Storebrand

Climate Policy and Ambitions for Investments

November 2024

Our commitment

This policy is Storebrand Asset Management's wide policy, and a supporting document to the Storebrand Group Sustainable Investment Policy, detailing Storebrand Asset Management's (SAM) approach to managing climate risks and opportunities.

The initial iteration of our Climate Policy for Investments was published in August 2020 outlining our pathway towards Net Zero 2050. We will revise our targets at least once every five years in line with the ratchet mechanism of the Paris Agreement. This document outlines both measures we have already taken to mitigate our exposure to climate risk while capitalizing the opportunities and the actions we aim to take over the period 2025-2030. Our commitment is based on the expectation that governments and policymakers will deliver on their commitments to achieve the goal of the Paris agreement.

Climate risk is now acknowledged as one of the greatest risks facing humanity. We are not only vulnerable to the systemic disruptions that climate change will unleash on ecosystems, societies, and our own portfolio companies, but we also recognize that we have a key role to play in accelerating decarbonization of the global economy and investing in climate-resilience.

We also acknowledge the vital role of biodiversity and ecosystems in climate change mitigation and adaptation. Nature-based approaches are often more cost-effective in the long term than purely technical approaches and can produce important additional socio-economic benefits for the environment, citizens, and the local economy. Along with climate, we are working to integrate nature into our investment strategies, mindful that mitigation or adaptation activities should not do harm to valuable and vulnerable ecosystems, and as such this policy complements our work on transition as reflected in our Nature Policy and Deforestation Policy.

The transition to a zero-emission society can have both positive and negative impacts on society, and a successful transition depends on safeguarding the human rights and needs of affected groups. Our efforts to meet our climate targets are guided by the concept of a just transition, that safeguards human rights and workers' rights and does not negatively impact vulnerable groups and communities.

Our 2030 Climate Targets and Key Actions

Our long-term ambition is backed up by three short-term 2030 targets and six key actions which are based on the guidance of the Net Zero Investment Framework of The Institutional Investor Group on Climate Change (IIGCC) and the 2025 Target-Setting Protocol of the UN-Convened Net Zero Asset Owner Alliance (NZAOA).

1. Asset level emission reduction targets

Our climate targets are based on the climate scenarios of the Intergovernmental Panel on Climate Change (IPCC). At the portfolio level, we calculate our portfolio's carbon footprint and carbon intensity, and we use scenario analysis to understand how different climate scenarios may impact the future value of our investments. However, as the methodologies for translating climate science into investment decisions are still immature, we use a combination of assessments to understand the future value and risk of companies.

For asset level emission reduction targets, we have set the following 2030-targets across our asset classes:

- Listed equities and corporate bonds: 60% reduction of GHG intensity (scope 1 and 2 emissions) from baseline year 2018
- Real Estate: 64% reduction of GHG intensity for residential buildings and 71% for commercial buildings (SBTi validated)
- Private Equity: GHG intensity not exceeding 60% of applicable listed index (ACWI)
- Infrastructure: 90% of assets aligned with net zero pathways

Action 1:
Mitigate financial risk stemming from exposure to climate change by reallocating capital
To reduce risk, we have divested from companies and sectors with high exposure to financial risk stemming from carbon-intensive business models. We already have the following exclusion criteria related to climate impact:

- **Coal:** Storebrand will not invest in companies that derive more than 5% of their revenues from coal.
- **Oil sand:** Storebrand will not invest in companies that derive more than 5% of their revenue from oil sands.
- **Lobbying:** Storebrand will not invest in companies that actively lobby against international agreements such as the Paris Agreement
- **Production and distribution of fossil fuels:** Almost half of our AUM is in fossil-free funds, which exclude companies that derive more than 5% of their revenue from the production or distribution of fossil fuels as well as relevant services to fossil fuel operations and/ or whose fossil reserves exceed 100 million tonnes of CO2.

In this 2024 iteration of our Climate Policy, we introduce a new exclusion criterion called **Paris-misaligned criterion**. Companies in high emitting sectors whose transition plans fall significantly short of those of their peers, and which do not respond to engagement and escalation, will be candidates for assessment under the Paris-misaligned criterion.

