Sustainable Investment Review Q1 2023

SUSTA

storebrand

In this issue

In focus / Alternative Investments

This quarter, we zoom in on alternatives, a fast-growing segment where sustainable investing has a big role to play.

Consistency is the key

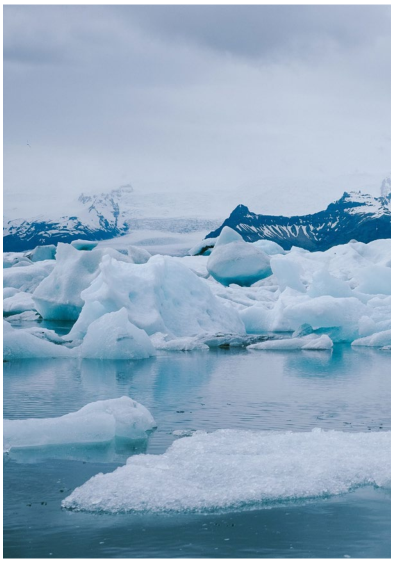
Working towards sustainable investment is a long march, given the scale and scope of the challenges we face, on climate, nature and social issues, among others. But overcoming these challenges calls for steady and sustained efforts on many fronts, as well as facing dilemmas of balancing between competing needs.

That was the theme during this first quarter of the year, across our wide range of activities. Our levels of engagement activities remained high. And as can be seen in our latest engagement data summary, the overwhelming majority of these activities were planned and collaborative. In this vein, we were part of the launch of a new joint investor effort, the Net Zero Engagement Initiative, comprising of a hundred investors. Together, we will jointly engage companies, seeking alignment between global climate commitments and concrete net zero transition plans from them.

Staying true to principles isn't easy, as is the case in exclusion decisions that we faced during the quarter. One of these was the exclusion from our investment universe of a company involved in development of several hydropower projects. As our Head of Climate and Environment **Emine Isciel** points out, while renewable energy is critical for the net zero transition, global agreements to protect natural ecosystems are equally important commitments that we are duty bound to stand for as an investor.

Looking ahead, we aim to continue to improve our consistency. Some of this will come in the form of newly revised sustainability policies to be published later this year, along with guidance to companies on our expectations to them.

We hope you will enjoy reading the rest of this quarter's review, in which we zoom in on alternatives, an area of growing interest in the new investment landscape. Alternative asset classes such as private equity, infrastructure and real estate all offer different challenges in the search for consistency when it comes to achieving our sustainability goals, as can be read in some of the analysis from our sector specialists across this area.



"Working toward sustainable investment is a long march, given the scale and scope of the challenges we face, when it comes to climate, nature and social issues"

Kamil Zabielski,
Head of Sustainable Investment

In brief

Event

Forestry for Finns

Storebrand's Senior Sustainability Analyst **Vemund Olsen** gave a presentation to investors in Finland about financial risks arising from deforestation and how investors can manage such risk. The event, "Biodiversity network — A round-table for investors and environmental experts", was organized by the Tiina and Antti Herlin Foundation and the Forum for Environmental Information.

The aim of the event was to bring together experts from the fields of biodiversity and responsible investment, to support information exchange and cooperation on the topic of biodiversity. Olsen discussed Storebrand's work towards achieving deforestation-free portfolios, including tools and methodologies for screening portfolios, engaging with companies and monitoring progress.

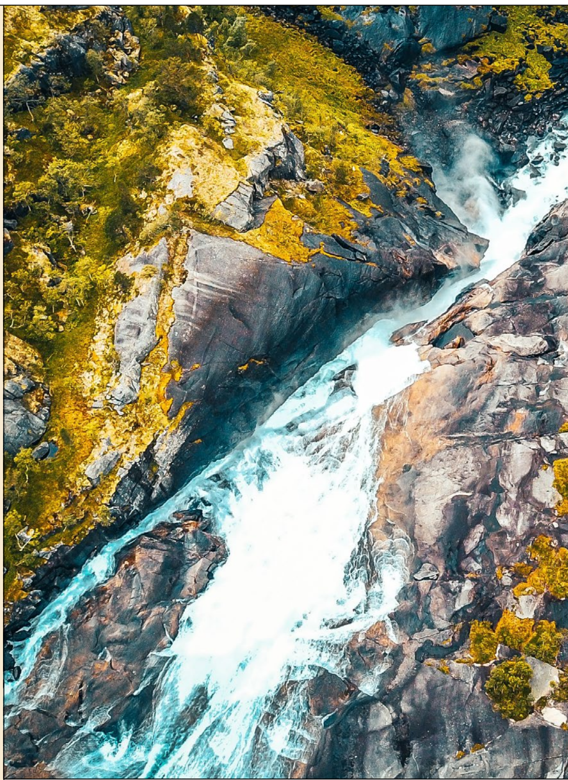
↑ **Halting and reversing deforestation can help solve the challenges of global warming, as well as systemic risk to nature from loss of biodiversity.**

Recognition

Best in Sweden

For the third time, Storebrand Fonder (Sweden) has been named **"Fund Company of the Year"** by Söderberg & Partners, based on their findings that: "Storebrand has a wide range of funds within different asset classes, investment styles and regions. Great consideration is given to responsible investments and sustainability analysis is a central and integrated part in management, where the company has long been at the forefront. In our fund analysis, the company has performed stable results over time in both yield and sustainability, with several green ratings.".

Read more at AMWatch



Event

Cultivating a nature policy

Storebrand presented its Nature Policy at **Mercer's Global Investment Forums ("The Forums")** 2023 in London. At the event, the investment community explored what they could learn from recent history and the key themes likely to shape markets and investment practices. One of the deep-dive areas was biodiversity, where Storebrand's **Emine Isciel** presented insights into our company's newly adopted policy on nature.

→ **Biodiversity and ecosystem services make global economic development possible, and permanent damage to them would lead to huge economic losses.**
— World Bank, The Economic Case for Nature, 2021.

Event

The natural capital question

Environmental Finance held its fourth annual **Natural Capital Investment conference** on March 23rd in London. With interest in ESG investing at an all-time high, institutional investor shined a light on a previously sidelined indicator of environmental health: biodiversity. But despite an increasing number of funds being created, natural capital investment opportunities remain limited, and biodiversity needs to be built into consideration of all companies and their investors. Storebrand's **Emine Isciel** took part in the event's initial panel that dived into details of COP 15 outcomes and what it means for investors.

Action

Advising SUSTAIN

Storebrand is pleased to be represented on the Advisory Board of **SUSTAIN**, through **Emine Isciel**. SUSTAIN is an initiative to boost the European Commission's understanding and awareness of how economic activities depend and impact on biodiversity. The project will build on existing work within business and biodiversity, to develop and validate a database of business dependencies and impacts; develop methods that actors can use to reduce biodiversity-related risks; and build a toolbox to support their application.

Recognition

Three's the charm

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

In focus / Alternative Investments

ALTE

Sustainable investing is increasingly important in this fast-growing segment

Why alternatives matter

Source of diversification and potential sustainability impact

"Assets such as wind farms and transportation infrastructure are some examples of alternative investments."

Alternatives (also known as "real assets") are a category of asset classes beyond listed equities, bonds, and cash — the traditional areas of investment assets. Some of the biggest asset types within alternatives include private equity, private credit, real estate and infrastructure.

Some alternatives are based on direct investment in unlisted instruments, offering a direct route to sustainability impact. As such, alternatives can be uniquely positioned to generate alpha for investors, while addressing some of the world's most pressing challenges.

Broad category

Ultimately the category of alternative investments is extremely broad and diverse, featuring other types of assets, including derivatives, commodities, and collectives, for example fine art or antiques. Many of the largest alternatives have a long history and have been utilized by investors for more than a century.

Alternatives can provide a range of attributes that can contribute to investment strategies. In some cases, alternatives can be longer-term focused, less liquid, and less coupled to public market volatility and inflation.

More tools to direct sustainability impact

Sustainability is an increasingly important factor in investment opportunities and risk, driven by a growing global commitment to sustainable development goals, including transitioning to a low-carbon economy. Within directly-held alternative asset classes, such as infrastructure or private equity, this provides arenas for more direct influence.

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

Storebrand's infrastructure strategies focus on targeting investments that contribute directly to the green transition. With such approaches, investors have the opportunity to aim for portfolio growth driven by positive ESG impact, while striving to minimize negative ESG outcomes.

Sustainability takes center stage in PE

→ **Urs Bitterling**, Chief Sustainability Officer, Cubera Private Equity

"For Cubera, sustainability is an integral part of how we generate value for our Private Equity investors"

The demand for sustainable private equity funds is still in its early stages but is quickly growing. Currently, most private equity firms are starting to focus on impact. Urs Bitterling, Chief Sustainability Officer (CSO) at Cubera Private Equity, believes that as a fund-of-funds manager, Cubera is an important interlink between general partners and their end-investors allowing them to focus more on creating value. Storebrand acquired Cubera Private Equity several years ago, taking an even clearer position towards alternative investments. **Urs Bitterling** is CSO at Cubera, a fund-of-funds manager which, operating as a stand-alone boutique owned by Storebrand, manages EUR 4.5 billion in assets.

Cubera's four key sustainable investment activities

1.
Manager Selection and ESG Due Diligence
Understanding the ESG capabilities of partners and screening for issues in the portfolio

2.
Engagement
Partnering with GPs to drive ESG performance of the investments

3.
Sustainable and Impact Investing
Providing capital to scale sustainable solutions and real-world impact

4.
Exclusions and divestments
Minimizing exposures deemed not sustainable

Continuous monitoring, reporting and production of insight to support all activities

According to a recent report from the consultancy McKinsey, the number of signatories to Principles for Responsible Investment (PRI) among Private Equity and venture capital firms is steadily increasing. The proportion of total private capital fund-raising that came from managers with an investment policy that includes ESG issues rose to 66 percent in 2022, a new high [1].

Integration and impact

Private Equity (PE) has become increasingly engaged in impact investing, which is an investment approach aimed at generating positive societal effects in addition to financial returns. While listed stocks may also include companies working to improve society and the environment, private equity has a unique ability to invest in solution companies more directly and at an earlier stage in the company's development.

Furthermore, the PE ownership model is a suitable framework for strengthening the correlation between, on the one hand, how value is created in a company, and on the other hand, the sustainability outcomes the company generates.

"Private equity may be at the forefront of impact investing, since private equity investors have the ability to select companies with business cases that naturally correlate with environmental and social outcomes. Many PE impact funds focus on selecting such solution companies," says Bitterling, continuing: "The European Green Deal and the US Inflation Reduction Act are likely to further strengthen the positive correlation between ESG and financial performance, especially when it comes to decarbonization."

Industry struggling with standardization

However, there are still challenges and barriers to further scaling responsible investment in private equity, including the need for better standards and shared practices for measuring and reporting ESG performance and impact.

"While many stakeholders, regulators included, are pushing for more ESG disclosures, the reporting and data becomes more diverse. That's why it is important to focus on standardization that makes analysis and comparability easier. Institutional investors, our LPs, demand more transparency. As GPs, we will and need to, help create better look-through on sustainability issues, now and in the future. While we need more data, more is not always better. We need certainly more disclosures, but in a standardized and coordinated way," claims Bitterling.

"As a Fund of Funds, Cubera can play a role here to help streamline reported data, given we are in touch with so many GPs.

"By working with our GPs and requesting standardized disclosures — based on existing frameworks and best practice initiatives (such as EDCI), we can help here," he concludes.

Private equity is for those who:

- **seek potential for high return even in periods of high inflation and rising interest rates, e.g. through operational improvements, cost efficiencies and optimization of corporate financing**
- **want to spread the risk across more asset classes, to broaden the investment portfolio**
- **want to be part of an active ownership model that can create and conserve value even beyond return**

"Today, institutional customers consider proper ESG approaches a 'must have'."

— **Urs Bitterling**

Private Equity Glossary

Limited partner (LP)
contributes the capital (Cubera), i.e. investor in funds

General partner (GP)
manages the capital

FoF (Fund of Funds)
A multi-manager investment: a portfolio made up of portfolios of other funds

Dry powder
funds raised but not yet invested

Global access

Investment in private equity provides access to a substantial part of the global economy. According to McKinsey, total private markets assets under management (AUM) reached $11.7 trillion as of June 30, 2022. AUM has now grown at an annual rate of nearly 20 percent since 2017. As of the second quarter of 2022, dry powder* exceeded $3 trillion, reflecting an 8.4 percent year-over-year increase and marking the eighth consecutive year of growth.

References

[1] McKinsey Global Private Markets Review, March 2023

Significant investment is needed to meet the offshore wind capacity needs identified by the IEA.

Harnessing tailwinds to reach net zero

Faster installation of wind-based energy is a key element in securing a sustainable future for all — but more investment is needed

Text / Ann-Marie Kulvik

The world remains behind on implementation of global and national energy transition goals, in which wind power, can play a significant role. Faster installation of wind-based energy is a key element in securing a sustainable future for all — but more investment is needed.

The science-based goals set out in the Paris Agreements, of limiting average global warming to a maximum of 1.5°C, are by now well known. This March, the IPCC presented the **AR6 Synthesis Report: Climate Change 2023**, which outlined that emissions need to be reduced by at least 43% by 2030 compared to 2019 levels, and at least 60% by 2035 to ensure the 1.5°C limit.

This is the decisive decade to make it happen.

The political commitment to achieve net zero by 2050 is strong as ever. However, while the US Inflation Reduction Act, the EUs Green Deal and China's Five-year Plan all demonstrate political willingness supporting the net zero pathway, a big gap remains in net zero implementation. In addition to large amounts of investments into renewables, acceleration of the permit-granting process is crucial in turning ambitious plans to reality.

The path to net zero by 2050 hinges on an unprecedented scale up of renewable energy capacity, in addition to major improvements in energy efficiency, the International Energy Association (IEA) notes in its report Net Zero by 2050: A Roadmap for the Global Energy Sector. Deployment needs to accelerate urgently as the window of opportunity is rapidly closing.

Wind power central to net-zero transition

While the energy sector is at the heart of the climate challenge it also holds the key to the solution.

According to IEA's assumptions, electricity will by 2050 account for nearly 50% of total energy consumption and will play a key role across sectors. Aiming for more than 60% of total electricity generation to come from renewables by 2030, the IEA estimates that renewable energy capacity will need to be tripled within the next seven years - and must grow eightfold by 2050. Most of this growth is to come from installation of wind and solar PV power generation capacity[1].

