Storebrand

Sustainable Investment Review

Storebrand Asset Management

2023 • Full year

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Commitment in tumultuous times

A message from our CEO, Jan Erik Saugestad

Storebrand's business is built around a long-term vision for the year 2050 as a world in which nine billion people live well, and within the earth's natural limits. We integrate this vision and its values into our core asset management business, seeking to generate the best possible risk-adjusted returns while taking sustainability considerations into account.

For SAM, sustainable investing is necessarily part of enacting our fiduciary duty. However, our disposition is enacted in a space where ESG investing has increasingly been politicised and subject to attacks, particularly in the United States but also in the United Kingdom and the Nordics. Since 2021, nearly half of all US states have installed some kind of anti-ESG measures, ranging from statements from state legislators to divesting of ESG-oriented asset managers from public assets. In fact, as I have said many times over the past few years, Storebrand itself can be applauded for its ESG sensibility in 30 states and be reprimanded for it in 20 others.

I am certain that this hostile attitude is in the process of shifting: On September 21, 2023, a federal judge in Texas dismissed an action that brought together more than 20 Republican state attorneys in challenging the most recent Department of Labor rule favouring ESG investing. The court reiterated the Department of Labor thinking that ESG factors might have a direct relationship to the economic value of investments and confirmed that the consideration of ESG factors does not preclude the consideration of financial benefits. In fact, the court acknowledged, failing to consider ESG-related risk-return factors could constitute a violation of the duty of prudence in some circumstances[1]. This might be the beginning of the end for the ideological polarisation in the US against ESG investing, pending the results of the upcoming presidential election. And it certainly sets an example for other jurisdictions.

The anti-ESG backlash is not about what ESG investing is seeking to achieve in the real world. Rather, it is a contestation over narrative.

Opponents of ESG investing employ a narrow perspective on investment risks to appeal to their audiences. They frame ESG investing as conflicting with the interests of shareholders and other people who are reliant on our fossil-fuel-powered economies. In that framing, ESG investing means plight for the masses. But the problem here is not ESG investing. It is to be able to create a transition pathway that is not leaving any group of people behind, which requires governments, investors, companies, and civil society to work together. ESG investing is not the problem, its narrow framing as putting money into elite projects and stripping the people of their standards of living is.

1) https://natlawreview.com/article/texas-federal-judge-dol-esg-investing-rule-does-not-violate-erisa

Developing a counter-narrative to the critique of ESG investing requires finding a new equilibrium. We should have a good hard look at ourselves and what we are doing to make ESG investing more resilient into the future.

This new equilibrium necessitates investors, companies, and governments rethink their way of being and working, coming up with clear goals and even clearer methodologies. Investors have some pressing tasks ahead: First, they should be more articulate about how integration of ESG factors results in better returns in the long run. Second, they should recognise the dilemmas that come with ESG integration. We will see many ESG dilemmas unravelling in the future, where different understandings of what is good for stakeholders will clash. We are already seeing a few, such as the Norwegian government's recent decision to open its continental shelf to deep-sea mining or Tesla's refusal to allow collective agreements in its repair shops in Sweden.

Finally, investors should be better team players when it comes to corporate engagement processes. Engagement activities are more likely to succeed when there is coordinated effort on the part of investors.

Where others see discouragement, I see three hopeful developments for investors:

1. There is now a wider recognition that ESG integration is relevant and even necessary for long-term risk-adjusted returns.
2. It is now widely accepted that ESG integration is creating additional value for clients—value beyond return. And that is much appreciated by clients.
3. We see improvements in transnational regulation to allow further flourishing of ESG investing. We have seen this with COP15, where the historic Kunming-Montreal Global Biodiversity Framework was agreed upon, and we are seeing it with COP28, where another landmark agreement about transitioning away from fossil fuels was accepted. These are promising developments for ESG investors—We now need national legislation and regulation to tangibly bolster sustainable investments in this vein.

As outlined in this annual report, policy engagement has been a key strand of our approach to active ownership for the past few years and will continue to form an important part of our strategy going forward. Along with our other active ownership activities, involving not least the dialogues with investee companies and our voting practices, I hope that this report will attest to the central role of sustainable investment in our business, for delivering the best possible long-term risk-adjusted returns to our clients.

Foundations for progress

A message from our Head of Risk and Ownership, Kamil Zabielski

Looking back on the year, I believe we can be proud of our efforts on many fronts, showing resilience and strength under challenging conditions.

The year was characterised by continued uncertainty in the markets, partly driven by a heightened level of geo-political conflict, including a high level of armed deadly conflict, most notably in Ukraine, Palestine and Sudan, among others.

Against that backdrop, we continued to face a great deal of bad news on key global sustainability battles. The scientists of the US NOAA National Centers for Environmental Information (NCEI) reported that 2023 was the hottest year in recorded history, and ten of the hottest years ever have been recorded in the past decade.

Yet, a significant gap remains between the current plans and actions of many of the world's largest companies, and alignment with the pathways implied by national commitments to the goal of the Paris Agreement. In some situations, investors are not even able to properly assess the situation. One such instance was our engagement with Toyota on climate lobbying disclosures, which led to our co-filing a shareholder resolution at the company's 2023 AGM, which due to the voting structure and procedures of the company, unfortunately did not succeed.

These continued gaps pose hard questions about humanity's collective will to address these challenges, which has knock-on effects for interlinked systemic issues such as preserving nature and securing social stability and human rights.

Within this daunting context, as an investor, we continued to drive forward in our efforts to fulfil our role and responsibilities in addressing the sustainability risks and opportunities we face.

During 2023, we made progress in terms of further integrating sustainability throughout our offerings, while also making it easier for our clients to find and choose sustainable solution to meet their investment objectives.

When it comes to stewardship, we are a great believer in the power of targeted engagement, balanced against a holistic perspective, for achieving best impact in terms of contributing to sustainability. Many of the sustainability issues the world faces, and that investors are bound to address, are systemic and interlinked. For example, its generally acknowledged that we cannot successfully address systemic issues of climate and nature, without simultaneously tackling social issues, including those of living incomes and of governance and human rights. That said, our stewardship efforts, as in investor, benefit from focus on the issues where we are best placed to make an impact. With this in mind, we invested a significant amount of time in reviewing our engagement priorities and have defined a fresh view on these for the 2024-2026 period.

To increase the efficiency of our engagement work, we have also clarified our expectations to companies.

On a positive note, we were encouraged to have achieved several milestones in our engagements during the year. One such bright spot was the announcement by Nippon Steel of Japan, of new commitments to steps that place them on a path aligned with decarbonization. Several collaborative initiatives that we have been deeply involved in or supported also achieved positive steps, such as the launch of the final version of the Taskforce on Nature-related Financial Disclosures (TNFD) framework; and the launch of the engagement phase of the Investor Initiative on Hazardous Chemicals (IIHC), among others.

With this in mind, we are positive about the prospects of making further progress, as we continue into the year ahead.

About

A driving force for sustainable investments

Storebrand Asset Management AS (SAM) is a leader in the Nordic markets and pioneer in sustainable investments, with a growing footprint in select European markets.

SAM is a wholly owned subsidiary of Storebrand ASA, which is listed on the Oslo Stock Exchange (ticker STB). The Storebrand Group has roots dating back to 1767 and is a leading player in the Nordic market for long-term savings, pensions, banking and insurance. In 1981, SAM was established to manage the assets of its parent Storebrand ASA. Since its inception, SAM has acquired external mandates and incorporated autonomous boutiques to form an asset management group.

