us, to recognize companies' dependencies and impacts on nature; expose 'hidden' risks; and ensure that these risks are mitigated.

  A common thread in managing risk to ecosystems, biodiversity loss and climate risk, is land use change from the clearing of forests for agriculture: Our goal is that our investment portfolio will not contribute to deforestation by 2025. During 2021, we surveyed and identified companies with high exposure and insufficient risk management. Next, we selected 50 companies for further targeted engagement to achieve better forest protection in operations and supply chains.

  Our main strategy is to cooperate with companies that show a willingness to improve. Where companies do not have a satisfactory response, we consider divestment to be an option.

  To help promote international regulation in this area, we also signed the Finance for Biodiversity Pledge, which is described below in the section on multilateral engagement. We also co-chair the Investor Policy Dialogue on Deforestation (IPDD), a collaborative investor initiative set up in 2020 to engage with public authorities and industry associations in selected countries on the issue of deforestation.

  Further progress on deforestation depends on improving the quality and comparability of relevant data on companies. To contribute to this, we are cooperating with the NGO Global Canopy, on Aligned Accountability, a project that aims to create standardized metrics for use by companies, investors and providers of ESG data.

- **Resilient supply chains**:
  Respect for labour rights in company supply chains has been an important engagement theme for Storebrand over the years and we have further strengthened this by focusing on resilient supply chains. This is a a complex area which includes among other issues, living wages for workers and forced labour in supply chains. During Q2 2021, Storebrand joined the Platform for Living Wages Financials (PLWF). The Platform currently engages with 33 publicly listed garment and footwear brands, 12 food-producing companies and 9 food retail companies to address living wages in global supply chains. Although over-all progress is slow, tangible progress has been made in some areas. Companies are broadening their definition of living wage and undertaking initiatives like the collection of wage data to assess their impact, which we consider best practice – highlighting the way forward for their peers. Despite this, actual payment of living wages seems an elusive concept with the provision of remedy to workers rarely coming to fruition and therefore an important issue for investors to collaborate on for more leverage.

  Another issue that Storebrand continued to work with within our focus on supply chains during 2021 is forced labour. We continued engaging through the Investor Alliance on Human

Rights collaboratively with portfolio companies that may have value chains that are linked to the human rights crisis in and from the Uyghur region in China. This initiative included 65 institutional investors (US$6.58 trillion in assets under management) covering 48 companies actively engaged in 8 sectors. Storebrand participates in the Garment & Apparel, ICT and energy sectors. We asked companies to carry out human rights due diligence in their supply chains and thus encourage them to, for example, find, assess, avoid and mitigate human right risks by implementing policies and practices in covering areas such as: Commitment and governance; traceability and risk assessment; purchasing practices; recruitment and worker engagement.

In connection to these engagements, some companies we have been in direct dialogue with such as H&M have stated "deep concerns" about reports of forced labour in Xinjiang and confirmed that the retailer had stopped buying cotton from growers in the region. During 2021 we also carried out a deep analysis of the solar industry in connection to force labour in Xinjiang. As a result, during the Q4 of 2021 Storebrand disinvested from two companies in Xinjiang, China, Dago New Energy and GCL-Poly respectively. We undertook these actions based purely on a risk-based approach, rather than our Storebrand Standard.

- **Corporate sustainability disclosure:**
  Storebrand believes that all companies should report according to standardized and company-specific sustainability indicators. We therefore highlight the importance of consistent, reliable and verifiable reporting on sustainability indicators in our dialogue with our portfolio companies. Increased transparency also depends on reporting tools, such as the work of the Taskforce on Nature-related Financial Disclosures (TNFD), an initiative that Storebrand helped launch this year, and continues to provide advisory support to.

  Together with more than 50 members of The Institutional Investors Group on Climate Change (IIGCC), Storebrand has stated clear expectations about companies' management of physical climate risk. We want companies to demonstrate how they deal with the physical effects of climate change in their businesses. In 2021, we contacted 50 of the companies we have invested in that are highly exposed to climate risk, to require them to comply with our expectations. Expectations include strategic planning using climate scenarios, integration of climate adaptation in business decisions, and reporting in line with the TCFD recommendations.

Details of how we engaged in 2021

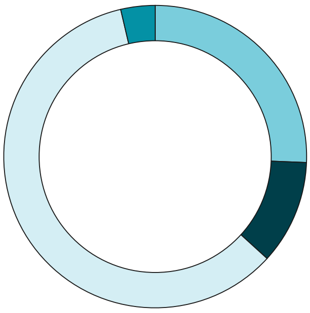
During 2021, we had new 389 engagements with 332 different counterparties. Of these new engagement for 2021; 39% were on environment issues, 36% were on social issues and 25% were on governance issues. This was in addition to already ongoing dialogues. In total, we had 601 dialogues (new and on-going) with individual official representatives or teams, at a total of 490 companies throughout the year. The break-down for these 601 new and on-going dialogues for 2021 was: 53% on environmental issues, 29% on social issues and 18% on governance issues.

The contact includes both gathering information and direct dialogue about the companies' sustainability practices[1]. In addition to dialogue with companies, we also had four dialogues with external fund managers and 38 meetings with authorities and public bodies in 2021.

How we communicated

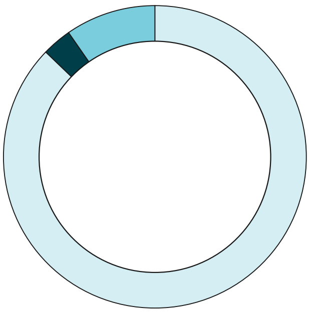
Storebrand itself accounted for 154 of the dialogues with companies we have invested in. A total of 87 per cent of the initiatives took place proactively, while 3.2 per cent took place on a reactive basis and 9.7 per cent were not categorised[2].