This sets the stage for a fast-paced net-zero transition within the energy sector. Here, growth in wind power will play a significant role.

Globally, over 77 GW of new wind power capacity went online in 2022, according to the Global Wind Energy Council (GWEC) **Global Wind Report 2023** [2], bringing the global installed wind power capacity to 906 GW. To achieve the goals set forth in the Paris Agreement, annual capacity additions in wind power need to reach 390 GW by 2030, translating into a four-fold annual capacity increase from last years. Annual capacity additions in offshore wind alone will need to reach 80 GW. For perspective, total global offshore wind capacity is currently at 64.3 GW [2].

Tailwinds abating, commitments increasing

While the path to net zero undoubtedly requires vast amounts of investments, state level conditions have resulted in a large amount of renewable energy capacity tied up in permitting queues, which hinders momentum and limits the pace of deployment. Just a year ago, data from GlobalData revealed that the EU has four times more wind capacity in the permitting stage, than the capacity under construction[3].
The situation in the US is similar.

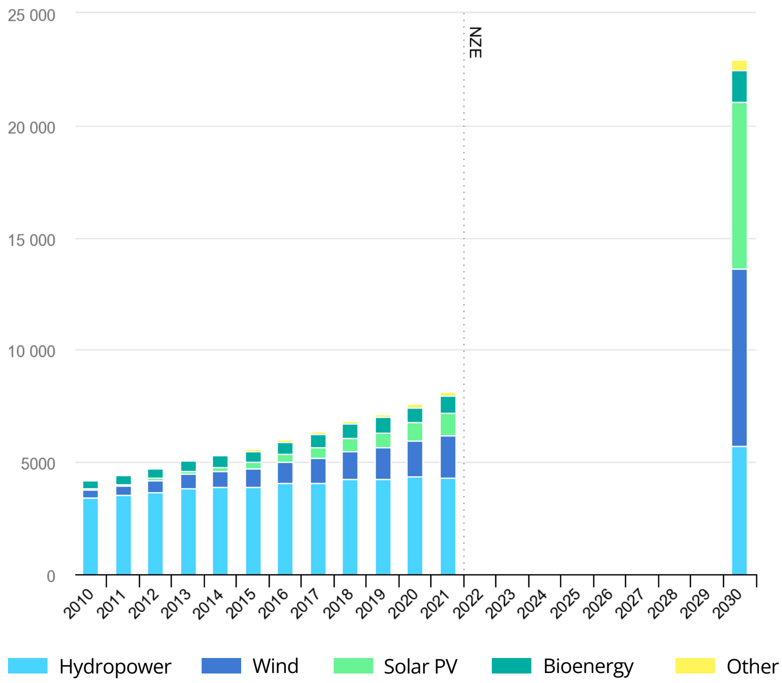
Fortunately, several authorities are beginning to recognize that the permitting process is an obstacle and are working to accelerate the permit-granting process. By taking this path, policy makers have an enormous opportunity to bring the world closer to net zero.

At the end of 2022, nine new countries including Belgium, Colombia, Germany, Ireland, Japan, the Netherlands, Norway, the UK, the US joined the Global Offshore Wind Alliance (GOWA), pledging to increase the pace of offshore wind installation, in order to meet climate and energy security goals.

This sets the stage for continued growth in investment in wind power infrastructure over the next few years.

Renewable power generation by technology in the Net Zero Scenario, 2010–2030

Source: Organization for Economic Co-operation and Development ("OECD") on behalf of the IEA, Updated Oct 2022



↑ The IEA Net Zero Scenario calls for major growth in wind power capacity by 2030

Ann-Marie Kulvik
Associate, Infrastructure

References

[1] International Energy Association (IEA), Wind power generation in the Net Zero Scenario, 2010–2030

[2] Global Wind Energy Council (GWEC), Global Wind Report 2023

[3] Energy Monitor, "Data insight: The Permitting problem for EU wind farms", 2022

Wind's up on the North Sea

Storebrand Infrastructure Fund invests in He Dreiht, Germany's largest planned offshore wind farm

Source: EnBW

↑ The **He Dreiht wind farm** is located just off the German North Sea coastline

Text / Jo Gullhaugen

The Storebrand Infrastructure Fund has acquired an equity stake in He Dreiht, a construction-ready 960 MW offshore wind farm in the German North Sea. Storebrand's strategic infrastructure partner, AIP, has formed a consortium with Allianz Capital Partners (ACP) and Norges Bank (NBIM) acquiring 49.9% of the project. For its part, Storebrand Infrastructure Fund is investing more than NOK 1bn in the transaction.

An ambitious energy transition project

When completed, He Dreiht will consist of 64 V236-15.0MW wind turbines supplied by Vestas. Project construction will begin in 2024, working towards a planned commercial operation date (COD) by the end of 2025, at which point it will be the largest operational offshore wind farm in Germany.

He Dreiht represents an attractive combination of key infrastructure characteristics and meaningful impact on the path to net zero. The project is located in a dedicated zone for offshore wind development in the German Economic Exclusive Zone of the North Sea. When completed, He Dreiht is expected to produce clean energy for 1.1m households. The project's projected long and stable cash flows provide characteristics that we consider attractive in a balanced portfolio.

The offshore wind farm is expected to produce about 5.3 terawatt-hours (TWh) of renewable electricity annually, offsetting the equivalent of approximately 2.7 million tons of carbon dioxide. As the recent UN IPCC report has noted, the world urgently needs investment in efforts to respond to the climate challenge at speed and scale. We'll continue to focus on projects such as this, with projected significant climate impact and stable long-term returns. In Europe alone, according to McKinsey, USD 28 trillion of investment will be needed to reach net zero emissions.

Jo Gullhaugen
Head of Storebrand Infrastructure

About AIP Management

AIP is an investment manager, partly owned by Storebrand, dedicated to infrastructure investing and management of infrastructure assets supporting the energy transition in Europe and North America.

Closely engaged with EnBW

The German utility company Energie Baden-Württemberg (EnBW), which has longstanding offshore wind experience in constructing and operating wind farms in Germany, is the developer and current owner of the project. EnBW is one of the largest energy suppliers in Germany and within Europe, providing services to approximately 5.5 million customers. The company already operates two offshore wind farms of a smaller size near the location of He Dreiht.

Post-transaction, EnBW will remain as majority owner, while also taking on responsibility for the construction and long-term operation of the wind farm. Once the facility is operational, EnBW will also be the long-term off-taker of the produced electricity.

About Storebrand Infrastructure Fund

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

Green transition starts with brown properties

EU regulation misses the target on real estate emissions reduction

Text / Michael Gobitschek

Michael Gobitschek
Portfolio Manager, SKAGEN

Starving these structures of the financing they require to achieve this, is potentially harmful for the green transition.

The European Green Deal, which aims to cut 55% of CO_2 emissions by 2030 and achieve climate neutrality in 2050, is a huge challenge but also a great opportunity for real estate. The industry is currently responsible for around 40% of total CO_2 emissions and so will play an important role in determining whether the EU hits its target.

Many of the regulations introduced by the European Commission to help achieve its goal are laudable. The EU Taxonomy, for example, which aims to redirect capital towards economic activities classified as environmentally sustainable. The Sustainable Finance Disclosure Regulation (SFDR) should also aid asset owners' decision making by promoting transparency and standardisation, while also preventing greenwashing and making investors more accountable.

However, creating a single rulebook for a fast evolving and widely diversified sector like real estate is challenging and requires a more nuanced approach.

A particularly controversial piece of the new regulation is its more favourable treatment of new 'green' builds over decarbonising existing 'brown' buildings. The taxonomy currently lists energy renovations as a 'transitional activity' meaning they are not classified as wholly sustainable and therefore cannot be included in Article 9 funds i.e. those with environmental and/or social objectives. Instead, asset owners focused on Article 9 will only be able to invest in new builds, where significant embedded CO_2 emissions involved in construction are ignored.

This flawed logic is symptomatic of the regulation's inability to be used in a dynamic way. Sustainable investment commitments as defined under the SFDR – and the EU's action plan more broadly — only provide an ESG snapshot that promotes investment in a narrow set of activities considered sustainable today and hampers the wider adoption of others that could accelerate the transition to a more sustainable tomorrow.

Unintended consequences

For real estate investors it creates reputational risks as they are forced to decide on what are considered to be sustainable investments and perform the relevant — but subjective — checks. Another downside is the increased reporting burden and associated costs which can disproportionately impact smaller investors who are often the most active in engaging with real estate companies to help drive positive change.

The static nature of SFDR is also ill-suited to a sector reliant on patient capital. Its snapshot approach is problematic for long-term investors as sustainability improvements over time can have a hugely positive financial impact and often form a key part of our investment thesis.

More serious is the risk of unintended consequences for the allocation of capital by encouraging the demolition and rebuilding of real estate assets over the development of existing ones. According to the International Energy Agency (IEA), for the sector to decarbonise in line with 1.5°C of global warming, 50% of all current buildings need to be net zero by 2040, increasing to 85% by 2050.

Starving these structures of the financing they require to achieve this is potentially harmful for the green transition.

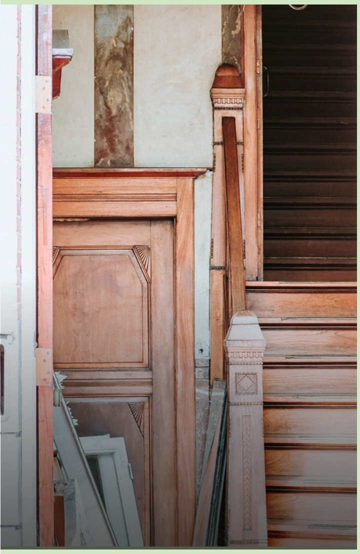
Finally, asset owners may simply decide that real estate as an asset class is too complicated and avoid allocating altogether, as has been evidenced by the significant outflow from Article 9 strategies.

For the financial industry to play its part, it is vital that regulations bring investors on board rather than scaring them away. Similarly perplexing is that despite the explosion of green ratings for real estate – around 600 different systems at the last count — there is no regulatory or ESG data solution that assesses physical adaptation to increasing climate risks.

References

[1] Oxford Economics, The renovation race to net-zero, April 2022

The increase in regulatory scrutiny means that these pressures will only increase and it is important that investors understand these factors



→ The cost of renovating properties to renovate and decarbonise properties can be significant

Source: Oxford Economics/AECOM/Arcadis/Costmodelling/EU-DEEP/MSCI

Huge investment opportunities

The renovations required to decarbonise our existing buildings will increase costs across most European real estate markets. A report by Oxford Economics estimated that renovating a property to extend its economic life by only 10–15 years could cost up to 30% of its capital value[1]. This has significant implications for investors, particularly in sub-sectors like hotels where buildings are often older, in prime locations and with high levels of energy intensity. Conversely, portfolios tilted towards industrial and retail assets will incur relatively smaller costs.

On a country level, investors in the UK — where minimum Energy Performance Certificate (EPC) standards are set to rise from 2027 — are expected to bear the highest renovation costs due to labour market inflation whereas Nordic countries will require the smallest investment given their lower obsolescence risk and capex ratios.

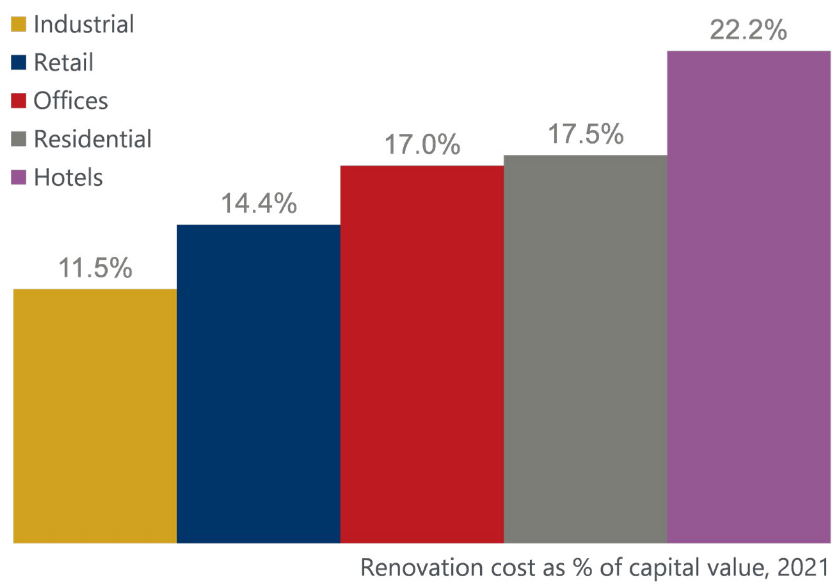
The increase in regulatory scrutiny means that these pressures will only increase and it is important that investors understand these factors. It supports a bottom-up approach to portfolio construction, built on detailed company understanding of the sustainability risks they face. It also creates huge investment opportunities, for example in solution companies enabling the transition.

In conclusion, sustainability has been one of our long-term portfolio themes. The real estate sector has many favourable ESG characteristics, including strong environmental management systems, innovation and a clear social contribution. The investment thesis is also simple — more sustainable properties will benefit from higher occupancy rates and the rent that tenants are willing to pay. This applies to both the construction of new assets and developing existing ones.

Real estate punches well above its financial weight in terms of CO_2 emissions and so has an important role to play in driving positive environmental change, both by reducing its own carbon footprint and setting an example for other sectors. The current regulatory categorisations, however, risk undermining these efforts by diverting much-needed capital away from transitional strategies. A more tailored approach is needed if the EU is to achieve its important decarbonisation targets that we all hope to see met.