Key Figures 2023

Assets under management, NOK billion:
1,212

Investment in solutions (NOK)/share of AuM:
154.9 billion / 12.8 %

Assets under management (AuM) screened for sustainability criteria
100 %

Investment in fossil-free funds (NOK)/share of AuM
569 billion / 47 %

Highlights in 2023

Q1

January-March

- SAM's Infrastructure Fund announced the acquisition of a stake in He Dreiht, a construction-ready wind farm in the North Sea that when completed, would be the largest ever in Germany, producing clean energy for more than 1.1 million households.
- SAM scored top among the large financial institutions in the Fair Finance Guide's assessment of corporate social responsibility, ethics and sustainability.
- Storebrand's emissions reduction targets were approved by the Science Based Targets initiative (SBTi) as consistent with levels required to meet the goals of the Paris Agreement.

Q2

April-June

- SAM launched an emerging market sustainable index strategy in the Irish (CCF) and Luxembourg (SICAV) domiciles.
- SAM maintained its first-place ranking on sustainable investments among Norwegian distributors and institutional clients' position in the market intelligence firm Kantar's Prospera annual ranking of fund managers.
- Following engagement by SAM and three other investors, Nippon Steel, the world's fourth-largest steelmaker, committed to important steps towards decarbonisation and alignment with Paris Agreement goals.
- SAM filed the first-ever climate-related shareholder resolution in the history of Toyota Motor Corporation, aiming to protect and enhance long term shareholder value.
- SAM excluded the construction group POWERCHINA due to involvement in controversial hydroelectric dam projects. It was the first exclusion ever made by SAM on the basis of human-induced extinction of threatened species.

Q3

July-September

- SAM Management won the award for 2023 Emerging Markets Manager of the Year at the LAPF Investment Awards, and for 2023 Sustainable Emerging Markets Manager of the Year at the Investment Week Sustainable Investment Awards
- Storebrand topped the SHE Index, a ranking of Norwegian companies' work with gender equality, diversity and inclusion.
- SAM published its first-ever progress report on nature and climate.

Q4

October-December

- Storebrand was listed on the Dow Jones World Global Sustainability Index, the only Norwegian company to achieve the honour this year, and with a top three per cent global rank within the insurance industry.
- Storebrand achieved a 5-star rating in 6 of 8 categories in the PRI Assessment for 2023, which assesses the transparency of asset managers on their sustainability activities.
- Storebrand Fonder moved into second place in the market intelligence firm Kantar's Prospera annual ranking of fund managers in Sweden, up from third the previous year.
- SAM CEO Jan Erik Saugestad spoke in a Norwegian Parliament hearing, condemning government proposals to allow commercial seabed mining activities on the Norwegian continental shelf without sufficient scientific knowledge in place.
- Storebrand Real Estate completed a groundbreaking building renovation project at Grev Wedels Plass in Oslo, marking a path forward for sustainability ambition and methods of reuse and recycling for the property sector in Norway.

Business Strategy

Storebrand Asset Management aims to be a Nordic asset management powerhouse by taking three market positions: being a local Nordic partner, the gateway to the Nordic region for foreign investors and a pioneer in sustainable investments.

At the end of the year, Storebrand managed a total of NOK 1 212 billion of assets, of which 51 per cent was managed on behalf of internal customers within the Storebrand group, while 49 per cent was managed on behalf of external customers.

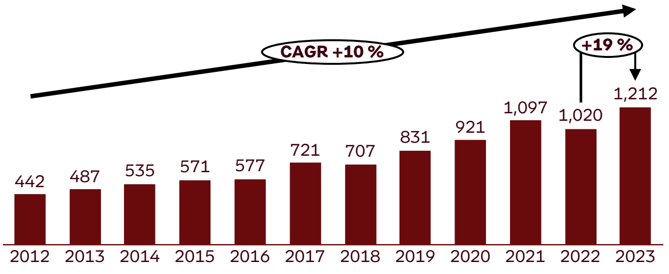
SAM has a strong position in the Nordic markets, as demonstrated by: having received the highest flows amongst Nordic Asset Managers in 2023; and having been ranked as the sustainable investing leader by clients in our two biggest markets Sweden and Norway, according to external verification from Prospera in 2023.

We aim to build on our Nordic foundation and use our position and experience as a sustainability pioneer to become a world leader in sustainable investing.

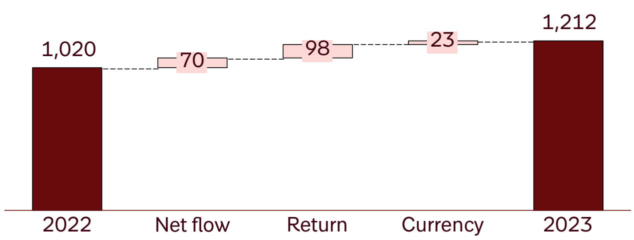
Our position as a sustainability pioneer has been central to our international success in recent years. We have sought to grow our international business through offering clients a 'Gateway to the Nordics', leading with our approach to sustainable investing.

The majority of our international growth has come from sustainability-focused clients that seek integration of environmental and social factors in their investment strategies, either through systematic or active investment strategies. Our fossil-free fund range has been particularly successful in the UK, mirroring the growth of our Swedish fossil-free business.