Engagement type



Type	Number	Percent
Internal	154	25.6 %
Collaborative (leading role)	67	11.1 %
Collaborative (non-leading role)	358	59.6 %
Other	22	3.7 %

Engagement drivers

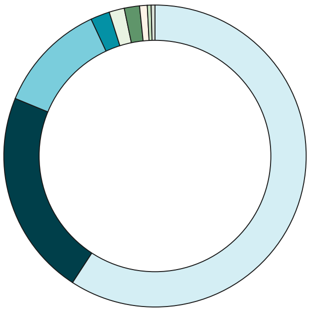


Type	Number	Percent
Proactive	524	87.20 %
Reactive	19	3.20 %
Uncategorized	58	9.70 %

The dialogues took place mainly in the form of e-mail, letters and digital meetings. In the vast majority of cases, the dialogue took place with investor contacts or sustainability teams. In 16 per cent of cases, we were in contact with the CEO of the companies in question.

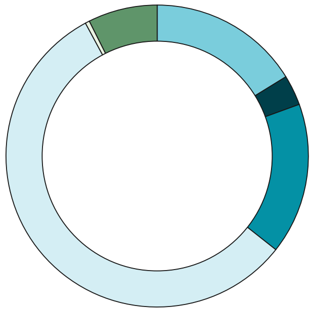
[1] The number of dialogues is higher than the number of companies because in some cases we have contact with several people on different topics in the same business.
[2] Proactive dialogues/initiatives mean internal pre-planned engagements in a case (e.g. dialogue with 20 companies with the highest emissions), while reactive means that we respond to a response that has been notified of a case (e.g. from a third party).restrictions. The goal is to use active engagement to improve company performance and risk management.

Engagement communication methods



	Activity	Number	Percent
	Email	145	59.2 %
	Letter	54	22.0 %
	Digital meeting	29	11.8 %
	Telephone	5	2.0 %
	Meeting	4	1.6 %
	Conference	4	1.6 %
	Other	2	0.8 %
	Site Visit	1	0.4 %
	Shareholder resolution	1	0.4 %

Engagement counterparties

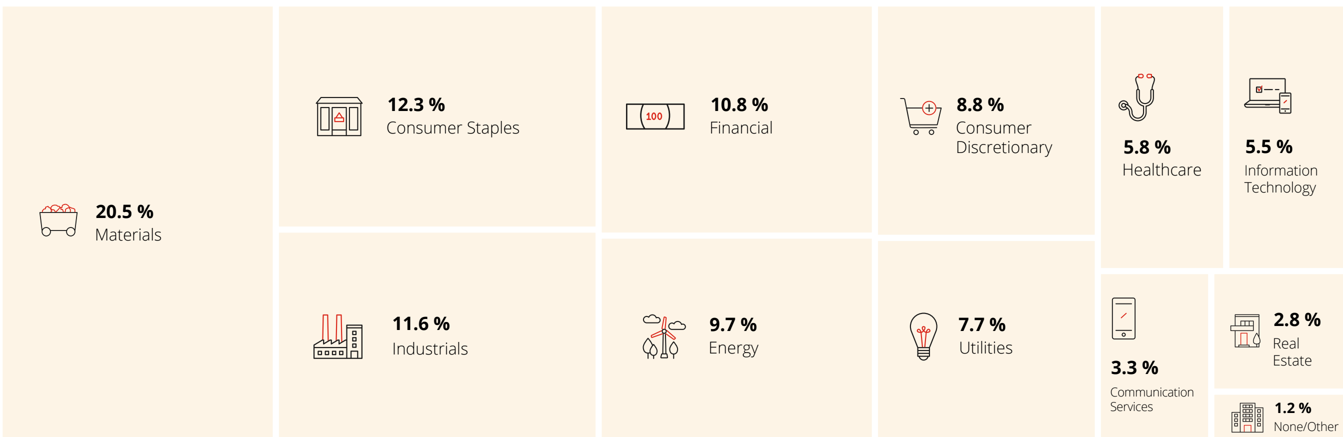


	Activity	Number	Percent
	CEO	70	16.2 %
	CFO	14	3.2 %
	Sustainability	70	16.2 %
	Investor relations	244	56.5 %
	Board	2	0.5 %
	Other	32	7.4 %

Types of companies we engaged with

Most of the initiatives included companies in the materials sector, consumer goods, financial services and manufacturing.

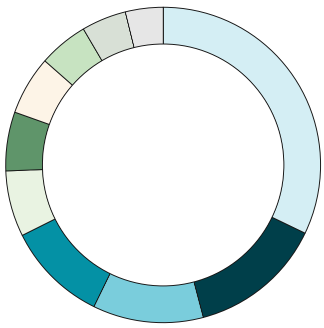
Engagments by sector



Where we engaged

The majority of the companies we had dialogue with in 2021 were based in the US, Japan, Sweden and Norway. However, companies often have operations in countries beyond their headquarters, therefore this measure may not reflect the full geographic scope or impact of our engagement process.

Locations of companies engaged with

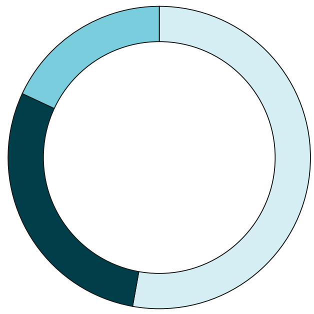


Country	Number of engagmenets	Percentage distribution
United States	133	22.1 %
Japan	57	9.5 %
Sweden	47	7.8 %
Norway	43	7.2 %
Germany	28	4.7 %
United Kingdom	25	4.2 %
France	25	4.2 %
China	21	3.5 %
Switzerland	19	3.2 %
Canada	16	2.7 %

Aspects of ESG we engaged on

In 2021, our engagements with companies dealt with several topics within ESG and we addressed as many as 12 of the UN Sustainable Development Goals. Just over half of the dialogues dealt with climate issues, including climate change, emissions, deforestation and the use of chemicals, while 29 per cent focused on social issues such as women's rights, working conditions and wage conditions. Eighteen per cent of the dialogues were about corporate governance.