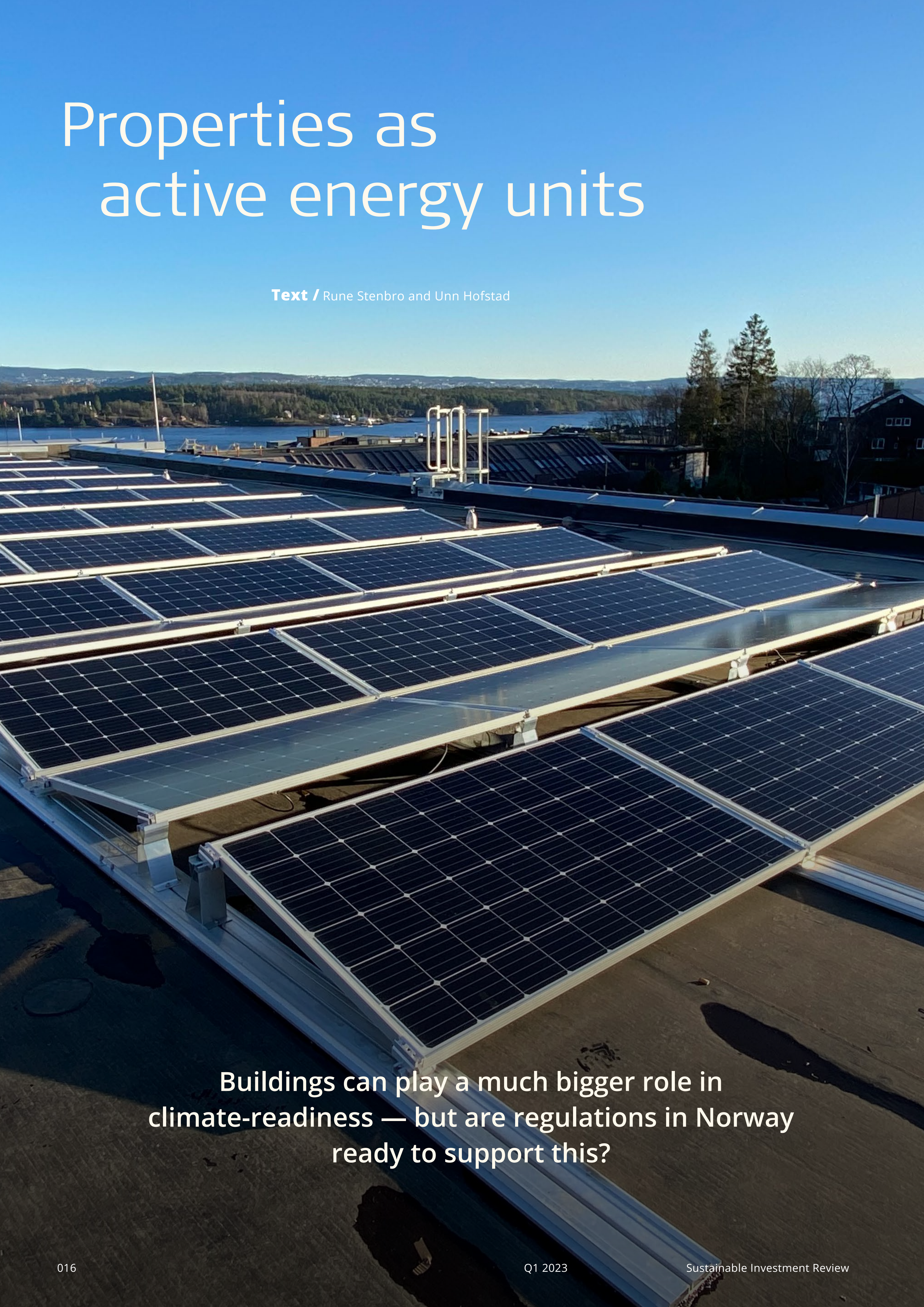
Europe: Renovation cost by sector

Estimated cost to extend economic life by 10-15 years



Properties as active energy units

Text / Rune Stenbro and Unn Hofstad



Buildings can play a much bigger role in climate-readiness — but are regulations in Norway ready to support this?

Unn Hofstad
Sustainability Manager, Storebrand Real Estate

Rune Stenbro
Sustainability Manager, Storebrand Real Estate

↓ The energy hierarchy is a guide for prioritizing energy management initiatives

MOST SUSTAINABLE

Tier 1: Energy Demand Reduction

Tier 2: Energy Efficiency

Tier 3: Utilisation of Renewable, Sustainable Resources

Tier 4: Utilisation of Other, Low-GHG-Emitting Resources

Tier 5: Utilisation of Conventional Resources as we do now

LEAST SUSTAINABLE

Source: Institution of Mechanical Engineers, UK (IMechE)

By now, we're steadily battered by reports on the scale and urgency of the climate challenge - but what are new implications for the building sector? Should this impact how we judge the quality of real estate assets, when it comes to mitigating risks and maximizing opportunities in the energy transition?

In Norway for example, where a significant portion of our property portfolios are located, the building and construction sector accounts for around 15% of national greenhouse gas emissions. If emissions linked to offshore Norwegian oil and gas production are excluded, the proportion of emissions is much higher at 24%. Globally, the sector consumes about a third of the world's energy end-usage, according to **analysis by the International Energy Agency (IEA)**.

This March, a massive summary climate report arrived from the UN climate science panel IPCC, which stated bluntly that world is acting too slowly to succeed in meeting the climate challenge. Among the key targets the IPCC details are: slashing emissions by half within the next 7 years, and scaling up practices and infrastructure that boost climate resilience.

What does this mean for managing the emissions and energy transition readiness of building sector? The key, says the IEA, is a shift from buildings as a passive energy consumption point, to a role as an active element in energy systems and local physical ecosystems.

Energy efficiency has a multiplier effect

This vision was crystalised in a recent IEA commentary, **"There's more to buildings than meets the eye: They hold a key to net zero emissions."** Here the IEA points to a modern net zero future in which emission reductions are enabled by buildings equipped to utilize energy efficiently, while also containing on-site renewable energy generation and storage capabilities. The net effect, the IEA notes, would be go beyond reducing energy usage and emissions-intensity of the buildings' electricity usage. The broader emissions effect would also come from reducing electricity grid congestion and the need for fossil-fuel-burning power plants.

Storebrand has committed to science-based targets for emission reductions, aligned with a 1.5-degree scenario. Specifically, to reduce our real estate portfolio scope 1 and 2 GHG emissions by 64% per square meter for residential buildings and by 71% per square meter for commercial buildings within our management of direct real estate investments by target year 2030 from a 2019 base year. To get there, our primary focus actions centre around decarbonizing managed properties through direct interventions in energy reduction and on-site production of renewable energy, and secondarily to procure 100% renewable energy on the market through 2030.

Reducing energy consumption

Most classic energy management strategies follow what is known as "The Energy Hierarchy". This prioritization that begins with measures to reduce total energy demand, then per-unit energy efficiency rates, followed by measures to increase share of renewable energy sources used, then use of low GHG-emissions energy sources.

At Storebrand, our experience from working in line with this strategy is that while tier 1 measures can produce the best long term sustainability benefits, there are currently still many barriers to implementing them.

So far, the results within our Norwegian portfolio are that active energy management on the asset level, refined to hourly levels, has resulted in a 12 per cent reduction of energy consumption rates per square meter from 2019 to 2022, while associated greenhouse gas emissions have been reduced by 32 percent. Energy monitoring and improvements in daily operation of building energy systems, along with investments in automation and control systems, lighting systems and other equipment, is on the agenda of property management. Prior to these changes, we also phased out almost all useof fossil fuel-based energy sources at our properties.

However, making these changes does involve some challenges. Some of these issues include the complexity and volume of decisions needed to define energy management tactics, then monitor and adjust them over time.

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

Currently we have five buildings in Norway with solar energy generation facilities installed on their roofs, amounting to a total surface area of 4000 square metres surface area. This is relatively small area relative to the total unused roof areas across all our properties, including logistics buildings and shopping centres. We have significant expansion ahead, with projects either in the planning or installation stage that we expect to triple the surface area of our solar installations.

So far, we have encountered some challenges, for example in finding solar panels manufactured to our standards of supply chain sustainability, especially with regards to labour conditions and CO_2 footprint.

Going nature positive to reduce net emissions
Accounting for nature impacts and dependencies of buildings also has an important role to play in reducing total emissions within the areas where our properties are located. As Storebrand has now recently adopted a new **policy on nature**, and in summer 2022, we have completed the mapping of biological diversity on our properties.

Building on this insight, we are planning measures to protect and increase biological diversity within the footprint of our properties. Furthermore, we have identified threats from issues such as alien species and looking at how we can make a positive contribution

↑ **Roof-installed solar panels** provide onsite renewable energy at Storebrand's property at Lysaker Torg in Norway

So far, we have encountered some challenges, for example in finding solar panels manufactured to our standards of supply chain sustainability, especially with regards to labour conditions and CO_2 footprint.

Source: Unn Hofstad/Storebrand

to natural diversity locally and regionally These positive contributions can include removing alien species, planting native plants that promote biodiversity and rich animal and plant life, through for example the use of green roofs, bird boxes, and insect hotels. Our roadmap for implementing these stretches between now and 2030.

Policy improvements to reduce gross energy consumption

While these programs that we are implementing align with the IEA and IPCC recommendations for priorities on climate action, there is potential for properties to reduce long terms emissions intensity even more — but it depends on improvements to policy frameworks.

Currently policy frameworks are still relatively simplistic and lacking in the nuances needed for net zero transition. For example, they do not take the proper scope of life cycle assessment: energy reduction and emissions reductions from the operational phase are not weighted alongside emissions from reduction measures (embodied carbon from materials used, from waste handling, from energy in production phase etc. For example, it is important to make sure that emissions related to production and disposal (LCA) are more than offset by reduced emissions in the operational phase. There is a large difference in the characteristics of available products, and our experience from purchasing solar panels shows that their measurable impact can range widely from clearly positive to marginal.

As a result, with current policy frameworks, property owners may risk committing to short-term emissions increases that could significantly exceed any long-term operational reductions that might result from the initiatives they implement.

Experience in Norway

In the Norwegian market for example, Incentives in the form of subsidies for implementation of reduction measures in buildings were eliminated several years ago, based on an increased focus on direct emissions. As a result, since electricity is considered to be virtually "zero emission" energy source in Norway, based on the local energy mix, energy efficiency programs available to Norwegian commercial property owners were eliminated.

Some government support schemes have been continued through programs run by ENOVA, the Norwegian government's state-run enterprise for promoting energy transition activities. However, several current support programs have been changed or terminated, so that overall, the opportunities are far fewer than before.

Currently, it's unclear if the growing climate of international conflict, with energy security high on the agenda, will lead to a long-term shift back towards improving energy efficiency in commercial properties.

Changes to policies and regulations in Norway could help clarify the rules for minimum requirements for rehabilitation (TEK20). We believe that one disadvantage of current requirements is that they are suited to new buildings, which lead to property owners being forced to choose solutions that are not technically adapted to existing buildings. In fact, the appropriate solutions can vary depending on whether the property is a newbuild or renovation — and if it is a renovation, the age of the building.

Another disadvantage of this standard in Norway, is that since the requirements are not adapted to rehabilitation, it would be relatively easy in many municipalities to apply for an exemption from TEK on the grounds that the solutions will be too expensive or technically difficult. Consequently, the project does not set requirements or a level of ambition in relation to the environment, and other qualities may be very low.

We therefore believe that there is a need for separate, customized, and fixed requirements for upgrading of existing buildings. As an alternative to a separate Rehab-TEK regulation in Norway, the standard could contains specified requirements for new buildings and upgrading of existing buildings in a similar manner to the way that the BREEAM manual is structured. There are some positive signs ahead. Progress is being made at regulatory level in the EU, which can filter down towards helpful changes to regulations for the property sector at national level in Norway and the Nordic countries.

Solutions /

SOLU

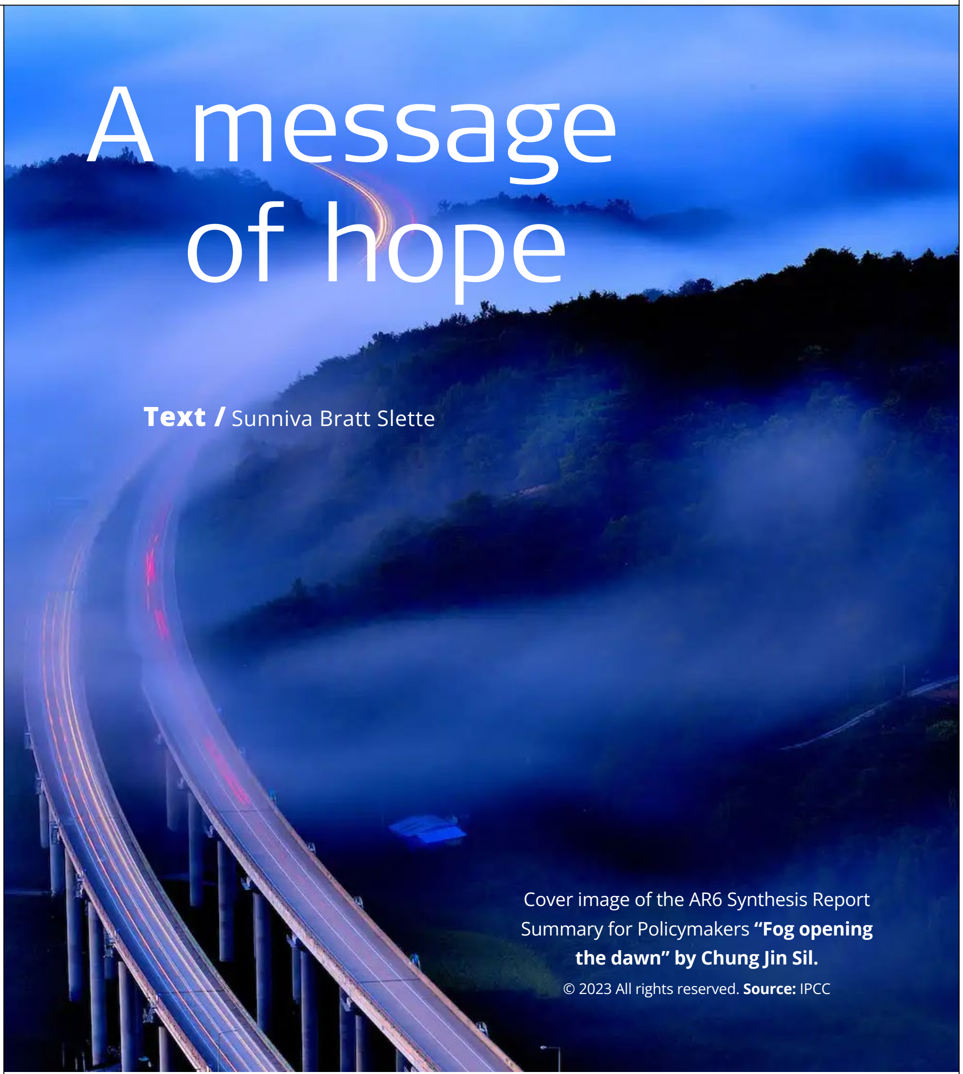
Aiming to build long term value by addressing key global challenges

Sunniva Bratt Slette
Portfolio Manager, Storebrand

The IPCC's latest report continues to point to solutions and opportunities for investors to play a role in them.