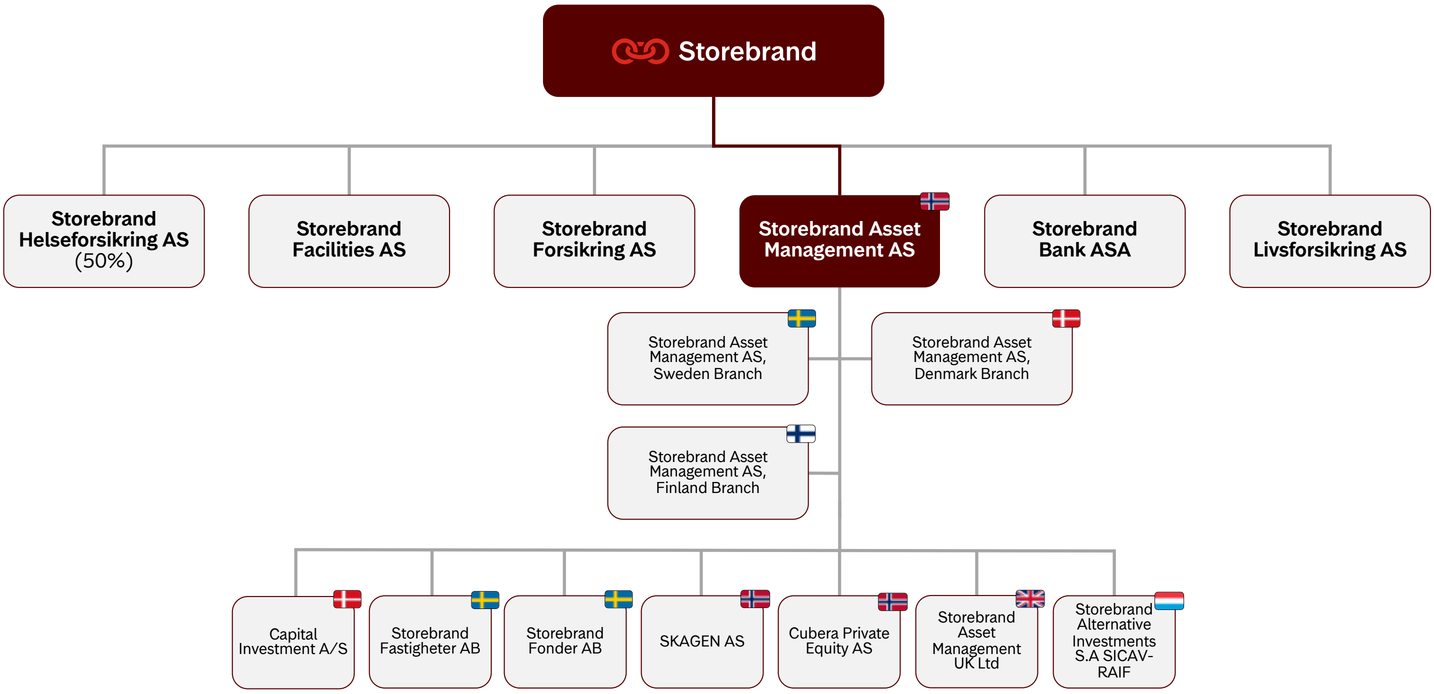
Assets under management, NOK billion



Change in assets under management, NOK billion



Organisation



SAM owns several asset managers, collectively forming an asset management group with total assets under management of NOK 1212 billion.

Leveraging our experience and expertise in managing assets from the Storebrand Group's life insurance companies, SAM operates a multi-boutique asset management concept with a distinct sustainability profile, serving institutional clients including pension funds and insurance companies, distributors, municipalities and private customers such as family offices, organizations and foundations.

As of the end of 2023, SAM operated under several brand names: "Storebrand Asset Management", "Delphi Fondene", "SKAGEN", "Storebrand Fonder", "Capital Investment" and "Cubera". Each of our brands operates with its own autonomous and complementary strategies, sharing common operational and technical platforms, policies and principles. This approach allows us to adapt to shifting investment markets and to our clients' investment demands and objectives.

All SAM entities are bound by a policy framework, which includes a comprehensive set of sustainability principles and exclusion criteria (norm-based and product-based) that the respective entities must adhere to in their investment processes.

Purpose and vision

As a fiduciary, our main goal is to ensure the best possible risk-adjusted returns for our clients.

At the same time, we acknowledge that, delivering the best possible risk-adjusted returns over time means protecting the ability of future generations to meet their own needs. We call this "value beyond return", and it helps our clients build a future to look forward to.

We are inspired by the 1987 Brundtland Report from the World Commission on Environment and Development (WCED), which was sponsored by the UN and chaired by former Norwegian Prime Minister Gro Harlem Brundtland. Under Brundtland, the WCED defined sustainable development and developed long term solutions linking environmental and social issues with economic growth. Built on our Norwegian legacy, sustainability has been a key consideration for Storebrand from day one. Over time, our sustainability practice has evolved over time to fuse our focus on solutions-driven investing to address environmental and social problems that we are facing, with an exclusion focus where necessary.

In addition to being a sustainability pioneer and having established some bold exclusion strategies, Storebrand has demonstrated leadership in being a founding member of the UNPRI and Net Zero Asset Owner Alliance, being early to integrate sustainability across all funds under management in the Storebrand Group, launching the first Green Bond Fund and being early to launch specific and dedicated deforestation, climate change & lobbying, and nature policies. Most recently, Storebrand ranked among the top 10% in the Dow Jones Sustainability Index.

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

We operate around a long-term vision for the year 2050 as a world in which 9 billion people live well, and within the earth's natural limits. We integrate this vision and its values into our core asset management business, seeking to generate the best possible risk-adjusted returns for our clients without compromising the ability of future generations to meet their own needs.

Our investment beliefs are based on the assumption that the companies which contribute to solving our societal problems in a sustainable way will also be the most profitable in the long run.

As a responsible shareholder and investor, we also aim to invest in a way contributes to a more sustainable future and better world. More than ever, we are determined we need to play our role in transition: decarbonizing the economy, protecting biodiversity and supporting inclusive growth. These strong convictions permeate our strategic plan and will allow us to pursue our objective of generating long-term sustainable investment returns for our clients.

Why sustainability matters

As an asset manager, we invest in a sustainable manner because we believe this will ensure competitive long-term risk adjusted returns for our clients.

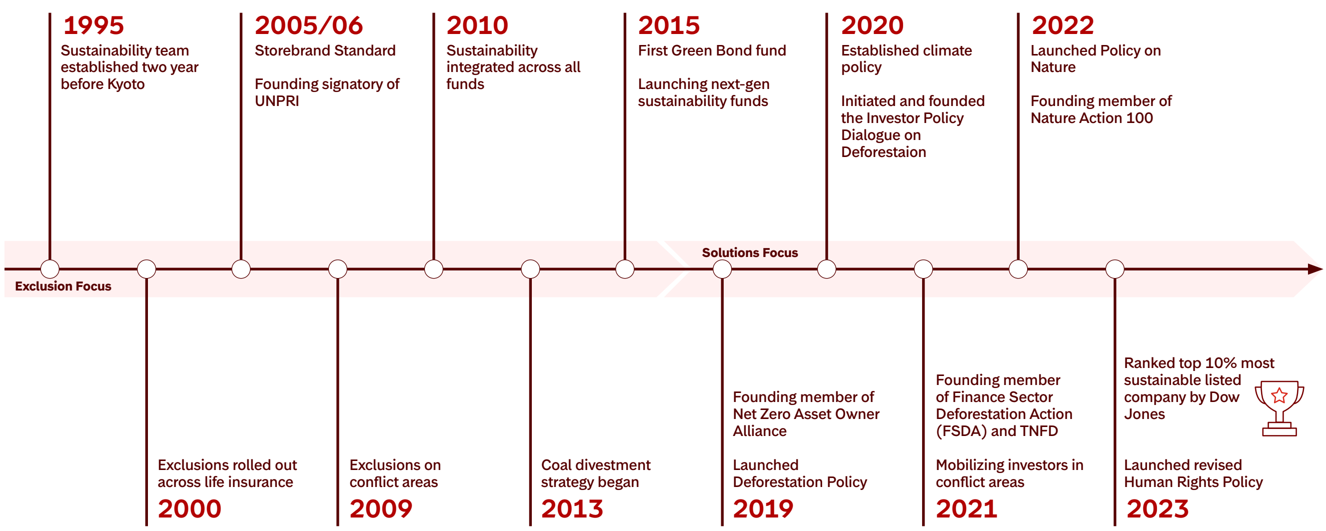
Sustainability matters for investors. A fundamental principle of investment is that investors should know the nature of the business risks and opportunities that they are invested in, and build strategies, based on them. Sustainability exposures – environmental, social or governance events or conditions – are among these, and can materially impact the value of investments.

In connection with our overarching principles and vision, the Storebrand Group has signed the Global Compact. The company follows the UN Guiding Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprises. We support the UN Human Rights Conventions and ILO Core Conventions, the UN Environment Conventions, and the UN Convention Against Corruption. We have signed the UN Principles for Responsible Investment (PRI) and the Principles for Sustainable Insurance (PSI), which guide our activities.

In addition to these, Storebrand Asset Management has made a significant number of formal commitments and is a member of several collective sustainability initiatives within the asset management sector.

A comprehensive, constantly updated list of our international, regional and local commitments and memberships is maintained on our website: at https://www.storebrand.com/sam/no/asset-management/sustainability/memberships-and-awards

Storebrand Asset Management's Sustainable Investment Journey



Structured approach to sustainability

Our approach is described in the sustainable investment policy of the Storebrand Group, which all the entities within Storebrand Asset Management must adhere to. This policy is grounded in the Storebrand Group's vision, values and commitments.