Engagements by ESG category

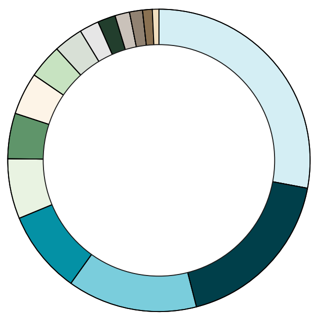


53 % - Environment

29 % - Social

18 % - Governance

Engagement issues



ESG issue	Number of engagements	Percentage distribution
GHG emissions	161	26.8 %
Climate change	104	17.3 %
Deforestation	80	13.3 %
Chemicals	51	8.5 %
Human rights in conflict zones	37	6.2 %
Climate change financing	28	4.7 %
Forced labour	26	4.3 %
Access to medicines	21	3.5 %
Living wages	18	3.0 %
Human Rights	12	2.0 %
Sustainability reporting and disclosure	11	1.8 %
Healthy food and nutrition	9	1.5 %
Coal financing	8	1.3 %
Biodiversity	6	1.0 %
Indigenous people's rights	4	0.7 %

Distribution of engagement activity by SDG theme

The following table illustrates the percentage distribution of the UN´s sustainability goals linked to engagements.

13. Climate action
64%

15. Life on land
22%

16. Peace, justice and strong institutions
18%

8. Decent work and economic growth
17%

12. Responsible consumption and production
16%

3. Good health and well-being
15%

10. Reduced inequality
12%

2. Zero hunger
4%

1. No poverty
3%

5. Gender equality
3%

11. Sustainable cities and communities
2%

9. Industry, innovation and infrastructure
1%

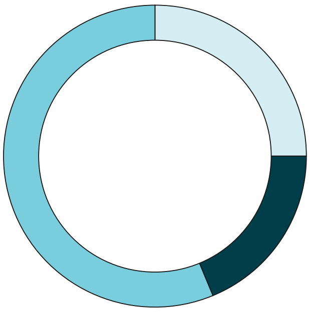
6. Clean water and sanitation
0%

7. Affordable and clean energy
0%

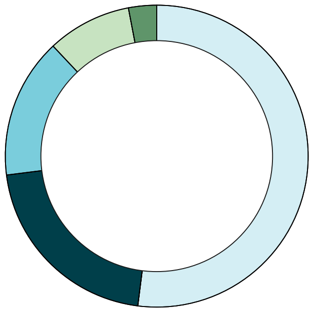
Outcomes of engagements concluded

During 2021, we conducted and concluded 33 dialogues. We achieved the outcomes we sought in eight of the dialogues; did not achieve the desired outcomes in six of them; and in the remaining 18 dialogues, we consider the outcomes to have been neutral. In cases where the engagements concluded successfully, the result was primarily increased awareness and understanding. In some cases, the companies changed their practices or committed to implementing concrete changes.

Success rate of completed engagements



Outcomes of engagements completed



Case:

Climate Lobbying

Progress made in dialogue with Toyota on policies and transparency


Photo: Colourbox.com

Storebrand joined forces with several other investors in 2021 to raise concerns about whether Toyota's corporate lobbying activity was aligned with the long-term goals of the Paris agreement.

Since then, we have been involved in engagement with the company on the issue. So far, there are signs that encouraging levels of progress have been made. In particular, Toyota has:

- committed to annual reviews of the organizations they are members of
- made progress towards greater transparency on corporate climate lobbying
- improved its position on lobbying, although it remains unclear how the governance structure is set up

Some concerns remain. One of these is the ongoing significant negative coverage of Toyota's climate lobbying positions, which has a risk of impacting the company's reputation.

Further, we have encouraged Toyota to ensure that associations active in emerging markets are also included in this year's list and in next year's scope for focus attention; this is particularly important given that Toyota has been making the case that limited availability of infrastructure should be considered an obstacle to the commercial viability of low-carbon vehicles. Providing greater clarity on how Toyota is lobbying to support the necessary infrastructure advances in less developed regions would give stakeholders greater confidence that the company is using its influence responsibly.

We hope to see an acknowledgement within this first publication from Toyota, that the company is committed to applying an externally comparable benchmark standard for next year's review process.

Given that the process of monitoring lobbying activities and improving the alignment between corporate policies, funded activities, and the Paris Agreement is an ongoing process rather than a singular event. We are therefore pleased to note that Toyota is committed to undertaking and publishing a climate lobbying review on an annual basis.

While the engagement is an ongoing, long-term process, so far we are pleased with Toyota's cooperation and that the company appears to have found the investor engagement process a useful means to strengthen its insights and resolve challenges.

Case:

Deforestation risk

Storebrand escalated its dialogues with ADM and Bunge due to significant deforestation risks

At the end of 2021 Storebrand Asset Management placed Bunge Ltd (Bunge) and Archer Daniels Midland (ADM) on its observation list, due to a risk that the companies could be contributing to severe environmental damage. The companies' purchase of soy produced in Brazil has been associated with a high risk of contributing to deforestation and conversion of native ecosystems.

Deforestation risk from soy production

Soy production is a major driver of deforestation and conversion of native ecosystems, which causes GHG emissions, biodiversity loss, drought, temperature rise and violations of the human rights of indigenous peoples and other forest-dependent communities.

According to Trase Earth, which attributes deforestation risk based on market share and deforestation data on the municipal level, Bunge has the highest deforestation risk (10930 hectares) and ADM the second highest (5324 hectares) of all soy exporters in Brazil. The Soy and Cattle Deforestation Tracker operated by Mighty Earth estimates that Bunge may be linked to 59739 hectares of deforestation or clearance of vegetation in Brazil between March 2019 and March 2021. The Tracker links ADM to 7269 hectares of clearance in the same period. Deforestation has been occurring on properties in Bunge's and ADM's supply chains. Storebrand Asset Management considers Bunge's and ADM's supplier monitoring processes to have been insufficient to avoid deforestation. One of the key risks we found is that the companies are purchasing a significant percentage of their soy from indirect suppliers, in processes without sufficient traceability. As a result, the companies have not been able to verify that the soy they purchase indirectly is not produced on properties with recent deforestation or conversion.

Deforestation and conversion of native ecosystems have increased sharply in Brazil over the past years. 13200 sq. kilometres of forest was lost in the Amazon between August 2020 and July 2021, a 22% increase from the previous year and the highest area deforested in a year since 2006, according to the Brazilian space research agency INPE. In the Cerrado region, where soy expansion is largest, 8531 sq. kilometres were deforested or converted in the same period, an 8% increase from the previous year.