Key observations

- Pace of action to reduce climate change impacts is too slow
- Negative impacts from human-caused change will intensify
- Mainstreaming effective and equitable climate action will reduce losses and damages for nature and people
- Climate action provides co-benefits, including clean water, air and energy, improved health and livelihoods, reduced poverty and hunger



Cover image of the AR6 Synthesis Report Summary for Policymakers **"Fog opening the dawn" by Chung Jin Sil.**

The IPCC press conference was held at Interlaken, Switzerland [1]. By chance, Switzerland is also currently the epicentre of financial turmoil following the efforts to avoid a global banking crisis, with UBS acquiring Credit Suisse in a weekend-frenzy of governmental intervention to regain financial stability. The need for a well-functioning financial system has rarely been more important — including a solid grip on climate impacts and opportunities.

The synthesis report weaves together the contents of the IPCC previous reports, from three Working Groups (The Physical Science Basis, Impacts Adaptation and Vulnerability and Mitigation of Climate Change), as well as three Special Reports (The Ocean and Cryosphere in a Changing Climate, Climate Change and Land, and Global Warming of 1.5 °C) [2].

The main difference between this report (AR6) and the previous report (AR5) is a reinforced focus on solutions. These solutions include an integrated assessment on the co-benefits on mitigation and adaptation, with concrete measures and a greater focus on the human sides of climate change. Regained climate control depends on an equitable solution.

Finance: A Critical Enabler
One of the critical enablers of action is the role of financial investment. The financial system needs to be able to respond to the challenges ahead. Investments in both climate mitigation and adaptation must accelerate significantly. Governments can send a clear signal on how to spend public financing. More important, is the larger pool of finance in private

Financial Implications

- **Adaptation:** Scale up infrastructure to enhance resilience
- **Mitigation:** Cut global greenhouse gas emissions in half by 2030
- **Equitable solutions:** Fairness is one of the most important solutions
- **Key enablers:** Enhanced technology and international collaboration
- **Scaled up financing:**
  - We need 3–6 times the current levels of climate investment
  - There is enough global financing to rapidly reduce emissions
  - Developing countries need external funding to meet adaptation needs
  - Investors have a key role to play
- **Financial flows** must be channelled towards renewable energy and energy efficiency, green transport, green urban infrastructure, halting deforestation and improving ecosystem restoration, and to create green food systems, including reduced food waste.

Essentially, this means the work following the AR6 report is our last chance to reach the 1.5 degree target — action after 2030 will be too late.

Investor Analysis

- **Attractive sectors** towards 2030 with positive impact:
  - Solar and wind energy
  - Energy storage and distribution, including smart grids that even out power peaks
  - Energy efficiency appliances, in particular energy management systems, lighting, insulation, heating, ventilation and air conditioning
  - Sustainable, recyclable and re-useable products and materials
  - Low emission transport, sustainable urban planning and effective water management
  - Resource efficient food production and distribution to eliminate food loss
  - Affordable technology that enables equal opportunities across regions, like access to digital, financial, and health-related solutions

Key challenges to be solved

- Providing baseload, or stable power in an increasingly intermittent electricity grid
- The role of nuclear power and gas, striking the right transition path with the down-phasing of coal and oil
- Energy security, balancing synergies with potential conflicts of interest
- Rebuilding geopolitical trust and regaining international collaboration
- Data analysis tools like artificial intelligence may be helpful to optimize societal functions with low emissions, but it needs to be applied with targeted cautiousness

markets, including banks, central banks, regulators and market's ability to price in the risks and opportunities of climate change. Finance needs to flow towards the places that need it the most, especially in developing countries.

Future Climate Research

With the conclusion of the sixth assessment cycle, questions on future research arise. The upcoming assessment cycle is planned to include a broader range of diversity in the scientific participation. Diversity across gender diversity, indigenous peoples, developing countries and young citizens will get better opportunities to contribute to the climate research.

The next IPCC report will not be released until 2030. Essentially, this means that the AR6 report outlines our last chance to reach the 1.5 degree target — action after 2030 will be too late. Hope remains through, since the clear message and overwhelming climate research can help governments and investors to allocate capital as constructively as possible, in order to build an environmentally and socially desirable future.

References

[1] United Nations (20.03.2023), UN Web TV, IPCC Press Conference: Release of the Synthesis Report Summary for Policymakers, https://media.un.org/en/asset/k1d/k1df15sj4e

[2] IPCC (20.03.2023), AR6 Synthesis Report: Climate Change 2023, https://www.ipcc.ch/report/sixth-assessment-report-cycle/

Passing the torch

Nader Hakimi Fard takes over as portfolio manager of Storebrand Renewable Energy fund

"We see renewable energy taking an increasing share of energy production," says **Nader Hakimi Fard**, who took over as portfolio manager of Storerbrand's Renewable Energy fund in April this year.

Since September 2022, Nader Hakimi Fard has been part of Storebrand's solutions team of four people, managing the Storebrand Global Solutions fund and three sub-funds, including Storebrand Renewable Energy. Previously, Nader worked as an analyst and portfolio manager at Söderberg & Partners and as a fund manager at Danske Bank.

As of the end of February, Storebrand Renewable Energy had assets under management of approximately SEK 2.9 billion. The strategy was launched on June 26, 2020 and has since outperformed its benchmark (MSCI AC World Index), delivering an annual absolute return of approximately 30% (as of February 28, 2023). The fund deviates significantly from its benchmark index as its investments represent a limited portion of its investment universe.

"I look forward to continuing to develop our solution portfolio along with Nader, who now takes over from me as the manager for the Storebrand Renewable Energy fund. We are in an exciting time with a lot of factors pointing towards an accelerating transition to renewables," says Philip Ripman, portfolio manager and head of the solutions team at Storebrand Asset Management.

The US Inflation Reduction Act (IRA) means that over $360 billion will be invested in energy and climate change programs, and the EU's Green Deal transition strategy aims for the EU to become the world's first climate-neutral continent by 2050.

"We are moving towards a transition to less carbon-intensive energy production. It is now also particularly interesting with many political incentives benefiting companies in the sector from various parts of the world. Renewable energy such as wind and solar is increasingly being discussed as an alternative to fossil fuels and is taking an increasing share of energy production. The Storebrand Renewable Energy fund is therefore suitable for investors who want a clear exposure to renewable energy," says Nader Hakimi Fard.

Read more about Storebrand Solutions and our other offerings

3 thoughts

on renewables

Nader Hakimi Fard shares some views on where the sector is headed

1.

State level tailwinds and energy independence supports further growth

While the renewable segment continues to be volatile, it is important to note that state level conditions continue to add tailwinds. At the very end of March, the EU reached a provisional deal on higher renewable energy targets. The previous target was 32% renewable energy share, where an increase to 42.5% is now on the table. Though this is feasible, it would require a higher pace of deployment than we have seen previously.

We should also note that there are additional benefits, such reducing air pollution and improving energy security. The latter will certainly be more in focus as countries wrestle with decisions within Organization of the Petroleum Exporting Countries (OPEC) to benefit its member states.

The motivations behind state level support for renewables have multiple dimensions. Yes, clearly mitigating climate change is one such motivation. However, the war in Ukraine, the role of OPEC and governments dealing with the effects of inflation while wanting to be re-elected, all lend support to the fact that renewables could — to some extent — provide a level of independence that has previously been unattainable.

2.

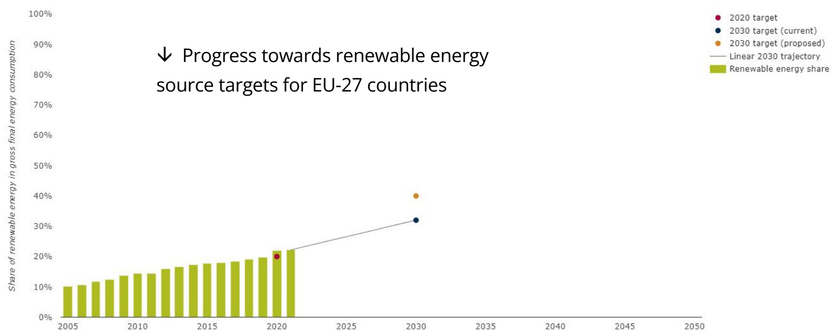
Focus on removing permitting barriers

While this is important in order to accelerate the pace of transition, there were other aspects that also shone through — including targets for buildings and accelerating permitting processes for renewable energy projects. It is difficult to see how to succeed in increasing the pace without addressing the fact that, in the UK and Spain, it can take 10-12 years of project development to set up offshore and onshore wind projects. Only a fraction of the total time is spent on construction, and as there is a growing need for more energy, the focus is on reducing unnecessary barriers to the green transition.

To quote Alistair Phillips-Davies, the CEO of the British utility SSE, "Reforming the planning and permitting processes is critical to the acceleration of renewables deployment globally".

In the US, the role of NEPA (National Environmental Policy Act) has been under more scrutiny, and there is a need to install more capacity while also still protecting the rights of individuals and communities.

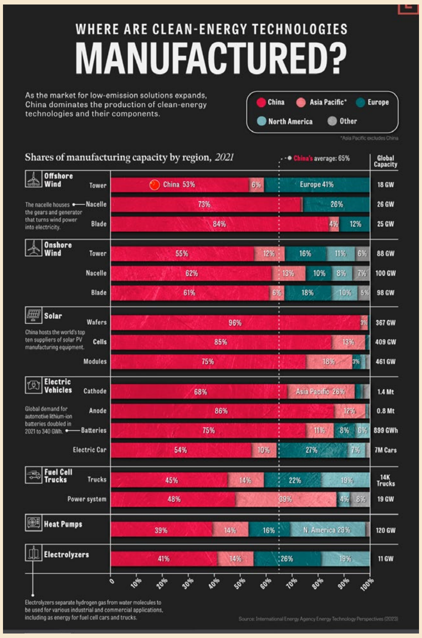
With a focus on removing unnecessary obstacles — the pendulum might swing back in favour of renewable projects. New legislation has been tabled in the EU, the US — and is now becoming a focus well beyond these markets in areas such as South Korea and New Zealand.



↓ Progress towards renewable energy source targets for EU-27 countries

3.

Taking back renewable value chains



↑ Share of renewables manufacturing capacity by region, 2021.
Source: VisualCapitalist & International Energy Agency Technology Perspectives 2023

I'll start this point with a Wikipedia entry. "In physics, power is the amount of energy transferred or converted per unit time"4. I don't think this description would be very different if we were describing political power. From whaling, to steam technology, to oil and gas, to nuclear and now renewable energy — whoever has it, has power. China realized this a long time ago.

This is one of the main drivers behind IRA (Inflation Reduction Act) in the US and the response from the European Union. Renewables represents a unique proposition to become independent, at least to a certain degree, from natural resources. However, there is significant control of not just the technology, but also the supporting materials that are necessary for production.

Regarding companies, we can already see how they are incentivized to relocate and reshore, or basically move production to friendly climates. This affects the bottom line for companies – and there is now something of an arms race between the USA and EU to be the most attractive market for renewable industries. Such competition might also drive prices up in the short term.

Active Ownership /

Dialogue, collaboration and shareholder voting, to advance our sustainability objectives

Let's get back to the "why"

Jan Erik Saugestad
CEO Storebrand
Asset Management

In the debates about defining sustainable investment, we risk missing the forest for the trees.

Reflecting on the current debates about sustainable investment, I wonder if we've lost our way in definitions and forgotten about the bigger picture — the "why".

The "why" is that the nature, climate and social issues that we face are urgent, and have massive implications for our planet and our financial portfolios. Transition risks are already becoming real and will only accelerate in the future.

Climate change is the issue that we are most aware of, along with the risks it brings of irreparable harm to our physical environment, assets and economic systems. Natural ecosystems that support both lives and livelihoods are also at risk of collapsing, due to deforestation and unchecked use of chemicals. Addressing these issues, among others, including many social risks, also implies a need for a "just transition": a broad program of change to ensure the stability of our societies and economies.

So, sustainable investment is critical, but it's important to recognize that we are building the methodology as we go along. Indeed, a lot of the underlying information and data sources that we apply in this process is still relatively new and unproven, but given the urgency, we have no choice but to act. This means delicately balancing between aggressive innovation and rigour.

And yet, it seems, definitions can get in the way. Recently the implementation of the SFDR regulations came into force in the EU, causing uncertainty for us and other investors, many of whom had to recategorize Article 9 funds, based on changes to the EU definition of what sustainable investments are or are not. The intent seems to be lost in technical specifications.

Similarly, there are attempts to regulate ESG as an acronym. This has caused a big debate and polarization — clearly most pronounced in the US, but increasingly a discussion also in Europe and even the Nordics.

However, the real-world implication, if one accepts the scientific facts around our need for change, is that a massive mobilization of private sector capital is needed, to shift companies and their activities towards entirely new systems of value creation that are aligned with sustainability. For investors, that means both investing in solutions, as well as taking on stewardship responsibilities: engaging established companies to ensure that they have, and comply with, credible transition plans.

While we recognize the importance of regulation – clients should always understand what products are and aren't; transparency is a precondition of integrity — it's also important that regulations avoid sowing confusion or unnecessary doubt in the integrity of sustainable investing. Our role as investor and a sustainable investor always carries a clear belief and a sole objective: we invest in a sustainable manner because we believe this will ensure the best long-term risk adjusted return. There is only one objective, and we believe the financial sector has a vital role to play in the transition with that objective.

So, when it comes down to real life, it probably shouldn't make much difference whether we call it "ESG" or "sustainable investing". There are real world issues that we are trying to address, we cannot afford to wait – and we have demonstrated that we can improve over time when we work together with the industry, clients and regulatory bodies. Partnership should be a driver to success, and we should be wary of definitions of becoming obsolete obstacles.

Climate change effects,
such as rising sea levels, impact
all asset classes.