Storebrand has created a set of sustainability principles that sum up how sustainability is an integral part of our business. The principles were updated in 2018 and encompass all parts of Storebrand's activities, including investments, product development, procurement, employee follow-up and internal operations. The principles are:

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

We take a four-pronged approach towards sustainable investing:

1. Solutions investment
2. Active Ownership
3. Exclusion
4. Portfolio integration

More information on our processes is available in the section of this report dedicated to detailing our approach and in the Storebrand Group's sustainable investment policy.

Ethics

Our business, and indeed the financial sector in general, is dependent on trust from customers, authorities, shareholders and society at large. In order to gain our clients' confidence, we must display professionalism, skill and high ethical standards at all levels. This applies both to the Group's business operations and the way in which every one of us acts, with due diligence and accountability. All companies in the Storebrand Group use e-learning tools for employee training in ethics, anti-corruption, anti-money laundering and anti-terror financing, as well as privacy and digital trust. These employee courses are mandatory each year to ensure responsible business practices are maintained in line with our Group Code.

Conduct

In addition to the guidelines and internal rules that oversee employee and management behaviour, we value trust as a soft commodity, as the mutual feeling of security in the fairness, benefit, and sustainability of a business relationship. We acknowledge that trust is difficult to establish and sustain, and very easy to undermine.

Diversity and inclusion

We always strive to be an organisation characterised by inclusion and belonging. All Storebrand employees shall be treated equally, regardless of age, gender, disability, cultural background, religious beliefs, or sexual orientation, both in the recruitment processes and throughout their employment. We have zero tolerance for harassment, discrimination, and gender-based violence. Our goal is greater diversity and better gender balance in senior positions in all parts of the Group. Measures include nominating an increased proportion of women to leadership development programs and in recruitment processes for management positions. For the Board of Storebrand ASA, the requirement is that the gender balance should be 50/50 between men and women. SAM nominates 50/50 gender balance of candidates to all leadership/training programmes as well as all internships and trainee programmes.
Our Diversity and Equal Opportunities Policy outlines our approach to ensuring diversity, inclusion and equality through defined processes for recruitment, organisational changes, salary adjustments and management training. The Board follows up with the CEO on several sustainability indicators, a focus for 2022-2023 was to strengthen gender equality. We have a diversity committee with participation from the entire Group. The committee has focused on diversity, inclusion and belonging, and offering courses on inclusive leadership.

Memberships and initiatives

In connection with our overarching principles and vision, the Storebrand Group has signed the Global Compact, follows the UN Guiding Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprises. We also support the UN Human Rights Conventions and ILO Core Conventions, the UN Environment Conventions, and the UN Convention Against Corruption. We have signed the UN Principles for Responsible Investment (PRI) and the Principles for Sustainable Insurance (PSI), which guide our activities.

In addition to these, Storebrand Asset Management has made a significant number of formal commitments and is a member of several collective sustainability initiatives within the asset management sector.

International

- Access To Medicine
- Access To Nutrition Index
- Big Tech and Human Rights Investor Collaboration
- Climate Action 100+
- Don't Bank on the Bomb
- EFAMA - Code of external governance
- Equileap
- FAIIR Initiative
- Finance for Biodiversity Pledge
- Finance Sector Commitment on Eliminating Commodity-Driven Deforestation
- FTSE4Good
- GISD - Global Investors for Sustainable Development
- Glasgow Financial Alliance for Net Zero
- Green Bond Principles (GBP)
- Institutional Investors Group on Climate Change (IIGCC)
- International Campaign to Abolish Nuclear Weapons (ICAN)
- Investor Alliance for Human Rights
- Investor Policy Dialogue on Deforestation (IPDD)
- Investor Statement for a Just Transition
- Know-the-chain
- Nature Action 100
- Net Zero Asset Manager Initiative
- Net Zero Engagement Initiative (NZEI)
- Platform Living Wage Financials
- Principles of Sustainable Insurance (PSI)
- UNEP Finance Initiative
- United Nations Global Compact
- UN Principles for Responsible Investment (UNPRI)
- Women's Empowerment Principles (WEP)

Regional

- Finans Norge - Climate risk working group
- Fondbolagens förening (Ägargruppen eller Driver hållbarhetsprojekt)
- Fossilfritt Sverige
- Hållbart värdeskapande
- KAN - Koalisjonen for ansvarlig næringsliv
- Nordic CEOs for Sustainable Future
- NORSIF
- Norwegian Fund and Asset Management Association on corporate governance (NUES)
- SHE Index
- Skift
- SLUG - Debt Justice Network Norway
- Svensk Försäkrings hållbarhetsgrupp
- Swedish Investors for Sustainable Development (SISD)
- Swedish Leadership for Sustainable development (SIDA)
- SWESIF
- UKSIF
- FINSIF

A comprehensive, constantly updated list of our international, regional and local memberships, initiatives and pledges is maintained on our website: at https://www.storebrand.com/sam/no/asset-management/sustainability/memberships-and-awards

Commitments

As part of our commitments, we have pledged to meet a significant set of goals in the composition of our investment portfolio, from the near term through to 2050. These commitments are detailed in the section on our sustainability strategy.

Key Performance Indicators in 2023

Categories and metrics	Results				Targets		
	2020	2021	2022	2023	2024	2025	2030
Sustainability rating							
CDP-rating	A-	A-	A	A	A	A	A
DJSI score/global percentile	81 / 93	82 / 92	88 / 99	79 / 97	Top 10 %	Top 10 %	Top 10 %
Sustainability							
Share of total assets screened based on sustainability criteria	100 %	100 %	100 %	100 %	100 %	100 %	100 %
GRESB score direct real estate investments (value-weighted average)[2]	85 %	88.6 %	91.5 %	93.6 %	Top 20 %	Top 20 %	Top 20 %
Fossil-free investments							
NOK billion invested in fossil-free products / Share of AUM[3]	379.2 / 39 %	483 / 44 %	449 / 44 %	569 / 47 %	N/A	N/A	N/A
Equity investments in companies active in fossil fuel sector[4]	New	New	4.93 %	4.17 %	N/A	N/A	N/A
Bond investments in companies active in fossil fuel sector[5]	New	New	0.33 %	1.26 %	N/A	N/A	N/A
Solution investments							
Investments in solutions (solutions companies, green bonds, green infrastructure and real estate with environmental certification): NOK billion / share of total assets	92.6 / 9.6 %	123.1 / 11.2 %	126.8 / 12.4 %	154.9 / 12.8 %	N/A	15 %	N/A
Equity investments in solutions: NOK billion/ share of total equity investments	50.3 / 13 %	62.6 / 13 %	39.3 / 9 %	55.1 / 9.56 %	N/A	N/A	N/A
Bond investments in solutions: NOK billion/ share of total bond investments[6]	New	New	35.0 / 9 %	47.3 / 11.35 %	N/A	N/A	N/A
Investments in green bonds: NOK billion/ share of total bond investments	22.2 / 5 %	25.7 / 6 %	32.0 / 8.3 %	40.7 / 9.8 %	N/A	N/A	N/A
Investments in green infrastructure: NOK billion / share of total infrastructure investments	New	1.5 / 100 %	3.5 / 100 %	3.7 / 100 %	N/A	N/A	N/A
Investments in certified green real estate: NOK billion/ share of certifiable real estate investments[7]	20.1 / 43 %	33.3 / 68 %	49.0 / 64.6 %	48.8 / 61.9 %	70 %	70 %	78 %

2) The goal is for all relevant real estate portfolios to achieve 5 stars in GRESB. This means that one must be among the top 20 per cent globally, and therefore cannot directly be translated into a score (value-weighted average). Capital Investment that we acquired in 2021 is not relevant for reporting to GRESB and is not included in the figures.
3) Fossil-free products are one of several ways of reaching our overall goal of net zero emissions, and we have therefore not set a specific target for how much to invest in fossil-free products.
4) Key figures are linked to PAI. 1.4 of the SFDR regulations.
5) Key figures are linked to PAI. 1.4 of the SFDR regulations.
6) This includes investments in solution companies, green and social bonds.
7) In 2022, we included Denmark for the first time. Therefore, the share of environmentally certified real estate investments was somewhat reduced from 2021. Certifications per country are the following: Norway (95 %), Sweden (93 %), Denmark (7 %).