Deforestation risk for companies operating in or sourcing commodities from Brazil is worsened by the political context in the country. Budgets for monitoring and legal enforcement measures against deforestation have been reduced significantly, and several national legal reform proposals are likely to reduce protection of forests, native ecosystems and human rights of indigenous peoples and forest-dependent communities.

Engagement

Storebrand has been participating in collaborative shareholder engagements with Bunge and ADM, and co-filed a shareholder resolution at Bunge's AGM in 2021, calling on the company to step up efforts to end supply chain links to deforestation. Both Bunge and ADM have adopted Zero Deforestation Commitments, with target dates for 2025 and 2030, respectively. Storebrand has acknowledged that both companies have made recent improvements to their commitments, policies and action plans, but considers the companies' respective timeframes for achieving verifiable deforestation-free operations to be too long, and their current efforts insufficient to eliminate deforestation risk from their supply chains. However, Storebrand has also found that Bunge's and ADM's recent efforts to improve traceability and monitoring of supply chains may reduce the risk of contributing to deforestation in the future. Therefore, Storebrand placed both companies under observation at the end of 2021.

Observation process

The observation procedures entail that Storebrand monitors company progress closely and continues dialogue with the companies, informing them of our expectations of measures and results. In this case, the dialogue centres around improvements in the following areas:

- Full traceability, transparency and monitoring of direct and indirect suppliers across all commodity supply chains, starting with areas of particularly high deforestation and conversion risk.
- A public commitment to not source commodities from suppliers that have deforested or converted native vegetation, legally or illegally, on any part of their properties after January 1st, 2020. This cut-off date applies to the Cerrado and any ecosystems where earlier cut-off dates are not already in place.
- Insertion of contractual commitments for all suppliers to restore all areas deforested or converted after January 1st, 2020, and all areas illegally deforested or converted prior to 2020.

While companies remain on the observation list, portfolios without prior holdings are restricted from investing in them. Portfolios with prior positions are allowed to maintain these positions.

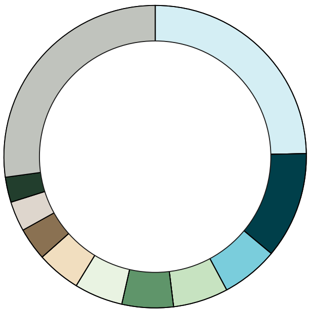
[1)] Companies that are under observation are closely monitored and engaged with based on our existing ownership, with maintain a close dialogue with the company to inform them of our expectations of measures and results. We expect the company to show improvement within a pre-determined time. Depending on the outcome of the observation process, the company is eventually either be excluded from our investment universe, or removed from the observation list. Our portfolios without prior holdings are restricted from investing in companies on the observation list. Portfolios with prior positions will be allowed to maintain these positions.

Voting

How we voted in 2021

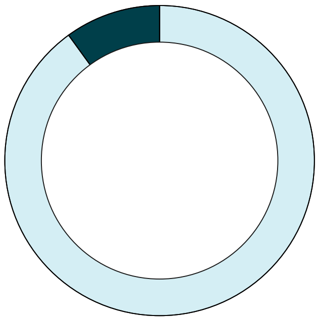
In 2021, we voted at 950 shareholder meetings of 947 companies based in a total of 47 countries. Nearly 25 percent of the meetings we attended took place in the United States. Among general meetings, the financial sector accounted for the most – 247 meetings – while the utilities sector accounted for the lowest number with 57 meetings.

Meetings voted by market



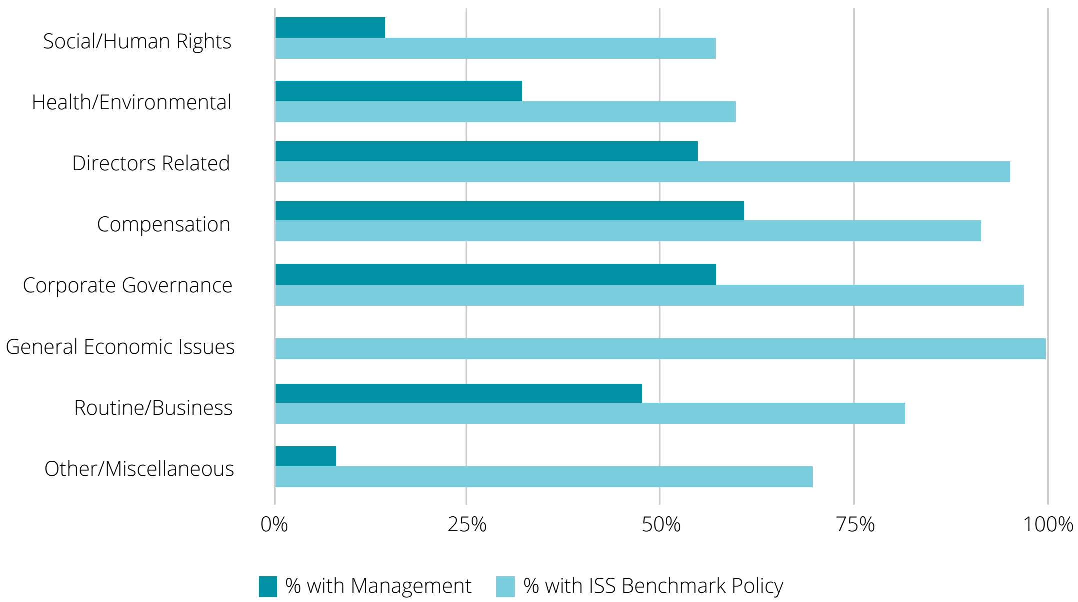
- **24.7 %** - USA
- **11.4 %** - China
- **6.1 %** - Norway
- **5.9 %** - India
- **5.5 %** - Japan
- **5.2 %** - Australia
- **4.7 %** - United Kingdom
- **3.5 %** - Cayman Islands
- **3.2 %** - Sweden
- **2.7 %** - Canada
- **27.2 %** - Other Markets

Voting alignment



- **90 %** - Votes sided with management
- **10 %** - Votes sided against management

Issues that we voted on



Out of 18 016 proposals for consideration, we voted in 18 003 cases. In 90 per cent of cases, we supported proposals from the management of the companies, while we voted against the management's recommendation in 10 per cent of cases.