Action 2:
Align 42% of listed equity and corporate bond portfolio with SBTi-validated targets by 2027
To ensure a science-based approach, Storebrand Asset Management has also committed to 42% of its listed equity and corporate bond portfolio by invested value setting SBTi validated targets by 2027. Storebrand's Science Based Targets were validated by Science Based Target initiative (SBTi) in December 2022 and formally published in January 2023.

2. Finansingtarget: 20% of total AuM invested in solutions by 2030

Investing in climate solutions is crucial for reaching the global goal of limiting global warming to 1.5°C target. At Storebrand, 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 achivement of the SDGs; and we reduce exposure to activities that impact society and the environment negatively. We offer several products which are aligned with the achievement of the SDGs including climate and nature across various asset classes.

Action 3:
Make it simple for clients to understand and contribute to a low carbon economy
One of the most important goals for Storebrand is to increase investment in products that actively contribute to the mitigation of and adaptation to climate change. We will offer climate positive investment styles in order to make these products accessible to all our clients. In addition, we will ensure that the impacts of these products are reported regularly and transparently. Examples of products we will seek to offer are solution funds, fossil free funds, Green Bond funds, Sustainable Property investments, Infrastructure funds, and private equity impact funds dedicated to investing in climate solutions

3. Engagement target

Our net zero strategy intends to maximize our contribution towards reducing emissions in the real economy. To achieve this, we will continue to implement a stewardship and engagement strategy, backed by a voting policy that is consistent with an objective for all assets in the portfolio to achieve net zero emissions by 2050 or sooner. Our expectations to companies are guided by global investor alliances such as Climate Action 100+ and IIGCC. We believe that voting can be a powerful tool in cases where companies fail to manage material climate risks and opportunities adequately. To increase the potential impact of our votes, starting in 2024 we publicly disclose our voting intentions five days ahead of shareholder meetings. We complement the engagement with our investees with policymakers and ensure any direct and collective policy advocacy we undertake supports policy and regulation relevant for achieving the Paris agreement.

Action 4:
Engagement with companies to accelerate the transition
We will use our access to companies and our expertise to support our portfolio companies to deliver long-term financial value and adapt their business models to align with net zero pathways. We will continue to engage with the top emitters in our portfolio as well as companies with significant direct and indirect exposure to climate risk. By 2030, our aim is that significantly higher share of our companies has credible climate strategies alongside their net-zero commitments. Companies in high emitting sectors whose transition plans fall significantly short of those of their peers, and which do not respond to engagement, will be candidates for assessment under the new Parismisaligned exclusion criterion.

Action 5:
Engagement with policymakers to call for improved enabling environment
Influencing governments and policymakers to make system level changes to support the transition to a sustainable future is a key part Storebrand's ambition. A net-zero transition requires a clear and consistent enabling policy environment that can alleviate uncertainties for financial decision makers. Successful policy implementation further helps minimize transition risks to financial institutions, corporates, and the real economy as a whole. We will continue to engage with policymakers through platforms such as Investor Policy Dialogue on Deforestation (IPDD) and IIGCC.

Action 6:
Engagement with peers and other stakeholders to drive the transition
In our experience, we achieve the best results through collaboration with peers, civil society and academia. We will continue to work along with peers through initiatives such as Climate Action 100+, UNPRI and IIGCC to develop market standards, promote transparency and influence companies to accelerate the climate transition.

Transparency and Reporting:
Our responsible investment efforts are underpinned by transparency. The actions and follow-up of the climate policy will be overseen by Group Management. They will report regularly on specific indicators to the board and will explain how the company is managing the investment-related risks and opportunities.

We will also continue to annually report our progress against our commitments in a transparent and standardized manner. In July 2017 the Financial Stability Board's Taskforce for Climate-related Financial

Disclosure (TCFD) launched the final version of their recommendations on corporate disclosure. The report sets out how businesses should disclose climate-related financial risks and opportunities within the context of their existing disclosure requirements. We have taken this as the guide for our own disclosure and will continue to do so alongside with the recommendations from the Taskforce for Nature-related Financial Disclosure (TNFD).