Categories and metrics	Results				Targets		
	2020	2021	2022	2023	2024	2025	2030
High emitting sectors							
Exposure to high emitting sectors: NOK billion / share of equity investments[8]	32.2 / 8 %	42.5 / 9 %	49.7 / 11.3 %	59.5 / 10.32 %	N/A	N/A	N/A
Active ownership and exclusions							
Companies that have been contacted to discuss ESG through active ownership: number (share of listed equities and corporate bond investments)	572	601	645 (31.2 %)	1,097 (32.1 %)	N/A	N/A	N/A
Votes at general meetings to promote Storebrand's ESG criteria: number (share of listed equity investments)	503	947	1,348 (68.6 %)	1,999 (90.7 %)	N/A	N/A	N/A
Number of active dialogues related to climate and environmental risks and opportunities	433	318	465	853	N/A	N/A	N/A
Number of companies that have been excluded due to serious climate and environmental damage	139	176	199	161	N/A	N/A	N/A
Number of companies excluded from the investment universe of the Storebrand Group	215	257	323	310	N/A	N/A	N/A
Number of companies excluded from MSCI ACWI Index (share of MSCI ACWI investment universe)	198 / 8.1 %	212 / 7.9 %	217 / 10 %	248 / 8.5 %	N/A	N/A	N/A
Number of companies that have been excluded for serious human rights violation and International law, and involvement in controversial weapons	N/A	83	76	97	N/A	N/A	N/A
Ratio of female board members in companies as a percentage for equity investments	New	New	32.2 %	33.2 %	N/A	N/A	N/A

8) A large part of the increase comes from the energy sector, which has increased revenue at a time of geopolitical turmoil, resulting in growth as a share of MSCI overall. The increase in absolute numbers is also explained by the fact that our total AUM has increased.

Definitions for metrics related to sustainable finance

Sustainability rating

- **CDP rating:** Rating by CDP. CDP is an independent organisation that works to increase corporate reporting on climate and environment. CDP assesses and scores companies accordingly. CDP is used by investors and managers to access analyses and information on climate reporting from companies.
- **DJSI Score:** The Dow Jones Sustainability Indices (DJSI) assess companies' sustainability performance and rank companies on a variety of economic, social and environmental criteria.

Sustainability

- **Share of total assets screened based on sustainability criteria:** All companies in our investment universe are screened for sustainability according to our standards: https://www.storebrand.no/en/sustainability/investments.
- **GRESB scores direct real estate investments (value-weighted average):** The score is a global ESG benchmark for real estate investments, reflecting sustainability quality in the management dimension and in the physical real estate portfolio. The total score is a value-weighted average of the score in the reporting portfolios: Storebrand Eiendom Trygg AS, Storebrand Eiendom Vekst AS, Storebrand Eiendomsfond Norway KS, and SPP Fastigheter AB. The score is calculated annually by the Global Sustainability Benchmark for Real Assets (GRESB).

Fossil-free investments

- **Investments in fossil-free products:** The sum of funds/products with a mandate that requires them to be fossil-free. The companies in the portfolio may not derive more than 5 per cent of their revenues from the production and/or distribution of fossil energy, or more than 25 per cent of their revenues from products and services to the oil and gas industry, and fossil reserves must not exceed 100 million tonnes of CO2.
- **Investments in stocks with fossil exposure:** Share of investments in equities invested in fossil fuel businesses. This includes companies that derive revenues from the production and/or distribution of fossil fuels. Investments in companies based on SFDR's definition of Principal Adverse Impact Indicator 1.4.
- **Investments in bonds with fossil exposure:** Share of investments in bonds invested in fossil fuel businesses. This includes companies that derive revenues from the production and/or distribution of fossil fuels. Investments in companies based on SFDR's definition of Principal Adverse Impact Indicator 1.4.

Solution investments

- **Investments in solutions (solution companies, green bonds, green infrastructure and real estate with environmental certification):** Total share of assets under management invested in sustainable solutions. Sustainable solutions consist of green bonds, environmentally certified real estate, investments in green infrastructure and shares in companies that we believe are well positioned to solve challenges related to the UN Sustainable Development Goals.
  - **Equity investments in solutions:** Share of investments in equities in solution companies Storebrand and SPP. These are investments in shares in companies that we believe are well positioned to solve challenges related to the UN Sustainable Development Goals. Investments in solution companies are segmented into four thematic areas: renewable energy and climate solutions, the cities of the future, circular economy and equal opportunities.
  - **Bond investments in solutions, billion NOK / share of total bond investments:** Share of investments in green bonds or solutions companies multiplied by the relevant company's solution weights. These are investments in bonds in companies that we believe are well positioned to solve challenges related to the UN Sustainable Development Goals. Investments in solution companies are segmented into four thematic areas: renewable energy and climate solutions, the cities of the future, circular economy and equal opportunities.
    - **Investments in green bonds:** Share of investments in green bonds. Green bonds are for companies that both meet the Storebrand standard and are in line with international standards such as the Green Bond Principles, the forthcoming EU Green Bond standard, and with the International Capital Market Association (ICMA) framework.
  - **Investments in green infrastructure:** Share of investments in sustainable infrastructure. The fund (Storebrand Infrastructure Fund) invests in projects that contribute to a green transition, for example through onshore wind power, offshore wind and electric trainsets.
  - **Investments in certified green real estate:** Share of direct real estate investments under management in Norway, Sweden and Denmark with environmental certification. The certification system is mainly BREEAM, but can also be LEED, Svanen or Miljöbyggnad.

Active ownership and exclusions

- **Number of companies that have been contacted to discuss ESG through active ownership (share of listed equity and corporate bond investments):** This includes both dialogues that are new, ongoing and finished. Most of these are through coalitions.
- **Number of general meetings voted at to promote Storebrand's ESG criteria (share of listed equity investments):** Voting overview is retrieved from ISS Proxy Exchange. Share of total managed share capital invested in companies whose general meetings we voted at during the year.
- **Number of active company engagements related to climate and environment-related risks and opportunities**: This includes both new, ongoing and completed dialogues. Most of these are through coalitions.
- **Number of companies that have been excluded due to severe climate and environmental damage:** This includes conduct-based exclusions related to the environment, lobbying, deep-sea mining, mining waste disposal, forest risk raw materials, Arctic and ecologically sensitive areas, and product-based exclusions for coal and oil sands – exclusions that apply to all funds.
- **Number of companies excluded from the Storebrand Group's investment universe:** This includes companies excluded under conduct-based, product-based and activity-based exclusions as part of Storebrand's exclusion policy that applies to all funds. It also covers all NBIM exclusions that are not stand-alone exclusions under the guidelines for the exclusion of Storebrand.
- **Number/proportion of companies excluded from the MSCI ACWI Index:** Stocks marked as excluded measured against the weighting of equities in the index.
- **Share of women on the boards of companies in which we invest in:** Average proportion of women in board composition for invested companies. Investments in companies based on SFDR's definition of Principal Adverse Impact Indicator 1.13.