Our vote against proposals from the management dealt with, among other things, extraordinary compensation schemes, reporting and plans related to climate risk, reporting on matters related to human rights, as well as the independence of the board and a lack of diversity. For example, we voted against a proposal from the management of the energy company Equinor for targets for climate change in the short, medium and long term. Our rationale was that companies we invest in should adopt targets for greenhouse gas emissions in line with the Paris Agreement. Equinor management's proposal received a majority with the support of the Norwegian state, but Storebrand's vote sent a strong signal that investors want ambitious and concrete climate targets both in the short and long term.


Photo: Colourbox.com

Case:
Covid vaccine statement

Joining forces to link pharma remuneration to vaccine goals

Globally the COVID-19 pandemic continues, leaving millions of workers living in precarious health, working and social conditions. This materially impacts social stability, as well as the security of supply chains and underlying economic activity. For this reason, Storebrand has prioritized COVID recovery and labour conditions among our engagement themes.

Storebrand is part of a group of 65 institutional investors that have formally raised their concerns to several pharmaceutical companies urging them "to make the global availability of vaccines part of the remuneration policy of managers and directors". The signatories represent more than US $3.5tn in assets under management.

While the World Health Organisation (WHO) has outlined a clear path as to how vaccine access can help alleviate the pandemic, vaccination rates in many less wealthy countries are low, and equitable access to vaccines are key element of the delays. However, if we are to succeed in controlling the COVID pandemic, more people in low and middle-income countries need to be vaccinated. Failing to achieve this could result in dire consequences for the health of millions of people and the global economy. For pharmaceutical companies, fulfilling vaccine access commitments, is also important for maintaining brand credibility and social license to operate.

As a group of investors, we aim to hold the pharmaceutical companies accountable for their duties, to contribute towards to solving this problem, as well as to integrate the World Health Organisation's vaccine access goals into their remuneration policies in meaningful, material, measurable and transparent ways.

Alliances to support active ownership

Many sustainability challenges are so extensive that they can only be solved through multi-party involvement and cooperation, for example authorities, trade associations, environmental and human rights organisations and trade unions. Storebrand therefore is engaged with and/or a signatory to, a large number of working groups, alliances, initiatives, treaties, and organisations.

The scope of some of these collaborative efforts includes coordinated efforts on active engagement with companies or sectors that are common to our portfolios. Several of the initiatives and alliances we have engaged in recently, focus on the priority areas for active ownership in 2021-2023 discussed above.

Preserving human rights remains a critical issue, with many around the world lacking the basic freedoms to participate in and benefit from the development agenda set out in the UN SDGs. To help drive this agenda, we committed to serve in 2022 on the advisory committee to a newly launched Human Rights Advisory Committee of the Principles for Responsible Investment (PRI). The initiative brings investors together to address human rights and social issues through their active ownership activities. The advisory committee, made up of 14 PRI signatories, will provide guidance to the United Nations sponsored PRI on the development and co-ordination of this initiative to support the PRI's decision making.

In 2021, we also joined the Platform for Living Wages Financials (PLWF) to contribute to positive development in living wages within the clothing, food and agricultural and retail sectors.

Another example of this type of collaboration is the Task force on Nature-related Financial Disclosures (TNFD), a framework for businesses that will help organizations manage biodiversity risks. Storebrand is an advisory participant in the TNFD Forum, a cross-sectoral competence body that supports the work of TNFD.

Policy-level engagement

Business engagement at the political level is also important to stimulate change and promote sustainability initiatives. During 2021, we led and supported several broad initiatives to influence the COP26 United Nations Climate Conference and COP15 United Nations Biodiversity Conference sustainability negotiations. Both conferences brought together governments around the world to agree on national commitments and set new long-term goals for climate and natural issues. An important element of the negotiations was to create broad support among financial players for revised frameworks and commitments based on climate-based research that will contribute to achieving sustainability.

Storebrand has been active in leading and supporting several important and broad sustainability collaboration initiatives. The Global Investor Statement to Governments on the Climate Crisis and Finance for Biodiversity Pledge were among the initiatives we actively engaged in. In 2021, we were invited to will serve on the board of Norway's Koalisjonen for Ansvarlig Næringsliv (KAN) a national coalition for corporate responsibility. The coalition will focus on following up the implementation of the new Norwegian law on disclosure of corporate human rights due diligence (Åpenhetsloven). Previously the coalition had worked towards getting the law passed, which was achieved in 2021 – now its focus has shifted to implementation.

Collaboration on nature-related risks

Protection and sustainable management of oceans, forests, wetlands and other sensitive ecosystems are essential for long-term social and economic stability. Environmental destruction reduces nature's ability to continue to generate the ecosystem services that businesses and societies depend on. Industry players depend on input factors such as water, materials and minerals. In addition, for example, they need erosion control and flood protection to ensure stable production processes. A lack of understanding of the relationship between natural capital and industry activity is described as "hidden" risks. Given that the value of natural capital is estimated at more than NOK 100 000 billion globally, loss of nature can significantly impact business and social development. Activities to avoid loss of biodiversity are therefore high on Storebrand's agenda.

In 2022, we will continue our work to establish nature-related risk as a concept, in the same way as climate risk. On this theme, we have committed to co-chairing the Public Policy Advocacy working group of the Finance for Biodiversity Foundation in 2022. The working group is focusing on influencing an ambitious and effective outcome of the Convention on Biological

Diversity (CBD) COP15. The foundation is an official Observer member of the CBD, which means that the working group can make interventions during the meetings of the Convention and its Protocols and make text suggestions. In 2022, the working group will look into best practices and strategies to engage with governments, regarding public policy on reversing nature loss before the end of the decade.

At the forefront of the COP26 and COP15 conferences, we joined forces with 77 other financial institutions in finance for Biodiversity Pledge that urged the world's governments to act immediately to stop and reverse biodiversity loss. The statement calls for the creation of a more ambitious Global Biodiversity Framework (GBF) that drives the expectations of financial institutions and businesses to align financial flows to global biodiversity goals.

Global treaty on plastic pollution

This year, we also signed the Business Call for a UN Treaty on Plastic Pollution. Plastic pollution is a problem that is not handled effectively by current legal and political frameworks.
A global treaty on plastic pollution can help drive the transition to a circular economy for plastics, which Storebrand supports by committing to exercising responsible investment practices on this topic.