Building climate-resilient fixed-income portfolios

Text / Dagfin Norum

Fixed income is an essential part of our net-zero commitment

With each passing year, the risks posed by climate change become increasingly clear. The **Intergovernmental Panel on Climate Change's 2023 report** reiterates that humans are responsible for all global heating over the past 200 years leading to a current temperature rise of 1.1°C above pre-industrial levels, which has led to more frequent and hazardous weather events that have caused increasing destruction to people and the planet. The report outlines that the 1.5°C limit is still achievable and outlines the critical action required across sectors and by everyone at all levels.

For companies, this means both increased physical risk, arising from changing weather patterns, and transition risk, as economies become less carbon intensive. Both types of risk may affect firms' revenues and expenses, asset and liability values, and/or availability and cost of capital. In response to these developments, Storebrand Asset Management has been analysing the potential impacts of climate change to our portfolios; engaging investee companies on decarbonisation; engaging with policymakers to support public policies that facilitate the accurate pricing of climate risk; and shifting capital toward lower-carbon assets and products.

We have committed to our investment portfolios having net-zero GHG emissions by 2050, at the latest. On the path to that long-term goal in 2050, we have set ourselves a short-term target of 32% reduction across our listed equity, publicly traded corporate debt and real estate portfolios, by 2025. We set these targets based on recommendations from the Net-Zero Asset Owner Alliance, which assessed the IPCC's 1.5°C pathways and identified credible and scientific emissions reduction targets for their members. To achieve this target, and to make fixed income portfolios more climate resilient, Storebrand Asset Management uses a range of methodologies. This includes 1) negative screening, 2) fossil-free investments and carbon footprint analysis and 3) exerting influence through active ownership/dialogue.

How we conduct negative screening

Our method for exclusion of companies is defined by the Storebrand Standard, which applies to all assets we manage, including fixed income. This extensive exclusion process involves the assessment of internal and external data, as well as evaluations conducted by experts in the field. The companies that we decide to exclude are thereafter removed from Storebrand's investment universe, an investment ecosystem of more than 4000 companies.

The **Storebrand Standard** defines that Storebrand will not invest in companies involved in serious environmental damage. In addition, we have also chosen to exclude investments in companies within certain single product categories or industries that are unsustainable. These products or industries are associated with significant climate risks. In these product categories, there is also limited scope to influence companies to operate in more sustainable ways. These companies include:

— Companies with more than 5 percent of revenue from coal-related activities

— Companies with more than 5 percent of their revenue from oil sands

— Companies with unsustainable production of soft commodities like palm oil, soy, cattle products, cocoa, rubber, coffee, and mining.

— Companies that deliberately and systematically work against the goals and targets enshrined in the Paris Agreement or Convention on Biological Diversity.

— Companies with mining operations that conduct marine or riverine tailings disposal.

— Companies involved in deep sea mining.

How we handle fossil-free investments and carbon footprint analysis

All our fixed income portfolios, except for selected high-yield and cross-over portfolios, are fossil-free, meaning that we are not invested in companies;

a) with more than 5% of their revenue from the production or distribution of fossil fuels,

b) with more than 25% of their revenues from tailor-made products and services that support oil and gas exploration, production, refining, transportation and storage.

c) whose fossil reserves exceed 100 million tonnes of CO_2.

We chose the threshold of 100 million tonnes of CO_2 in fossil reserves because companies with larger reserves will be most affected by the implementation of the Paris Agreement. For the critical 1.5°C target is to be achieved, large reserves of fossil fuels will have to remain in the ground — in other words, these reserves will become 'stranded assets'.

Storebrand conducts carbon footprint analysis to inform the creation and implementation of our broader climate change strategy. Our portfolio carbon footprint is calculated by multiplying our holdings percentage in an entity with its Scope 1 and 2 emissions. We use this carbon footprint calculation to guide our decisions in engaging with companies on climate change risks, opportunities, and reporting. However, the inherent limitations of carbon footprints means that these quantitative assessments, need to be complemented by engaging in active dialogue with companies, particularly where data is less reliable. For example, although the carbon footprint of our fossil free fixed income portfolios is relatively low, companies' indirect emissions, those that fall under Scope 3, are not captured during the analysis and require additional assessment.

The elephant in the climate room

Scope 3 emissions, include all indirect emissions that are not owned or controlled by a company. Although Scope 3 emissions often contribute the largest part of corporate-related emissions, corporates often neglect Scope 3 for various reasons such as complex accounting methodologies, the absence of direct influence or control, and loose regulations — resulting in a lower

Dagfin Norum
Chief Investment Officer

References

[1] CDP (2020), Financial Services Disclosure Report 2020

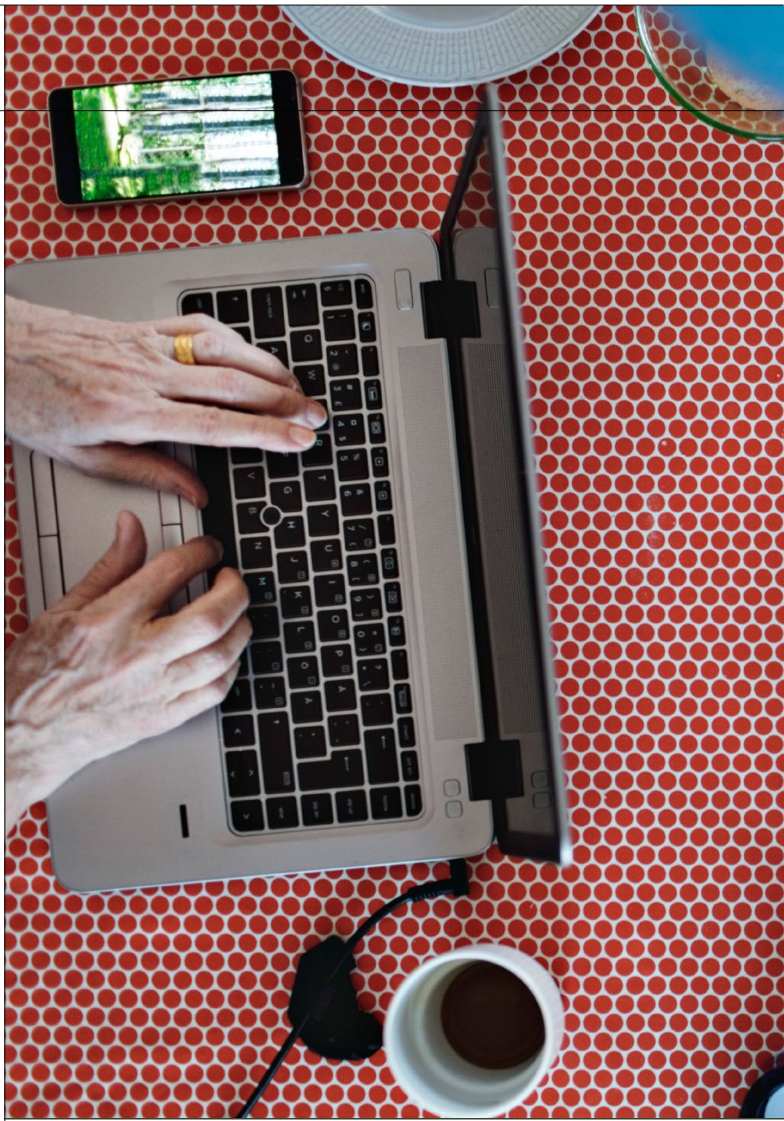
→ All our fixed income portfolios, except for selected high-yield and cross-over portfolios, are fossil-free.

The Storebrand Standard defines that Storebrand will not invest in companies involved in serious environmental damage.

disclosure rate than for Scope 1 and 2 emissions. This may leave investors in the dark about a company's true exposure to climate risks. However, with growing awareness of Scope 3 emissions and net zero commitments, regulators are taking an interest in monitoring Scope 3 emissions by implementing mandatory disclosures and target setting. As we expect to see more Scope 3-related regulations and policies in the coming years, investors should consider Scope 3 emissions in their risk models and evaluation of companies' climate commitments.

In the financial sector, Scope 3 emissions often represent the greatest share of corporate-related emissions. CDP reported that financed emissions are over 700 times more than operational emissions of the financial institutions[1]. The failure of most banks to account for such a significant portion of their Scope 3 emissions is a major challenge. Almost all financial institutions' climate impact and risk is driven by the activities they finance in the wider economy, yet the data suggests that this is not yet where the focus is for a large number of institutions.

The banking sector has a critical role to play in aligning the real economy with the goal of net zero emissions by 2050 and in limiting warming



to 1.5°C. In order to do this, banks need to reduce the financing of activities that generate significant levels of CO_2 and increase funding of low carbon solutions to facilitate the transition towards net zero emissions by 2050. To be fully aligned with the goals of the Paris agreement and its core objective to make "finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development, our program on climate in fixed income focuses on, among other things, the alignment of financing activities with 1.5°C.

How we exert influence through active dialogue

Although engagement remains less common among fixed income investors as we are not having the benefits equity investors' position as owners of the entities in which they invest, fixed income investors are still important stakeholders with clearly defined legal rights. As important lenders of capital, we can interact with issuers over how they behave and operate and encourage issuers to better manage material climate related risks and opportunities. Similarly, our experience is showing that companies are increasingly attuned to their creditors' interests despite their limited rights as their need of debt financing is crucial.

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

Collaborative engagement:

Together with a group of leading global investors, we are engaging with the banking sector through the Institutional Investors Group on Climate Change (IIGCC), calling on banking firms to set enhanced net zero targets for 2050 or sooner with interim targets to be included, scale up green finance and withdraw from projects that fail to meet the Paris Agreement goals. The investor expectations lay out clear areas for action for banks, focused on a public commitment to become net zero by 2050 with explicit interim targets, withdrawal of finance from recipients that show no evidence of transitioning, and the scaling up of green finance. This includes:

— Commitment to becoming net zero by 2050, with a primary focus on ensuring indirect emissions are brought down to net zero by 2050 (Scope 3) because the bulk of banks' emissions are associated with financial services, including commercial, project and retail lending; investment banking; securities trading; etc.

— Board accountability for, and variable remuneration aligned with, the delivery of net zero, with financial statements that reflect the low carbon transition.

— Disclosure in accordance with TCFD recommendations, reporting on greenhouse gas emissions associated with financing activities, and the incorporation of material climate risks in published accounts.

— Explicit criteria to be set for withdrawal of financing to misaligned activities that are benchmarked against sector/industry net zero pathways.

Individual engagement in the Nordic countries:

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

Engagement alternatives:

If the outcome of engaging with companies fails to meet our expectations, the Storebrand Group may consider other actions. If the company is on our observation list, we will make an exclusion assessment. For other companies, our actions may include:

- Expressing our views publicly
- Proposing resolutions at the company's Annual General Meeting, if we hold an equity position
- Requesting an Extraordinary General Meeting, if we hold an equity position
- The Storebrand Group may collaborate with other investors where we believe this is in our unit holders' best interests.

Together with a group of leading global investors, we are engaging with the banking sector on Climate Change, calling on banking firms to set enhanced net zero targets for 2050 or sooner.

Securing a Just Transition

New alliance engaging oil and gas sector on social impact of shift to low-carbon economy

In December 2022, Storebrand joined a new World Benchmarking Association initiative on Just transition. Soon after, in January 2023, the initiative **sent out the Investor Statement for a Just Transition** to 10 oil & gas companies.

The initiative has mobilized 54 investors from around the world, sending a signal to oil and gas companies that planning for a Just Transition is a significant part of making the low-carbon transition a success.

As a first step, the aim is to require the oil and gas sector to engage in robust transition planning. Such planning would mean anticipating how decarbonization will affect people and communities, and planning accordingly to ensure that their fundamental rights are respected while undertaking low-carbon strategies.

This joint statement is part of Storebrand's ongoing engagement actions within the Just Transition Collective Impact Coalition and in coordination with the **Climate Action 100+**.

Net Zero Engagement Initiative launches

Storebrand will lead Nordic stream to accelerate corporate action on climate

Storebrand Asset Management is among 93 investors that have launched an ambitious new climate engagement initiative, the **Net Zero Engagement Initiative (NZEI)**.

The aim of the NZEI is to help investors align more of their portfolio with the goals of the Paris Agreement as set out by investor net zero commitments, such as the Net Zero Asset Managers initiative and the Paris Aligned Asset Owners initiative.

The NZEI, which began at the end of March, is an expansion of the Climate Action 100+ initiative begun by the Institutional Investors Group on Climate Change (IIGCC). The NZEI goes beyond the Climate Action 100+, expanding the engagement focus to many more companies, including on the "demand side". At launch the NZEI has begun with a coordinated issuance of letters of expectation on net zero transitions plans, jointly communicated on behalf of the 93 investors, to an initial set of 107 companies. It is expected that over the next 18-24 months, the initiative will scale globally to include more companies.

In line with the Net Zero Investment Framework corporate criteria, the key net zero transition plan recommendations set out in the initial expectation letter cover: 1) a comprehensive net zero commitment; 2) aligned GHG targets; 3) emissions performance tracked; and 4) credible decarbonisation strategy.

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

Ending "forever chemicals" in the EU?

Storebrand leading new investor collaboration to engage chemicals companies on hazardous chemicals risk management.

← PFAS are used to make products grease proof, water-proof, stick-proof and stain-resistant. For example, they are added to non-stick pans.

The EU has announced it is considering a proposal to ban PFAS, a set of persistent chemicals commonly known as "forever chemicals".

In a joint statement, five countries — Germany, the Netherlands, Denmark, Sweden, and non-EU state Norway — declared that if the proposal is passed, it would become "one of the largest chemical substance bans in Europe".

Although the proposal to restrict persistent chemicals is in its early stages and a ban may take several years to take effect, it already has implications for long-term investors. Companies producing and using these chemicals will have to phase out their production and transition to safer alternatives.

”Momentum is however building on this issue, with 3M recently announcing a commitment to phase out PFAS by 2025. With the new EU restriction on the horizon, it's likely that others will follow suit. Chemical pollution has crossed the safe limit for humanity and threatens the biological and physical processes that underpin all life on Earth", says **Victoria Lidén,** Senior Sustainability Analyst at Storebrand.

On January 31st 2023, some of the world’s largest institutional investors and their representatives — including Aviva Investors, Storebrand AM, AXA IM, EOS at Federated Hermes and Robeco — launched a collaborative initiative to engage with major chemical companies regarding management of hazardous chemicals and transparency. The initiative, consisting of fifty institutional investors and their representatives with more than US$10 trillion of assets under management, aims to address the global health and environment crises related to the use of harmful substances. The Investor Initiative on Hazardous Chemicals (IIHC) encourages manufacturers to increase transparency and stop producing “forever chemicals”.