High-emitting sectors

- **Exposure to high-emitting sectors:** This shows our exposure to high-emitting sectors as a share of total equity investments. The definition of high-emitting sectors follows the recommendations of the Net Zero Asset Owner Alliance, and includes the following GICS codes:

  - Aluminium: 15104010
  - Aviation: 20302010, 20301010
  - Cement: 15102010
  - Chemicals: 15101050, 15101040, 15101030, 15101020, 15101010
  - Energy: 10102050, 10102040, 10102030, 10102020, 10102010, 10101020, 10101010
  - Heavy Duty Automobiles: 20304020
  - Light Duty Automobiles: 25102010
  - Shipping: 20303010
  - Steel: 15104050
  - Utilities: 55105010, 55103010, 55102010, 55101010

Sustainability Strategy

Storebrand aims to ensure competitive long-term risk-adjusted returns for customers and owners, while serving as a driving force for lasting change in the way companies are managed.

Our strategy

We are committed to helping our clients achieve strong risk-adjusted returns and believe integration of sustainability data and perspectives will help us do so. With regards to this, we consider sustainability as a significant driver of corporate value. Companies that manage current and future environmental and social opportunities and risks will emerge as leaders and are more likely to create a competitive advantage and long-term stakeholder value. It is only through investing sustainably that we are fully able to identify risks and opportunities arising from environmental, social and governance factors.

The Sustainable Development Goals (SDGs) outlined in the United Nations 2030 Agenda for Sustainable Development (Agenda 2030), and adopted by the UN in 2015, provide an internationally recognized context for sustainability. The SDGs are highly relevant to international companies in that they outline a common development agenda towards 2030 and highlight key business risks and opportunities. In addition, all major areas of sustainable development are addressed; including issues from healthcare and water use to climate, urban development, corruption and gender diversity. Regarding climate change, our ambition to become net-zero by 2050 is an important strategic framework for our investments going forward.

In our approach, which is grounded in the Storebrand Group's sustainable investment policy, we aim for our investments to contribute to the achievement of the SDGs, but without causing harm or having an adverse impact on society and the environment. This means that we focus on reducing the adverse sustainability impact that our investments may cause, while also contributing to positive sustainability impact by allocating more investments to sustainability opportunities.

However, pathways to SDG alignment aren't always clear and obvious. Reaching sustainability objectives often involves balancing acts and tackling dilemmas: situations in which difficult choices must be made that potentially involve equally unappealing outcomes. Some examples of this include the need to urgently develop sources of renewable energy without jeopardizing Indigenous peoples' ways of life; or to ensure living wages for workers across global supply chains that span a wide variety of locations, cost levels and regulatory domains.

Materiality

To ensure that we have a comprehensive and long-term approach to creating value for our shareholders, customers, employees, and society at large, Storebrand ASA regularly conducts a materiality analysis across all business areas, including SAM. This ensures alignment between our goals and prioritised areas, and our stakeholders' expectations. Our operating environment will be adjusted and shaped in line with societal developments. The materiality analysis will therefore be continuously updated through on-going dialogue with our most important stakeholders: Shareholders, customers, employees, authorities, and NGOs. The analysis defines the challenges and opportunities that both Storebrand and our stakeholders perceive as most crucial to reaching our long-term strategic goals, and where we have the greatest impact on society and the environment.

The first materiality analysis was conducted in 2017 with annual adjustments following stakeholder engagement. In 2020 we renewed our topics following a thorough analysis based on input from both internal and external sources. In 2023 the Storebrand Group conducted a new materiality analysis, in line with the principles of double materiality as stated in the Corporate Sustainability Reporting Directive (CSRD). The analysis was based on input from trends, policies, internal and external stakeholders, as well as input from the executive management.

Double materiality means that the analysis assessed two dimensions: impact materiality and financial materiality. A sustainability topic meets the criterion of double materiality, if it is material from the impact perspective or the financial perspective or both. Double materiality acknowledges that businesses should assess both the risk and opportunities linked to ESG topics that can influence enterprise value creation ("outside-in") and the ESG impacts that a company can have on the planet and society ("inside-out"). Further, the concept of "dynamic materiality" recognises that the financial materiality of an ESG impact can evolve over time.

The material topics have been ranked based on significance of financial materiality and impact materiality. The ranking is based on quantitative scoring, qualitative interviews (internal and external), and input from management groups and the Audit Committee. The results are presented in the matrix above, with each topic assessed on both financial materiality and impact materiality.

Storebrand's impact on people and the environment as well as the ESG-related risks and opportunities which could impact Storebrand's corporate value were assessed by including input from important stakeholders. The stakeholder dialogue is an important part of the materiality analysis, and is used to identify and prioritise impacts, risks and opportunities. Our main stakeholders are our customers, shareholders, employees, authorities, public opinion / NGO, suppliers and nature as a silent stakeholder.

Representatives from the stakeholder groups were consulted via interviews.

The stakeholder dialogue is summarised in our materiality analysis report, which is available on our website[9] and in the Storebrand ASA annual report[10]. We interact with our customers throughout the year via: client meetings; webinars; conferences and customer surveys. The most material topics discussed were:

- Climate
- Biodiversity
- Human rights
- Change in land use
- Salary level
- Waste
- Pollution
- Financial independence
- Active ownership
- Influence

The methods for follow up and measurement were:

- Net loyalty score (customer survey measuring loyalty and collecting feedback)
- Surveys
- KPIs following up sales
- Dialogues and meetings (qualitative feedback)

Each of the topics in bold have been expanded on in detail in our materiality analysis 2023 report. As an example of our taking account of beneficiary needs, we have provided below details of the analysis related to 'Consumers and end users'.

Consumers and end users

Includes information flow to, security for, inclusion of and relationships with customers and end users as well as risks of human rights violations in service delivery.

Storebrand is considered to have a high score on impact materiality and a high score on financial materiality on this topic.

Impact materiality: The impact Storebrand has on consumers is assessed as high.

- Storebrand has an inherent risk for cyber and data security through the service delivery, which is mitigated through company-wide processes and employee training.

- Storebrand depends on transparency in customer relations in order to give customers a better information base. Not having this transparency could lead to consumers being affected by misunderstandings or making choices that are not favourable for themselves.

- The risk of human rights violations against customers / end consumers is low, but there is an inherent risk that certain groups (e.g., the elderly) find fully digital solutions challenging or that some customer groups find financial language and terminology difficult. This is mitigated through e.g., increased focus on clear and precise communication and the opportunity for oral communication to avoid misunderstandings.

- Financial materiality: Consumers have a high potential financial effect on Storebrand.

- The financial materiality in this area is linked to reputational risk. Not being transparent can be a competitive disadvantage given that customers are looking for the greatest possible transparency in order to make decisions that are favourable to themselves. Storebrand's ability to deliver financial security and freedom is crucial to attracting customers.

Targets committed to

We have committed to several sustainability-related targets for our investments and have established several short-term targets, as well as long-term targets until 2050. Our sustainability commitments and targets underpin and inform our investment strategy and require that our product design and engagement approach integrate environmental and societal concerns for long term economic benefit.