Photo by William Gibson on Unsplash

Alliances and memberships

Storebrand actively supports, through membership or being a signatory of, the following organisations, principles and initiatives:

Storebrand sustainability memberships and alliances

UNEP Finance Initiative	Task Force on Climate-related Financial Disclosures (TCFD)
PRI: Principles for Responsible Investment	Platform for Living Wages Financials
Carbon Disclosure Project (CDP)	Finance Norway (various initiatives)
United Nations Global Compact	Call to Action for Decarbonization of Shipping
SWESIF	GRI
NORSIF	Access To Medicine
The Principles of Sustainable Insurance (PSI)	Green Bond Principles
The Montreal Pledge	KAN – Koalisjonen for ansvarlig næringsliv
Skift	The Statement of Support for the Cerrado Manifesto SOS
The Portfolio Decarbonisation Coalition	Access to Nutrition Index (various initiatives)
Climate Action 100+	Financial sector commitment on eliminating commodity driven deforestation
Tobacco Free Finance Pledge	Sustainable Blue Economy Finance Principles
IIGCCs, Institutional Investors Group on Climate Change	Corporate Human Rights Benchmark initiative
Farm Animal Investment Risk and Return Initiative (FAIIR Initiative)	Corporate Knights Global 100
Net Zero Asset Owner Alliance (NZAOA)	Dow Jones Sustainability Index
The Nordic CEOs for Sustainable Future	FTSE4Good
Know the Chain	SHE Index
Investor Alliance for Human Rights	International Campaign to Abolish Nuclear weapons (ICAN)
Investor Policy Dialogue on Deforestation (IPDD)	Norwegian Fund and Asset Management Association on corporate governance (NUES)
Terra Carta	Norwegian Fund and Asset Management Association (ESG Committee)
Finance for Biodiversity Pledge (FfB)	Women's Empowerment Principles (WEP)
Net Zero Asset Manager initiative	
Task Force on Nature-related Financial Disclosures (TNFD) Forum	

Exclusions

Filtering out investments that fail to meet our sustainability standards.

All our investments must satisfy the ***Storebrand Standard***, our benchmark requirement for sustainable investments, which excludes companies that violate international norms and conventions or are involved in unacceptable operations.

The Storebrand Standard

The *Storebrand Standard* includes criteria for human rights and international law, corruption, corporate crime, serious climate and environmental damage, controversial weapons (land mines, cluster munitions and nuclear weapons) and tobacco. Companies in high-risk industries that have low sustainability scores are excluded. Furthermore, we do not invest in companies that are excluded from the Norwegian Pension Fund Utland (GPFG) by Norges Bank (the Norwegian national central bank).

Storebrand's Extended Criteria

For selected funds and savings profiles, we apply expanded criteria related to businesses involved in the production and distribution of fossil fuels, alcohol, pornography, weapons and gambling, as well as green bond standards.

How we approach exclusions

Ultimately, exclusion is a final resort in the broader perspective on achieving sustainability. Our aim is not to exclude companies in our portfolio that are failing to meet sustainability standards, but rather use our influence to achieve real-world improvements in their sustainability performance and risk management. We therefore address serious breaches of standards by our portfolio companies through a structured, policy-driven, and predicable process, in which exclusion is generally a final resort.

In case of serious behavioural violations of our standards, we usually begin by engaging in dialogue with the company. If we conclude that the company poses an unacceptable risk of breaching our standards, we sell our existing investments in the company and exclude it from our investment portfolio.[3)]

In case of product-based breaches, our exclusion process is based on more data analysis than dialogue. We have agreements with third-party databases that document and report to us the percentage of revenue that companies receive from specific classifications of products. If a company's revenue from the excluded product classes rises above our threshold levels, we automatically exclude the company. The detailed product-based threshold levels vary, rising to a maximum of 5 percent of total revenue.

In certain cases where our engagement process does not appear to be fruitful and exclusion is the likely potential outcome, our escalation process may include formally naming a company on our *Observation List*. Companies on Storebrand's *Observation List* are monitored closely and are subject to certain investment restrictions.

Changes to our exclusion policies and practices

This year, Storebrand has made some clarifications to our approach to product-based exclusions regarding controversial weapons, which are now explicitly described in the Storebrand criterion for Controversial Weapons. Storebrand will carry out more in-depth assessments for exclusion based on corporate ownership or significant ownership in companies producing controversial weapons. Exclusions under this criterion do not require engagement prior to exclusion as they are based on product involvement and ownership in companies involved in controversial weapons production. Once involvement data is received and assessed, companies are excluded automatically.

Exclusion summary data 2021

In 2021, the exclusion process resulted in the exclusion of 67 companies from our investment portfolios consisting of over 5,000 companies. A total of 7 companies were re-included, after observed and sustained returns to the required standards.

As of December 31st, 2021, there are 257 companies of the MSCI ACWI Index on our exclusion list, while an additional 517 companies are excluded from certain funds based on our extended criteria. The full exclusion list details all companies excluded according to the Storebrand Standard, as well as additional exclusions on criteria such as fossil fuel production, alcohol, gambling, adult entertainment and weapons. The extended exclusion list applies to a selected range of Storebrand funds.

Companies excluded under Storebrand Standard, as of 31st December 2021

Category:	Number
Conduct-based exclusion - Environment	18
Conduct-based exclusion - Corruption	10
Conduct-based exclusion - Human Rights and International Law	39
Tobacco	25
Controversial Weapons	27
Climate - Coal	133
Climate - Lobbying	5
Climate - Oil Sands	9
Unsustainable Palm Oil	11
Cannabis	1
Total number of companies	**257**

Companies excluded under all standards, as of 31st December 2021

Category:	Number
Human Rights and International Law	66
Corruption and Financial Crime	12
Serious Environmental Damage, inclusive Palm Oil	40
Controversial Weapon	27
Fossil Fuels	513
Tobacco	25
Alcohol	84
Weapons/arms	65
Gambling	43
Cannabis	1
Adult Entertainment	-
No. of companies excluded	**776***
No. of companies on observation list	2

*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 25 countries that are systematically corrupt, systematically suppress basic social and political rights, or that are subject to UN Security Council sanctions.