"By working cooperatively with other institutional investors, we can persuade major chemicals producers to be more transparent about which chemicals they produce and the steps they are taking to ameliorate the associated risks also impacting our investments”, adds Lidén.

Since 2022 Storebrand has engaged with three companies in the ChemScore hazardous chemical risk benchmark ranking during 2022, and all of them showcased an improvement in the ranking following our dialogue. One of the companies was 3M, which subsequently also committed to exiting PFAS manufacturing completely. This indicates that active ownership and investor action has a role to play to achieve change. Storebrand plans to continue constructive dialogues with several of the companies on the matter of hazardous chemicals.

Engagement data
Q1 2022

Data for period 01/01/2023 to 31/03/2023

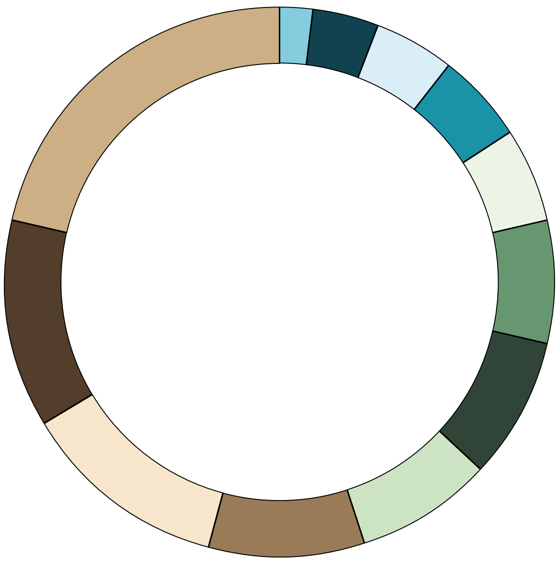
564 Ongoing engagements
120 Completed engagements

Where we engaged

Top countries engaged in

Country	Number of engagements
United States	167
Norway	60
Japan	59
Sweden	52
Germany	33
France	32
United Kingdom	29
Switzerland	23
China	19
South Korea	16
Australia	15
Indonesia	15
Canada	12
India	11
Netherlands	11
Singapore	10
Brazil	9
Cayman Islands	8
Spain	8
Taiwan	8
Thailand	8
None/other	7
Malaysia	7
Russia	7

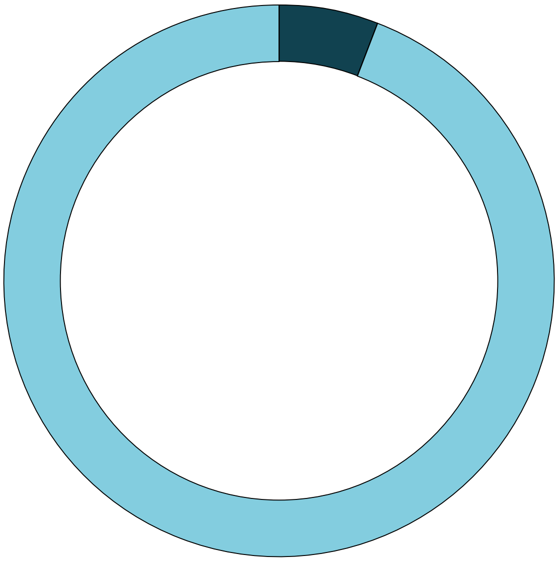
Sectors engaged in



1.9% Real Estate
3.8% Other
4.67% Information Technology
5.26% Healthcare
5.55% Communication Services
7.3% Utilities
8.18% Consumer Discretionary
8.18% Financial
9.21% Energy
12.13% Industrials
12.28% Consumer Staples
21.49% Materials

Why and how we engaged

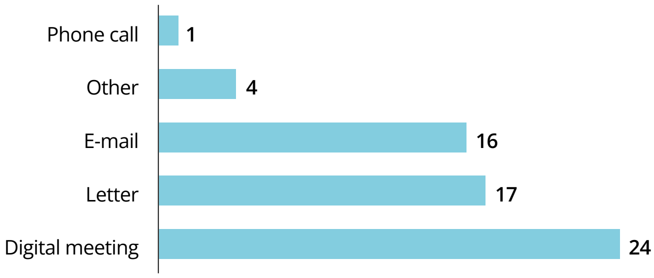
Reasons for engagement



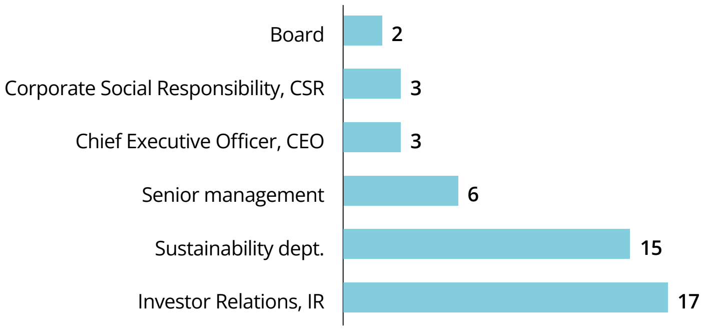
6% Reactive

94% Proactive

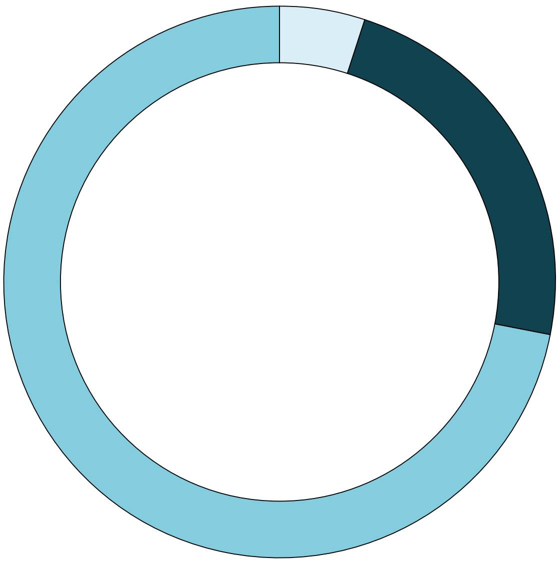
Types of engagement activities



Engagement contacts



Format of engagement



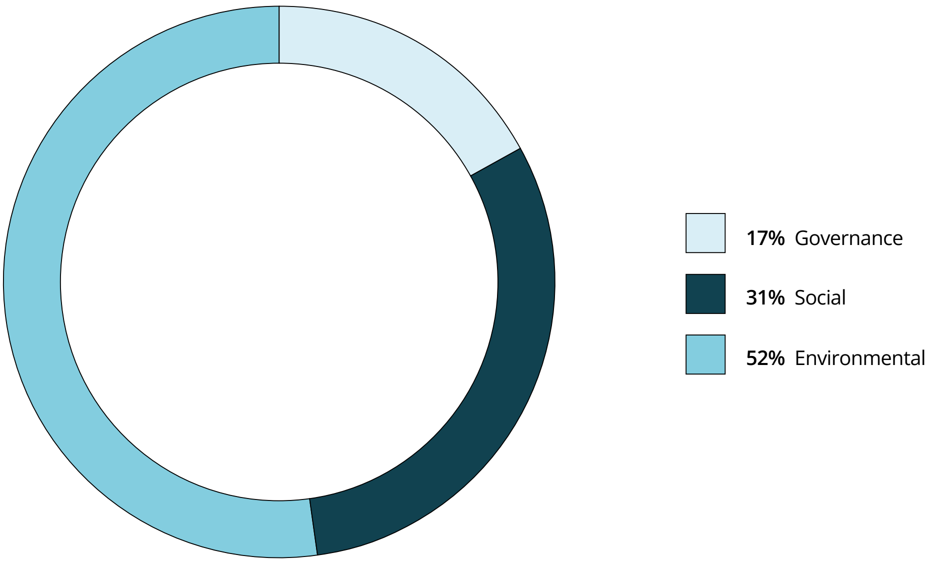
5% Storebrand leading collaboration

23% Storebrand conducting internally

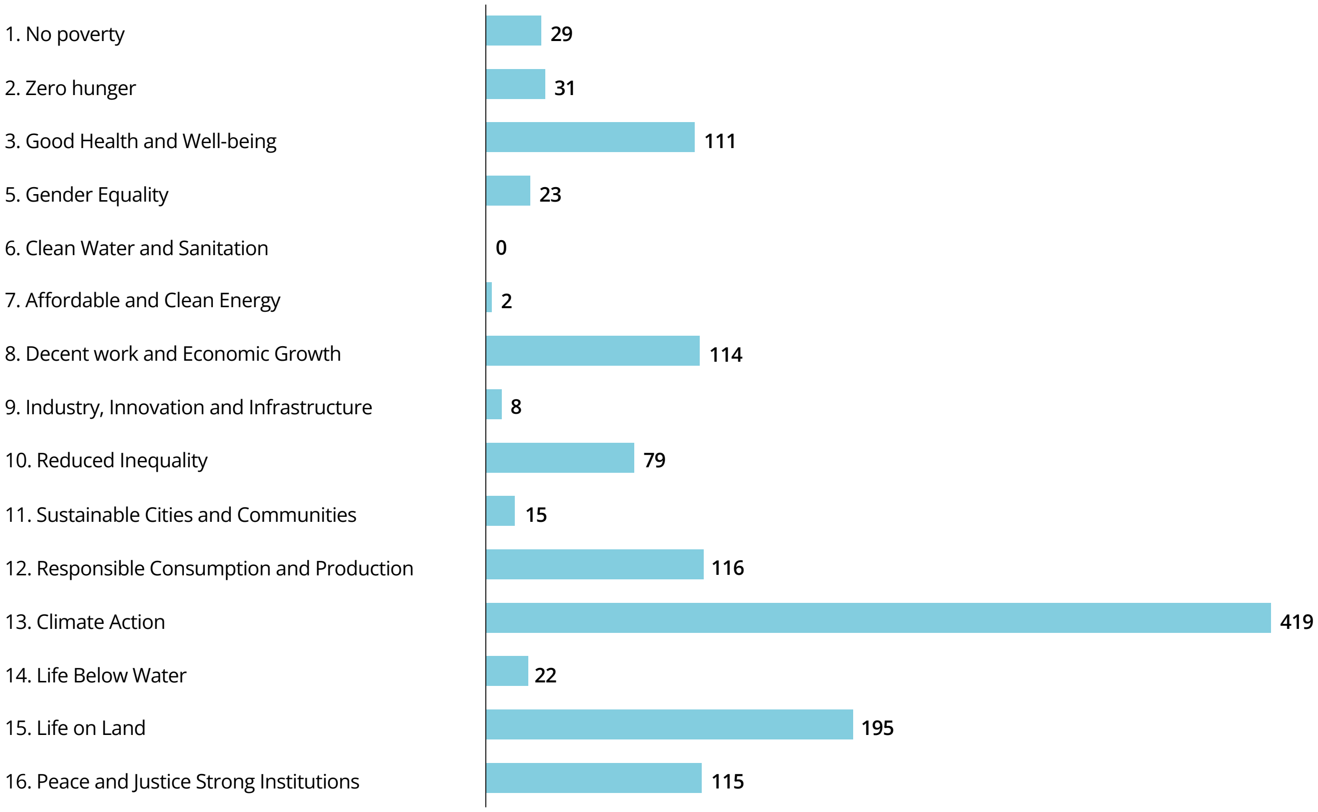
71% Storebrand contributing to collaboration

What we engaged in

ESG categorization of engagements



SDGs impacted by engagements



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

Voting summary Q1 2023

The food sector is a priority for Storebrand, based on its central role in key issues that we have prioritized such as biodiversity loss and GHG emissions.

In line with our engagement strategy, voting activity focuses on opportunities to maximize impact and promote the stated aims of Storebrand's Sustainable Investment Policy. We prioritize voting at the Annual General Meetings (AGMs) of companies that represent:

- **our largest holdings**
- **the Norwegian and Swedish markets**
- **our main company engagement initiatives**
- **ESG-related resolutions**

For example, human rights due diligence and labour rights are important elements of our priority engagement theme "resilient supply chains". As a result, during the first quarter of 2023, we supported shareholder resolutions asking Danish companies A.P. Moeller-Maersk and Carlsberg to report on their due diligence and risks related to human rights in their operations and supply chains. We also voted for a shareholder proposal asking Starbucks Corporation to carry out an independent assessment on the company's efforts to respect freedom of association and collective bargaining rights.

Further in support of the "resilient supply chains" theme in this quarter, we supported a shareholder proposal at the AGM of the Canadian company Metro Inc, asking the company to report on human rights risk to migrant workers in its operations and supply chains. At the same AGM, we also voted positively on resolution to adopt science-based emissions reduction targets, in line with another of our priority engagement theme: "The race to net Zero".

Non-discrimination and pay parity are important elements of our priority engagement theme "resilient supply chains". During this quarter, we therefore voted for a shareholder proposal asking Apple Inc to report on its median pay gap statistics related to gender and ethnic diversity.

The food sector is a priority for Storebrand, based on its central role in key issues that we have prioritized such as biodiversity loss and GHG emissions. Limiting the use of antibiotics is another key issue, as over-use and misuse of antibiotics in animals is contributing to the rising threat of antibiotic resistance, with potential dire effects for human and animal health. Consequently, during the quarter, we have been participating in collaborative engagements with several food companies, including the food processing companies Hormel and Tyson. During this quarter, we also voted for shareholder proposals at both of the companies, asking them to comply with WHO guidelines on antimicrobial use in supply chains.