These targets are fundamental to our fiduciary duty in delivering strong long-term returns to our clients. The significance of these commitments to our business means that they must be ambitious but achievable within the nature of our activities. We have several goals designed to meet our external commitment to the Net Zero Asset Managers Initiative (NZAMI). Further, around half of our AUM is managed on behalf of companies in the Storebrand Group, which has verified Science Based Targets (covering all AUM) and is a founding member of the Net Zero Asset Owners Alliance (NZAOA). The commitments are therefore designed in collaboration across Storebrand Group companies to ensure relevance.

Although these targets do not span the entirety of our work in sustainability, they serve as a compass to help guide our work on implementing our sustainability strategy.

The commitments are displayed in the table shown on the next page.

9) Materiality analysis report (storebrand.no)
10) 2023-annual-report-storbrand-asa.pdf (storebrand.no)

Key sustainability commitments and target dates

Category	Commitment	2025	2027	2030	2040	2050
Solutions	15 % of AUM in solutions	●				
Emissions	Reduce portfolio emissions by 32 %	●				
	Net zero emissions					●
Science-based targets	42 % of equity and bond portfolio SBTi aligned		●			
	64 % reduction in residential property emissions/m²			●		
	71 % reduction in commercial property emissions/m²			●		
Biodiversity	Nature risk assessed and biodiversity targets set	●				
Deforestation	Zero commodity deforestation	●				
Human rights	Substantial alignment with UN guiding principles			●		
Living wages	Living wages acknowledged in target sectors			●		

Context: Systemic challenges to life and value creation

Based on research by the United Nations agencies UNDP and IPCC among others, a consensus has emerged that mankind faces urgent sustainability challenges which span climate, nature, and social dimensions. These issues have massive implications for our planet and our financial portfolios.

Climate change, currently the most visible sustainability issue in the public sphere, carries risks of irreparable harm to the physical environment, assets and economic systems. Biodiversity and natural ecosystems, which support human life and underpin economic value creation, are crucial building blocks to solve the global warming and climate challenge. Yet, these systems are currently also at risk of collapsing, due to deforestation and unchecked use of chemicals. A steady stream of scientific reports from the UN is already confirming that the world is now experiencing observed impacts of these issues, and a looming risk of them accelerating exponentially.

Addressing these systemic environmental challenges, along with existing social ones, also implies a need for strengthened governance structures in business, as well a "just transition": a broad program of change necessary to ensure broad buy-in needed from all stakeholders, and thus enable the global transition to a sustainable economy. Other key factors compound these challenges, such as the shift to a volatile segment of the economic cycle, coinciding with the energy transition, rising geopolitical conflict and a rush by nations to secure raw material and energy resources.

This landscape is increasingly driving companies and investors to address sustainability head-on, in a more integrated manner. Now, attention is paid to a broader set of issues that were previously much less visible, including topics such as living incomes; corporate governance and transparency; and due diligence on human rights and working conditions.

A central and more transparent role for capital

In our view, 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 with companies to ensure that they do have – and comply with – credible transition plans.

The role of private capital in sustainable investment has also been impacted recently by European Union (EU) - wide regulation: the implementation of the EU Sustainable Finance Disclosure Regulation (SFDR). This new set of EU rules aims to provide investors with greater levels of comparability and ESG transparency, by increasing information available about the potential positive and negative impacts of their investments and related ESG risks.

The new disclosure regulation is, along with the Sustainable Finance Action Plan, a crucial part of the EU's Sustainable Finance Framework and European Green Deal. The SFDR sets out strict criteria for the classification of funds defined as sustainable.

Our approach

Integrated approach to sustainable investments

Our sustainability strategy and investment strategy are integrated. We utilise several tools:

- ESG risk rating
- Sustainability score
- Solution companies and solution company database
- Principal Adverse Impact (PAI) indicators according to SFDR - information on the negative impact of a company's operations on ESG factors

We implement these approaches across asset classes, including green bonds, infrastructure, real estate and private equity.

We conduct sustainability risk assessments to avoid investing, or invest less, in high-risk companies and to prioritise investments in companies with low sustainability risk . Storebrand measures material ESG risk, or the risk of causing or being affected by a negative impact on sustainability factors, through our ESG Risk Rating. A company's ESG risk is measured by:

- Corporate governance: Basic principles of good corporate governance apply to all companies regardless of industry. Poor corporate governance constitutes a material financial risk.
- Material ESG issues: Key ESG factors considered at the industry level. Issues are examined based on industry, business model and the business environment in which a company operates.
- Individual ESG issues: ESG-related challenges for individual companies that are not related to a specific industry or business model.

Storebrand Asset Management's risk and ownership team assess risk mitigation measures.

Risk is inherent in many industries. Therefore, we not only assess risks, but also companies' ability to manage them. All companies in our investment universe receive an ESG risk score. The score forms part of the decision basis for our portfolio managers when making investment decisions.

Our risk and ownership team also uses the ESG Risk score, as well as other data sources, when identifying and prioritising thematic adverse impacts for specific industries, when identifying needs for improvement in individual companies, and when deciding how to vote at portfolio company shareholder meetings.

We identify, manage and reduce adverse climate, environmental and social impacts in our investments by, among other things, following international guidelines such as: the OECD Guidelines on Responsible Business Conduct for Institutional Investors, the OECD Due Diligence Guidance for Responsible Business Conduct and the OECD Guidelines for Multinational Enterprises, as well as the UN Guiding Principles for Business and Human Rights. We also implement Norwegian regulation, by conducting human rights due diligence in our portfolios in accordance with the Norwegian Transparency act.

We have identified the following main categories of negative impact on people and nature that apply to all equity and debt portfolios:

- Adverse impacts affecting the environment and climate, including severe environmental damage, greenhouse gas emissions, loss of biodiversity or deforestation.
- Adverse impacts on workers, communities and society, such as violations of fundamental human rights, labour rights, gender/diversity discrimination or violations of Indigenous peoples' rights.
- Adverse impact in connection with severe corruption and financial crimes.
- Adverse impact in connection with controversial weapons (including landmines, cluster munitions and nuclear weapons).
- Adverse impact in connection with tobacco products.
- Some products have additional criteria for what are unacceptable negative consequences that we seek to avoid in some or all of our funds.

We prioritize and address adverse impacts by using several combined strategies that involve:

- Screening and excluding companies that do not live up to Storebrand's investments standards based on international norms and conventions and/or companies that are involved in the production of certain unsustainable products or in unsustainable activities, such as seabed mining.
- Engaging with companies to discuss these adverse impacts, with the aim of improving corporate behaviour and thus reducing the adverse impact

Our approach is grounded in the Group's sustainability strategy and is documented in our guidelines for sustainable investments.

Our method for sustainable investments has four elements:

1. **Solutions-driven investment:** We invest more capital in equity investments solution companies, green bonds, bond investments in solutions, certified green real estate and green infrastructure.
2. **Active ownership:** We influence the companies we invest in, alone or jointly with others, through activities such as voting and dialogue, to reduce their negative impact on climate or society.
3. **Exclusion:** We exclude from our investment universe companies that are not in line with our sustainability principles. This includes companies that violate international norms and conventions or are involved in unacceptable activities.
4. **Portfolio integration:** we use ESG analysis as a risk management tool in portfolio construction, applying ESG data to tilt systematically portfolios and manage active strategies with explicit sustainability related objectives.