For more information, see our exclusion process and lists


Photo: Colourbox.com

Case:
Myanmar

Leading investor response to human rights in conflict area

After a military coup against Myanmar's democratically elected government in early 2021, Storebrand has been taken a leading role regarding investor engagement to help secure human rights in the country.

Following the coup, the military government that took control over the country carried out actions against pro-democracy protesters. These actions have resulted in hundreds of deaths and several thousand people being arrested, tortured and injured. Furthermore, an estimated 700,000 people hailing from Myanmar's Rohingya ethnic minority group have been forced to seek refuge outside the country. The Myanmarese military government's actions were met with international protests, condemnations and sanctions from the United States, the European Union and many other countries, multilateral institutions and organizations around the world.

Joint response

Storebrand led the work to formulate a joint statement from the international business community, in cooperation with the Investor Alliance for Human Rights and the Heartland Initiative. One outcome is this work was the formal publication of the Investor Statement on Human Rights and Business Activities in Myanmar which was signed in June 2021 by 77 investors globally. The statement called on companies operating in Myanmar to identify the risk of human rights violations in their own value chain, take measures to reduce risk, report publicly on development, and participate in collective measures to support human rights in the country.

Individual engagement

Storebrand carried out due diligence related to companies operating in Myanmar to identify links to the military government and potential human rights violations.

During the year, it was revealed that the government and police in Myanmar had sought to buy surveillance and forensic technologies from a company in our portfolio, Micro Systemation AB (MSAB). Storebrand entered into dialogue with the company's management, to further establish facts and assess their ethical guidelines and due diligence procedures. The engagement, which remains open, has been open and constructive, with the company adequately addressing our requests.

In another example of our work in this region, we excluded Bharat Electronics Limited (Bharat) from our portfolios this year, for selling military equipment to the military government in Myanmar after the coup in February 2021. The sales occurred after the military coup – Bharat was therefore aware of the risk of its equipment being used as part of the military repression. In addition, Myanmar is under a weapons embargo. The exclusion was made purely on Bharat's failure to meet the Storebrand standard for human rights, which applies to all our funds.

As of the end of 2021, the situation in Myanmar remains acute and Storebrand is continuing to lead the process of investor engagement to help protect human rights in the country.

Case:

Activision Blizzard excluded

First exclusion based solely on gender discrimination


Photo: Colourbox.com

We excluded Activision Blizzard, a gaming and entertainment company, from our portfolios in Q4 of 2021, under our human rights criterion, part of the Storebrand standard. This case is the first in which Storebrand has excluded a company purely based on gender discrimination violations alone, rather than gender discrimination occurring among a broader set of violations.

Activision Blizzard, based in California in the United States, is best known for its gaming products such as Call of Duty, Candy Crush and World of Warcraft. The company appears to have systematically discriminated against female employees in terms and conditions of employment, including compensation, assignment, promotion, and termination. Company leadership seems to have consistently failed to take steps to prevent discrimination, sexual harassment, and retaliation.

The company is facing several legal actions by counterparties ranging from employees to shareholders, United States federal and state government agencies, and unions. These legal actions are related to violations of California State law regarding equal pay violations, gender discrimination and sexual harassment. A two-year investigation by the California State Department of Fair Employment and Housing (DFEH) found that Activision Blizzard's leadership consistently failed to take steps to prevent sexual harassment, discrimination, and retaliation. The DFEH decided to prosecute after it tried to resolve the issue without litigation, and mediation with the company failed to achieve a resolution. Now the DFEH is seeking an injunction to force compliance with workplace protections, unpaid wages, pay adjustments, back pay, lost wages and benefits for female employees, and compensation related to sexual misconduct.

The sexual misconduct allegations against Activision Blizzard are particularly severe, as they indicate a company culture in which female employees are subjected to constant sexual harassment, including to constantly having to fend off unwanted sexual comments and advances by their male coworkers and supervisors and being groped at the "cube crawls" and other company events. Trial documents refer to an incident where one of the company's female employees took her own life while on a company trip with her male supervisor. The employee had been subjected to intense sexual harassment prior to her death, including having nude photos passed around at a company holiday party. Such behavior took place with impunity, and discipline was rarely enforced, the lawsuit alleges. Corrective measures were not taken regarding the perpetrators; women were transferred to different departments and asked to avoid the individuals in question, according to trial documents.

This case is particularly extreme, as the company practices appear to be systematic and cover a wide range of gender discrimination violations against a targeted 20% of its employees. The practices seem to have been ongoing for years, without the company trying to change them. When informed of such incidents, the company seems to have retaliated against its employees.

During 2021, Storebrand has engaged with Activision Blizzard. Although Activision Blizzard referred to several measures to hinder sexual harassment and discrimination, the company was not able to explain what these measures entail in practice or show data about their implementation. Based on these responses, trial documents and assessments by US labour agencies and unions, Storebrand is not confident about the adequacy and implementation of measures by Activision Blizzard, or changes in corporate culture at this point. The company has subsequently been excluded from our portfolios.

Exclusion criteria based on UN SDGs

	Storebrand Standard (Applies to all funds)	Additional criteria (Applies to selected funds)
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Companies involved in systematic corruption and economic crime. Companies that cause or contribute to serious and systematic violations of international law and human rights in war zones. Government bonds issued by countries that are systematically corrupt, that systematically suppress fundamental social and political rights, or against which the UN Security Council has adopted sanctions. Companies where more than 5 percent of their revenue comes from the production or distribution of controversial weapons, including nuclear weapons, land mines, cluster munitions, biological weapons and chemical weapons.	Companies where more than 5 percent of the revenue comes from the production or distribution of weapons (handguns and military weapons).
13 CLIMATE ACTION	Companies involved in serious environmental damage. Companies that receive more than 5 per cent of their revenues from coal or oil sands-based activities. Companies that contribute to severe and/or systematic deforestation through non-satisfactory production of palm oil, soy, cattle or timber. Companies that deliberately and systematically work and lobby to counteract the objectives enshrined in the Paris Agreement.	Companies where more than 5 per cent of their revenues come from the production or distribution of fossil fuels, or which have more than 100 million tonnes of CO2 in fossil reserves.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Companies with serious and/or systematic unsustainable palm oil production.	
8 DECENT WORK AND ECONOMIC GROWTH	Companies that cause or contribute to serious and systematic violations of workers' rights.	Companies where more than 5 percent of their revenue comes from the production or distribution of gambling or pornography.
3 GOOD HEALTH AND WELL-BEING	Companies where more than 5 percent of their revenue comes from the production or distribution of tobacco or drugs.	Companies where more than 5 percent of their revenue comes from the production or distribution of alcohol.