Voting key figures

All data represents voting activity conducted during Q1 2023

General voting data

	Voted	Votable	Percentage voted
Number of general meetings voted	239	644	37,10%
Number of items voted	3092	6309	49%
Number of votes on shareholder proposals	54	76	71%

Top countries voted in

	Voted meetings	Votable meetings	Percentage voted
USA	34	53	64.15%
South Korea	33	148	22.30%
Japan	25	53	47.17%
Sweden	23	43	53.49%
Denmark	16	21	76.19%
Norway	15	16	93.75%
Switzerland	11	13	84.62%
China	9	69	13.04%
Finland	9	21	42.86%
India	8	47	17.02%
Spain	7	12	58.33%
Brazil	6	16	37.50%
Ireland	6	6	100.00%
Germany	5	9	55.56%
Indonesia	5	10	50.00%

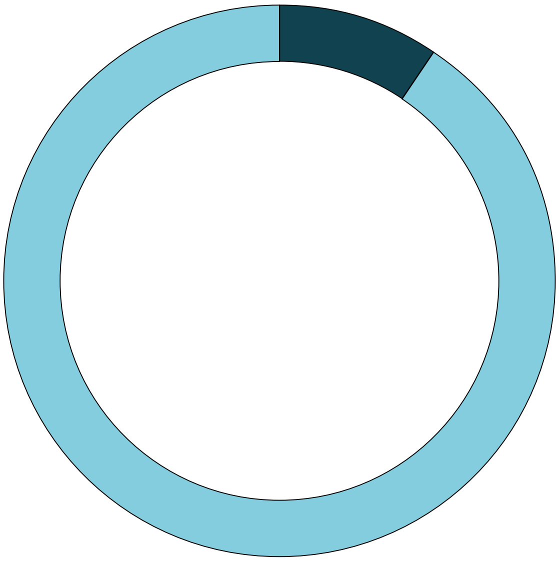
Learn about our voting guidelines and see a live presentation of more voting data, visit our proxy voting dashboard

Overview of voting by proposal

	Number of proposals	With management	% with management	With ISS Sustainability policy	% with Policy	ESG Flag
Audit Related	144	141	98%	144	100%	G
Capitalization	145	137	94%	143	99%	G
Company Articles	122	113	93%	122	100%	G
Compensation	402	358	89%	401	100%	G
Corporate Governance	1	0	0%	1	100%	G
Director Election	1146	1008	88%	1144	100%	G
Director Related	511	459	90%	511	100%	G
E&S Blended	12	10	83%	12	100%	ES
Environmental	7	5	71%	6	86%	E
Miscellaneous	27	26	96%	27	100%	G
Non-Routine Business	24	24	100%	24	100%	G
Routine Business	491	475	97%	490	100%	G
Social	19	10	53%	19	100%	S
Strategic Transactions	33	28	85%	32	97%	G
Takeover Related	10	9	90%	9	90%	G

Alignment with management recommendations

Voting choices compared
to management recommendations

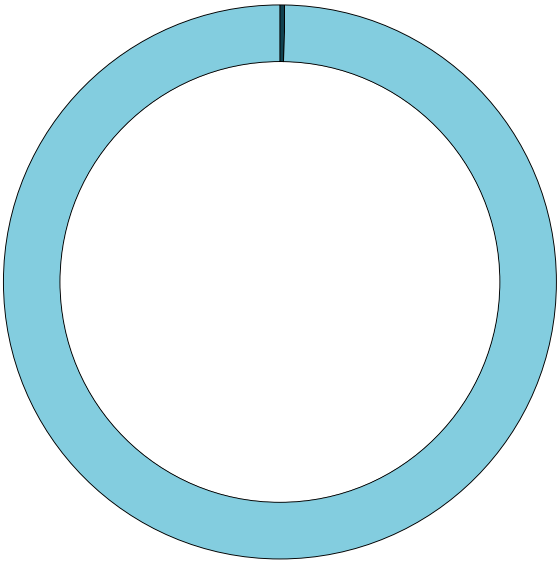


9,40% Votes against management

90,60% Votes with management

Alignment vs. ISS recommendations

Voting choices compared
to ISS recommendations



0,20% Votes against ISS Sustainability Policy

99,80% Votes with ISS Sustainability Policy


Exclusions /
EXCL
When engagement won't help companies reach necessary ESG standards

Exclusion key figures

Companies excluded by Storebrand, as of 31st March 2023

Companies excluded under the Storebrand Standard

Category	Newly excluded	Total excluded
Conduct — environment	1	19
Conduct — corruption and financial crime	0	10
Conduct — human rights and international law	5	47
Tobacco	1	22
Controversial weapons	3	34
Climate — coal	6	138
Climate — oil sands	0	9
Climate — lobbying	0	5
Arctic drilling	0	0
Deep-sea mining	0	1
Marine/riverine tailings disposal	0	3
Deforestation	0	14
Cannabis	0	0
State-controlled companies	12	15
Total	28	291*

Companies excluded under all standards

Category	Newly excluded	Total excluded
Serious environmental damage (inclusive palm oil)	1	56
Corruption and financial crime	0	12
Human rights and international law	5	77
Controversial weapons	3	34
Fossil fuels	15	500
Tobacco	1	22
Alcohol	3	86
Weapons/arms	0	57
Gambling	0	36
Cannabis	0	0
Adult entertainment	0	0
Total	28	772*

*Some companies are excluded on the basis of several criteria. Storebrand also does not invest in companies that have been excluded by Norges Bank from the Government Pension Fund — Global. We have also excluded 25 countries that are systematically corrupt, systematically suppress basic social and political rights, or that are subject to UN Security Council sanctions.

Emine Isciel
Head of Climate
and Environment

Do endangered species really matter?

Recent agreements put the spotlight on business and investors regarding systemic risks to natural ecosystems

Does It really matter If only one species goes extinct? In a word, yes. Animals and plants depend upon each other, so the loss of one species affects others within that complex web of relationships. Aside from the ethical implications of having exterminated a species irreversibly, the extinction of one species can affect the entire ecosystem, with knock-on effects that ripple through the fabric of natural ecosystems.

Systemic risks

The millions of species on land, in freshwater and in the ocean have evolved over millennia and form the web of life that sustains the planet. Species and their populations are the building blocks of ecosystems, individually and collectively securing the conditions for life. They provide food, medicine and raw materials. Together, they are the basis of soil formation, decomposition, water filtration and flow, pollination, pest control and climate regulation.

Ultimately these species and ecosystems are the primary source of income and resources for hundreds of millions of people around the globe — and for a great many businesses of all sizes.

Landmark agreement at COP 15

COP 15 was the biggest biodiversity conference in a decade. On 19 December 2022, world leaders adopted the historic Kunming-Montreal Global Biodiversity Framework. The framework contains goals and targets to protect and restore nature and the stakes could not be higher: the planet is experiencing a dangerous decline in nature as a result of human activity. It is experiencing its largest loss of life since the dinosaurs. One million plant and animal species are now threatened with extinction, many within decades.

The Kunming-Montreal biodiversity agreement included a specific target, namely target 4, which urges actions "to halt human induced extinction of known threatened species and for the recovery and conservation of species, in particular threatened species".

Species emergencies

The IUCN Red List is a critical indicator of the health of the world's biodiversity. It is the world's most comprehensive inventory of the global conservation status of biological species. The list uses a set of precise criteria to evaluate the extinction risk of thousands of species and subspecies. These criteria are relevant to all species and all regions of the world.

With its strong scientific base, the IUCN Red List is recognized as the most authoritative guide to the status of biological diversity. Far more than a list of species and their status, it is a powerful tool to inform and catalyze action for biodiversity conservation and policy change, critical to protecting the natural resources we need to survive.

The list provides information about range, population size, habitat and ecology, use and/or trade, threats, and conservation actions that will help inform necessary conservation decisions. It divides species into nine categories: Not Evaluated, Data Deficient, Least Concern, Near Threatened, Vulnerable, Endangered, Critically Endangered, Extinct in the Wild and Extinct.

The Black rhino, Sumatran tiger and the Tapanuli orangutan are all classified as "Critically Endangered" on the IUCN Red List of Threatened Species. The Critically Endangered status is the most threatened conservation status assigned by IUCN to a species that still exists in the wild. When a species receives this designation, the experts are telling us that it faces an extremely high risk of extinction.

Ensuring the stability of these ecosystems, by protecting and preserving endangered species is therefore a critical responsibility for investors, as the businesses we invest in, are inevitably exposed to nature related impacts and opportunities. Our commitments to these responsibilities, enshrined in the Kunming-Montreal agreements, guide our own policies, and our decisions to exclude several companies from our investment portfolios.

3 Species threatened by POWERCHINA projects

Black rhino

Native to African savanna, shrubland and desert areas. Already extinct in more than half of areas it previously inhabited. Estimates suggest that less than 3 200 mature adults remain.

Sumatran tiger

The only island tiger in Sumatra. Inhabits areas under severe threat from poaching and deforestation. Estimates suggest there are less than 400 mature adults remaining.

Tapanuli orangutan

The rarest of all great ape species. Lives and travels purely above ground in the high tropical forests of South Tapanuli on the Indonesian island of Sumatra. Threatened by illegal killing and rapid conversion of its habitats for agriculture and natural resource exploitation. Estimated population of less than 800 animals.

↑ Rufiji River in Selous Game Reserve, Tanzania, and its tributaries, together make up the largest river system in East Africa. The POWERCHINA dam would permanently alter this delicate ecosystem, impacting biodiversity and the endangered black rhino species.

Photo: (c) Michael Poliza

POWERCHINA

Risk of permanent harm to endangered species and biodiversity

Storebrand Asset Management has excluded Power Construction Corporation of China from investment universe due to its involvement of several controversial hydroelectric dam projects.

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

About POWERCHINA

The Power Construction Corporation of China, which operates under the brand name POWERCHINA, is a Chinese based integrated construction group with a global footprint. POWERCHINA provides investment and financing, planning design, engineering construction, equipment manufacturing and operation management, for hydraulic and hydropower projects and infrastructure.

Risk of biodiversity loss in Tanzania dam project

POWERCHINA is involved, through its majority owned subsidiary Sinohydro, in the construction of the Julius Nyerere dam at Stiegler's Gorge on the Rufiji river within the Selous Game Reserve in Tanzania. The Julius Nyerere dam project would drastically alter about 100,000 hectares of forest and impact biodiversity in what is considered to be one of Africa's most important wilderness areas.

The dam project involves deforestation and flooding in a significant part of the Selous Game Reserve which will threaten important habitats of biological diversity, including two key range areas for endangered black rhinos and elephants. Habitat loss is a serious concern for these and other species already battling the threat of poachers and traffickers. The Selous Game Reserve was initially listed as a World Heritage in Danger site in 1982, due to heavy poaching activities, which led to the decrease of 90% of the reserve's elephant population within a period of 40 years.

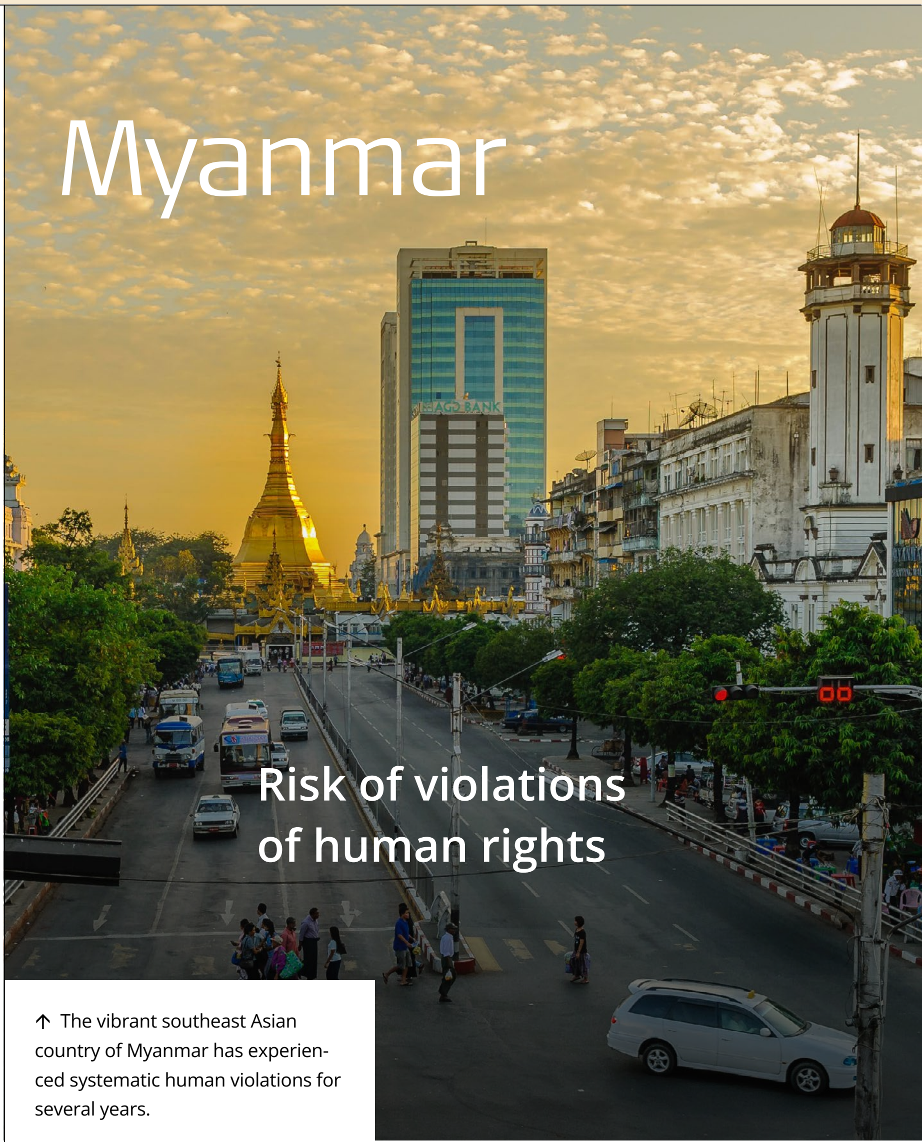
Furthermore, the construction of associated facilities, such as access roads to and from the site is fragmenting the Selous Game Reserve, which provides easier access for poachers. Such fragmentation also increases the probability of introducing invasive species in and around the reserve. The impact of the dam's construction will stretch far beyond the dam and its reservoir and will undermine the high density and diversity of species which makes the reserve an area of outstanding importance for in-situ conservation of biological diversity.

While environmental damage is relatively common in the industry, the impacts associated with the company's hydroelectric mega-dam project are significant, in this specific protected and vulnerable environmental area in Tanzania, as well as across the world. Additionally, the company has systematically failed to address recurring concerns expressed by the United Nations, IUCN, the media, nature conservation organizations, scientists and local communities.