Sustainable Investments Team

Risk and ownership

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 joined Storebrand Asset Management's sustainable investments team in 2021. Previously worked as Head of Sustainability at the Norwegian Export credit Agency (GIEK), and as advisor at the Council of the Ethics for the Norwegian Government Pension Fund – Global. He has a specialization in human rights/ labour rights, conducting due diligence of companies, and evaluating environmental and social risks and impacts of projects in a wide range of sectors. He has a L.LM in International Law and M.Phil in Human Rights Law from the University of Oslo.

Tulia Machado-Helland

Head of Human Rights and Senior Sustainability Analyst

Machado-Helland joined Storebrand Asset Management's sustainable investments team in 2008. Her specialty areas are human rights, labour rights, indigenous peoples' rights and international humanitarian law. She is responsible for Storebrand's overall active ownership strategy and company engagement. In addition, she engages with companies mainly on social issues but also on environmental issues when these overlapped social issues.. Previously, she has worked at 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 and a Texas State Attorney license. She also holds a Master in International Relations and Development.

Andreas Bjørbak Alnæs

Senior Sustainability Analyst

Alnæs joined Storebrand Asset Management's sustainable investments team in 2018. His expertise is governance issues with a focus on anti-corruption and money laundering. Alnæs is responsible for Storebrand's proxy voting process and involved in company dialogues. He joined Storebrand after working with aid management and anti-corruption in Norad, the Ministry of Foreign Affairs and UNDP. He holds a MSc in Economics and Business Administration from NHH and the International University of Japan.

Emine Isciel

Head of Climate and Environment

Isciel joined Storebrand Asset Management's sustainable investments team in 2018. She is leading Storebrand Asset Management's work on climate and environment and our company engagement. Prior to joining Storebrand, Isciel worked for the Norwegian Ministry of Climate and Environment with multilateral environmental agreements advising the government on sustainability policies and strategies and leading the work on implementing the SDGs. She has also worked for the UN and provided technical advice and content to the SDGs. She holds an MA in Political Science from the University of Oslo in addition to studies from University of Cape Town, New York University and Harvard Extension School.

Vemund Olsen

Senior Sustainability Analyst

Olsen joined Storebrand Asset Management's sustainable investments team in 2021. He previously worked as 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. Before that he worked with the United Nations High Commissioner for Refugees in Venezuela and with human rights organizations in Colombia. He has an M.Phil in Human Rights Law from the University of Oslo.

Victoria Lidén

Senior Sustainability Analyst

Lidén joined Storebrand Asset Management's sustainable investments team in 2021. She is based in Stockholm and working with ESG analysis and active ownership with a particular focus on the Swedish/Nordic market. Prior to joining Storebrand Victoria has 6 years of experience working with sustainability within the financial industry. She holds a B.Sc. in Business Administration and Economics from Stockholm University (major in finance), including a semester at National University of Singapore. In addition, has taken several courses in sustainable development at CSR Sweden and Stockholm Resilience Centre.

Solutions

The Solutions investment team comprises three members that represent a vast array of experience. The team members have diverse backgrounds both from sustainability and specialist skills across different areas. The Solutions team is responsible for identifying solution companies, for use across Storebrand Asset Management. The team responsible for several Storeband funds.

Philip Ripman

Portfolio Manager, Storebrand Asset Management

Philip Ripman specializes within the areas of politics, climate change, commercialization of sustainability and integration of the UN Sustainable Development Goals as investment themes. Ripman has held numerous positions within the company, including Group Head of Sustainability. Through his engagement with sustainability, he has advised several governments and institutions on topics ranging from coal exclusions, to environmental impacts of human activities, and policy requirements for achieving international climate agreement targets. His education includes master's degrees in Chinese Studies and Political Science.

Sunniva Bratt Slette

Portfolio manager, Storebrand Asset Management

Slette joined Storebrand in 2017 as a Sustainability Analyst. In this role, her main focus areas were sustainability assessments for the UN Sustainable Development Goals. She was responsible for carbon footprinting of investments and following up green bonds, and worked with the team on corruption, human rights and the environment. As an Investment Analyst for our Solutions team, she focuses on research and portfolio construction of solution companies — ones with products and services that significantly contributeto the UN Sustainable Development Goals. She holds MSc degrees in Industrial Economics (NTNU, Norway, 2016) and Technology Management (Ajou University, South Korea, 2014).

Ellen Grieg Andersen

Investment Analyst at Storebrand Asset Management

Ellen joined Storebrand Asset Management's funds team in 2019 as a Project Manager trainee. In this role, she was involved in the project planning of internal processes and communication of the company's sustainability work. She also participated in the graduate program "Future Impact". As our Solutions team Investment analyst, Ellen focuses on research and portfolio construction of solution companies, meaning ones with products and services that significantly contribute to the UN Sustainable Development Goals. She holds a Master's degree in International Economics (Lund University, 2018) and a BSc in International Business in Asia from Copenhagen Business School (2017), including a semester at Fudan University in Shanghai (2016).

86147 03/2022

About us:

Storebrand Asset Management is a leader in the Nordic markets and a pioneer in sustainable investments. We provide active and passively managed UCITS-compliant mutual funds, as well as alternative investment strategies such as Private Equity, Real Estate and Infrastructure. As of the end of 2021, the company manages NOK 1,097 billion of assets for Nordic and international clients, and has offices located in Norway, Sweden and Denmark.

Storebrand Asset Management is a subsidiary of the international financial group Storebrand.

Contact:

Anne Lindeberg
Communications manager sustainability
Professor Kohts Vei 9, 1327 Lysaker, Norway
+47 918 36 656 (Mobile) anne.lindeberg@storebrand.no

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