The company is also involved in other controversial hydroelectric dam projects, including in Indonesia. The company's subsidiary is responsible for the engineering, procurement and construction of a 510 MW mega-dam in North Sumatra province, Indonesia, which according to local and international conservations groups, will have irreversible environmental impacts, including on critically endangered species. The regional ecosystem of the dam area is home to several threatened species, including the Sumatran tiger and the recently discovered endemic Tapanuli orangutan, which is considered the most endangered great ape in the world with less than 800 surviving individuals. In April 2019, the International Union for Conservation of Nature (IUCN) listed both species as Critically Endangered, and officially called for a moratorium on projects impacting the Tapanuli orangutan.

Myanmar

Risk of violations of human rights



↑ The vibrant southeast Asian country of Myanmar has experienced systematic human violations for several years.

During the first quarter of 2023, Storebrand excluded several companies from investment, based on human rights risks in crisis-ridden southeast Asian country of Myanmar.
Myanmar has been at the center of severe conflict, following a military coup and the installation of a military government in the country in 2021. Since then, the country has been subject to international sanctions and is considered to be a high-risk country with regards to risks of contributing to abuses of human rights.

Assaults on Myanmar's civil population, by the country's military government, are ongoing. As of 27 December, the Assistance Association for Political Prisoners listed a total of 2,660 people as having been murdered since the start of the coup. In June 2022, the UN has registered a million internally displaced people (IDPs) in Myanmar, with another 14 million people in urgent need of humanitarian assistance.

Sinopec excluded

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

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

Surveillance software provider Cognyte excluded

Another company excluded by Storebrand during the quarter is the Israel-based surveillance software Cognyte. This company, formally known as Cognyte Technologies Limited, is unrelated to the similarly-named Norwegian-based industrial software company Cognite AS.

Following an assessment, Storebrand excluded the company, due to several significant risks, including its links to operations in Myanmar. Cognyte's customers include the governments of Myanmar and several other countries facing accusations of extremely serious human rights violations, including abduction, torture and other forms of abuse targeting vulnerable groups.

Cognyte was also excluded from investment by the Norwegian Government Pension Fund Global, due to an unacceptable risk that the company is contributing to serious human rights abuses by providing its surveillance products and services to several high-risk states, including Myanmar.

Several other companies excluded

Storebrand has excluded three other companies, PTT PCL, PTT Exploration and Production, and PTT Oil and Retail Business PCL, based on links to human rights abuses in Myanmar.

The companies are excluded due to an unacceptable risk that they are contributing to serious violation of the rights of individuals in situations of war and conflict by partnering with the state-owned oil company Myanmar Oil and Gas Enterprise (MOGE). Through their activities in the country, the companies provide Myanmar's armed forces with substantial revenue streams that can finance military operations and abuses. The companies' business partnerships with MOGE represent an unacceptable risk of contributing to extremely serious norm abuses in the future.

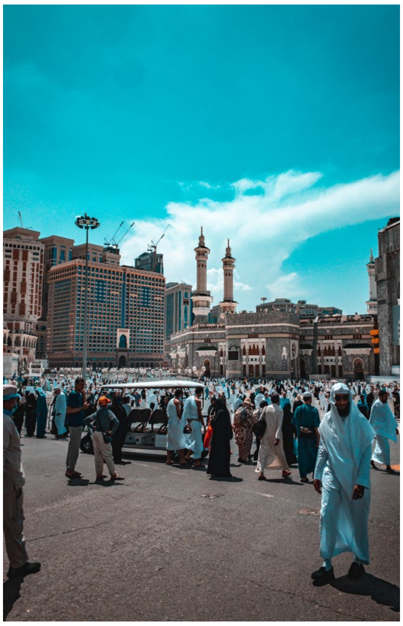
The three companies have also been excluded from investment by the Norwegian Government Pension Fund Global under the same grounds. ○

Several Saudi companies

Relationship to entity excluded from investment by Storebrand.

During Q1 2023, as a result of our high-risk country due diligence, we identified 12 companies in our portfolios as being owned or controlled by the government of Saudi Arabia. Storebrand has excluded bonds issued by the Saudi Arabian government from investment, due to human rights risk. As a consequence of their ownership or control by the Saudi government, the companies identified have therefore also been excluded from investment by Storebrand.

The Storebrand group does not invest in government bonds issued by countries that are systematically corrupt, systematically suppress basic social and political rights, or that are subject to United Nations Security Council sanctions. Storebrand also does not invest in companies owned or controlled by any country that we have excluded from sovereign bond investments.



← Saudi Arabian government bonds, and companies owned or controlled by the government are excluded from investment by Storebrand.

Brookfield Asset Management Ltd.

Based on involvement in controversial Involvement in controversial weapons, follows earlier exclusion of Brookfield Corporation (previously Brookfield Asset Management Inc.).

As of Q1, 2023, Brookfield Asset Management Ltd. has been newly excluded from our investment universe. A similarly named and previously related company, Brookfield Corporation, was excluded by us in 2019 and remains excluded.

The companies are assessed to be involved in key components of the United States nuclear weapons arsenal through their US-based subsidiary Westinghouse Government Services LLC (WGS). WGS is a wholly owned subsidiary of Westinghouse Electric Co LLC, a supplier of specialized equipment enabling the production of tritium, an essential component of nuclear warheads.

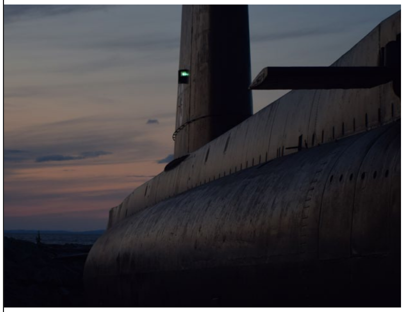
Brookfield Asset Management Inc. was excluded in 2019 for involvement in the production of controversial weapons. In Dec. 2022, the company's name was changed from Brookfield Asset Management Inc. to Brookfield Corporation. Following the change of name, Brookfield Corporation then spun-off 25% interest in their asset management business into a new entity, the publicly listed Brookfield Asset Management Ltd.

Fujitsu Ltd

Involvement in controversial weapons delivery systems.

Fujitsu Ltd has been excluded on the grounds that one of its subsidiaries, Fujitsu Services Ltd, is assessed to be involved in key components of the Vanguard class ballistic missile submarine (SSBN) programme. The Vanguard submarines are dedicated launch platforms for Trident submarine-launched ballistic missiles (SLBM), which have a single purpose: carrying nuclear warheads.

Nuclear weapons are considered "controversial" due to their disproportionate and indiscriminate impact on civilians, for some, after a conflict has ended.



↑ Submarine-based ballistic missile platforms are used for launching nuclear warheads

Risk and ownership team /

TEAM

Meet our dedicated team of sustainability professionals

Storebrand manages sustainability risks through the coordinated efforts of our risk and ownership team, in collaboration with our investment managers, including the Solutions investment team. The Risk and Ownership team is dedicated to integrating environmental, social and governance (ESG) risks into our analysis of companies and management of investment portfolios.

Kamil Zabielski
Head of Sustainable Investment

Zabielski, who joined our sustainable investments team in 2021, was previously Head of Sustainability at the Norwegian Export credit Agency (GIEK), and advisor at the Council of the Ethics for the Norwegian Government Pension Fund — Global. His specializations include human rights/ labour rights, conducting due diligence of companies, and evaluating environmental and social risks and impacts of projects. He has an L.LM in International Law and an M. Phil in Human Rights Law from the University of Oslo.

Tulia Machado-Helland
Head of Human Rights and Senior Sustainability Analyst

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

Emine Isciel
Head of Climate and Environment

Isciel, who joined our sustainable investments team in 2018, leads our work on climate and environment and our company engagement. Previously, Isciel worked for the Norwegian Ministry of Climate and Environment, on multilateral environmental agreements, advising the government on sustainability policies and strategies and leading the implementation of the SDGs. She has 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 and has studied at University of Cape Town, New York University and Harvard Extension School.

Vemund Olsen
Senior Sustainability Analyst

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

Victoria Lidén
Senior Sustainability Analyst

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

Frédéric Landré
Sustainability Analyst

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

Q&A

Margrethe Assev,
Chief Sustainability Officer,
Storebrand Group

Transitions

Margrethe Assev moves to new role as Storebrand Group Chief Sustainability Officer

This April, **Margrethe Assev,** formerly SVP Communications for the Storebrand group, transitioned to a new role as Storebrand Group's Chief Sustainability Officer. The move is part of a reorganization, with sustainability responsibilities now becoming part of the group CFO area at the Storebrand Group.

For Margrethe, it's a new chapter in her career, which has seen her progress through operational and executive roles in corporate communication and journalism, as well as civil society, often with sustainability as a theme. Here, she shares a few thoughts on her journey in sustainability and communication, as well as the road ahead in sustainability reporting.

When did sustainability become a part of your career?

To me working with sustainability means working with societal changes and commitment to develop and influence society in a positive way. This kind of commitment has been a common thread for me throughout my studies in international politics as well as the jobs I have had in the media industry and civil society before I joined Storebrand a few years ago. The knowledge of and commitment to sustainability as a professional discipline accelerated when I first started working in Storebrand as responsible for sustainability communication, including the Group's sustainability report.

What are your priorities as you begin in this new role?

The Storebrand Group aims to be pioneers within work with sustainability. This ambition requires hard work, and my team is responsible for ensuring that all business areas consider sustainability in strategy, business development and internal culture. We also need to be scouting technology, solutions and practices. Developing my team to be a strong, strategic enabler is one of my main priorities. Taking an active part in international and regional alliances and networks for asset owners and other companies who are committed to the UN Sustainable Development Goals are also important priorities.

Storebrand focuses on "value beyond return" — what does this mean, from your point of view?

It's quite simple. To secure financial value, we must simultaneously secure the people, the world and the systems on which the economy is based. We cannot choose. Storebrand recently decided to move responsibility for sustainability to the Group CFO area. This enables us to even more consider sustainability within strategy and risk processes, in order to create long-term value for our stakeholders and society at large.

What are the biggest challenges Storebrand faces in sustainability?

I believe all enterprises committed to sustainability work are facing three challenges: First, handling all the sustainability dilemmas, such as supporting development of renewable energy without compromising nature and human rights.

Second, the growing opposition to stakeholder capitalism and the general criticism of sustainable investments and whether this has any effect.

Third, ever-increasing requirements through regulations and directives — which in itself is positive – but the focus on compliance might reduce the ability to innovate within sustainable investing. It is vital that everyone committed to the UN Sustainable Development Goals agenda is open and honest about these dilemmas and challenges.

How do you see sustainability reporting evolving over the next few years?

There's a tsunami of reporting directives and regulations, especially fuelled by the EU. We generally welcome these regulations, as they will secure transparency and accountability. The Corporate Sustainability Reporting Directive (CSRD) will be mandatory for all large enterprises in Europe and will make financial and sustainability reporting more comparable with similar audit requirements.

Obviously, one great challenge is handling the vast amount of data required, as well as securing the quality and reliable analyses of all this data. A second challenge is connecting the regulation to corporate strategy and enabling financial value creation, not merely being compliant to regulatory requirements.

What's inspiring you at the moment?

My two children inspire me every day, obviously because they are great people! Also, because bringing children into the world is a huge responsibility which inspires me to try making the right choices both privately and professionally. I want to try to do my small part that might contribute to creating a positive future where my children and the society can thrive.

In the media

Storebrand aims to publish its first TNFD report this year
Aktuell Hållbarhet
27th February 2023

As announced by Emine Isciel, Storebrand Asset Management's Head of Climate and Environment. Isciel has played a key role in creating the new standard for reporting financial risks linked to biodiversity. The TNFD framework on financial reporting of nature-related risks, is scheduled to be completed by September.

https://www.aktuellhallbarhet.se/alla-nyheter/hallbara-finanser/Storebrand-borjar-rapportera-enligt-tnfd-redan-i-ar

Storebrand: Investors should apply biodiversity exclusions 'much more'
Environmental Finance
23rd March 2023

Features Storebrand's Emine Isciel, following her speaking appearance at the Natural Capital Investment event in London, on Storebrand's view that investors should be much more active in applying the "precautionary principle" around investment exclusions on biodiversity grounds.

https://www.environmental-finance.com/content/news/storebrand-investors-should-apply-biodiversity-exclusions-much-more.html

EnBW sells half of €2.6bn offshore wind project to NBIM, Allianz and AIP
IPE Real Assets
25th March 2023

Highlights Storebrand Asset Management CIO Dagfin Norum commenting on Storebrand's role in the purchase of a stake in the €2.6bn He Dreiht offshore wind project in Germany. Norum notes Storebrand's ambition to invest more in infrastructure that enables the energy transition.

https://realassets.ipe.com/news/enbw-sells-half-of-26bn-offshore-wind-project-to-nbim-allianz-and-aip/10065747.article

Investors push Norwegian government over Equinor climate planning
Reuters
28th March 2023

Reports on the major step taken by a committed investor group, including Storebrand, that has engaged the Norwegian government, which is the majority owner of oil & gas company Equinor, to help bring the company in alignment with government commitments towards capping global warming at 1.5 degrees Celsius.

https://www.reuters.com/business/sustainable-business/investors-push-norwegian-government-over-equinor-climate-planning-2023-03-28

Nordic investors join new climate initiative to engage companies
AMWatch
28th March 2023

Reports on the Net Zero Engagement Initiative, a grouping of 93 Nordic investors, including Storebrand, that have outlined expectations for a net zero plan to a targeted group of 107 companies, mainly within the renewable energy or airline sectors.

https://amwatch.com/AMNews/Ethics/article15468836.ece

Looking ahead

The United Nations International day for Biological Diversity 2023.
22nd May 2023

This year's slogan is "Building a shared future for all life". The marking builds on last December's agreement on the landmark Kunming-Montreal Global Biodiversity Framework (GBF) to guide global action on nature through to 2030.

https://www.cbd.int/biodiversity-day

Storebrand Asset Management Quarterly business update
14th July 2023

We'll be providing an update on our 2023 Q2 results and key developments during the second quarter.

Revised Storebrand Asset Management Engagement Priorities 2023-25.
August 2023

We'll publicly launch the latest update to how we will prioritize and implement our stewardship engagement activities for the next couple of years.

Latest IMF forecast
April 2023

This April, the International Monetary Fund (IMF) newly released its semi-annual economic projections. The report forecasts possible scenarios of global economic development, and key issues impacting the economy over the next two years.

IMF World Economic Outlook April 2023

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

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

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

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

Find out more about our work and offerings

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

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

Visit the Storebrand Asset Management **document library**

→ **Follow us** on LinkedIn

storebrand