1. Solution-driven investment

We strive to achieve a positive impact in society by directing more capital to companies that are well positioned to solve global sustainability challenges. We do this by increasing investments in solution companies, green bonds and real estate and infrastructure that support the SDGs. We aim to invest 15 per cent of assets under management in solution companies, bond investments in solutions, green bonds, green infrastructure and environmentally certified real estate by 2025.

The following principles guide our investment and stewardship approach:

- Make investment decisions in line with scientific consensus
- Reorient capital flows towards low-carbon, climate-resilient and transition companies
- Avoid investments that contribute significantly to climate change
- Use ownership positions to stimulate ambitious ESG practices at portfolio companies
- Make it simple for clients to understand how they may contribute to a low-carbon future

Equity investments in solutions

Through proprietary analyses, we identify solution companies. These are companies that help achieve the SDGs through products, services and operations, without causing significant harm to society or the environment. The companies are included in a database that is updated regularly. The database is a valuable tool for fund managers and serves as the basis for our thematic solution portfolios (for example, on renewable energy, smart cities and equal opportunities), or as part of broader investment portfolios.

Solution investments in other asset classes.

Debt

Within fixed income and credit management, we invest in debt instruments with different credit quality and maturities. This includes green and sustainability-linked bonds that provide direct exposure to sustainable initiatives. The companies that issue the green bonds we invest in, must comply with international standards such as the Green Bond Principles, the forthcoming EU Green Bond standard and the International Capital Market Association (ICMA) framework.

Real Estate

Storebrand's real estate business primarily comprises management of existing property on behalf of investors, as well as construction projects to adapt, rehabilitate and further develop the properties. In operations and development, we seek to reduce negative impact on the outside world, while creating a return on invested pension funds. We are working towards a portfolio that is robust to physical climate risk and other risks. The building and construction sector accounts for 40 per cent of greenhouse gas emissions, energy use and waste production. Storebrand works continuously to reduce the climate and environmental footprint of its real estate operations.

Our approach is a continuous improvement of our properties with the goal of minimising their CO2 and natural footprint. We recognise that 80 per cent of the building stock that will exist in 2050 have already been built. Upgrading buildings therefore makes an important contribution to energy and emission cuts, while reducing sustainability risk. It also reduces impacts on nature and natural resources, which are under significant pressure.

We preserve and transform and seek circular solutions with the least possible waste generation and use of new materials. With increased reuse, we can avoid greenhouse gas emissions and take scarce material resources out of the cycle. We seek a positive impact on the local environment by promoting safe and attractive neighbourhoods, increasing urban nature and biodiversity, and preventing pollution to air, soil and water.

Infrastructure

Since the launch of the Storebrand Infrastructure Fund in 2021, the fund has made seven direct investments in projects that enable the transition to a greener economy, by increasing renewable energy production and utilization, and decarbonizing the transport sector.

Reducing global emissions will require large investments in renewable energy generation, grid infrastructure, storage capacities and other infrastructure. According to an estimate by the management consultancy McKinsey, the investment required to achieve net zero is USD 28 trillion, of which 50 per cent would be directly relevant for infrastructure investors.

We invest in infrastructure located in Europe and North America. The European Commission's InvestEU and REPowerEU programmes aim to mobilise over EUR 650 billion of public and private investments by 2027 to ensure the transition to a low carbon economy. The United States Inflation Reduction Act (IRA) aims to allocate more than USD 370 billion in funding to mitigate climate change. These regulations are positive for Storebrand's infrastructure fund. The European energy crisis in 2022 further underlined the importance of the fund's mandate.

Private equity & private credit

Storebrand's private equity investments are carried out through our wholly owned subsidiary and fund-of-funds manager, Cubera Private Equity ("Cubera").

Although we have limited formal influence on ESG issues during the ownership phase of private equity assets, we exercise an influence on these issues through manager selection and dialogue. We work with fund managers who share our view that investing in companies that work well with sustainability provide good risk management and good risk-adjusted future returns.

Private equity managers often have direct influence over longer ownership periods and are thus well positioned to influence ESG results. More impact funds are being established in the market, where managers actively invest to solve societal challenges. This gives Cubera an increasing selection of potential funds to invest in.

There are few reliable and standardised ESG metrics available in the private equity industry. Cubera therefore places great importance on working with fund managers (GPs) to produce relevant ESG information.

2. Active ownership

Exercising our influence through active ownership is a critical part of our approach to sustainability. We set expectations for the companies we invest in and use our ownership position to influence the companies for improvement. To reduce negative impact, we have a transparent process to ensure that companies meet our sustainability risk standards.

We do so based on the principles and guidelines set out in our Storebrand Asset Management Sustainable Investment policy. The policy emphasises that, on behalf of the unitholders for whom we manage capital, we must perform an ownership role in the companies in our portfolios where the execution of ownership is considered material financially, regulatory, or in terms of fiduciary duty. This ownership role must be performed by us in such a way that the interests of the unit holders are held foremost, for example by maximising the long-term value of the companies. This means that, in the event of any conflicts of interest related to the exercise of ownership rights and responsibilities, our corporate interests and those of our associated companies must always give way to the interests of the unitholders.

In 2023, the Board of Directors of Storebrand Asset Management adopted updated polices for sustainable investments to reflect current practice and changes in internal governance. In addition to t overarching, Sustainable Investment Policy, the following underlying policies were adjusted in 2023:

- Exclusion Policy
- Human Rights Policy
- Engagement and Voting Policy
- Deforestation Policy

We also have a nature policy and a climate policy that were not updated in 2023.

In addition, we conduct advocacy to provide encouragement to portfolio companies that are in a transitional phase where the carbon footprint effects can be reduced or improved.

Active ownership roles and responsibilities

Roles

Our Engagement and Voting Policy is anchored with the Board of Directors of Storebrand ASA and adopted by the Board of Directors in Storebrand Asset Management AS. The CEO of SAM, or the appointed representative, is responsible for ownership matters.

Our Risk and Ownership team is responsible for:
- assessing which companies we should engage with and whether we should express our opinions through voting
- conducting the engagement and voting activities that are involved the exercise of our active ownership responsibilities

Reporting on active ownership

Our Risk & Ownership team, in collaboration with CIOs and PMs reports internally, on activities and progress related to this policy, to the management of Storebrand Asset Management and Boards of Directors as required on a regular basis.

Externally, SAM publishes a quarterly Sustainable Investment Review with data and additional contextual details of how we are performing our active ownership responsibilities, including engagement, voting and exclusions. Regarding voting, we disclose all our votes cast on our website via the Proxy Voting Dashboard of our external service provider ISS.

The full and current details of all our policies can be accessed in our document library: https://www.storebrand.com/sam/no/asset-management/insights/document-library.

Engagement

Five principles guide the approach that we take when exercising ownership rights:

1. Creating shareholder value: Our engagement activities should contribute to long-term value creation in a responsible manner.
2. Positive impact: Our activities should aim to create actual positive change, not symbolic value.
3. Nordic approach: We prioritise opportunities where we are particularly well-positioned to have a positive impact, in particular, but not limited to, the Nordic region.
4. Stakeholder collaboration: We work with a wide range of stakeholders, including governments, civil society, business and investors, to solve complex challenges and influence large companies.
5. Targeted engagement: We focus on companies where we have a significant ownership stake.

To maximize our impact, and based on a structured assessment, we periodically develop engagement themes that guide and focus our action. More detail on the engagement themes is available in our section on how we implement our sustainability strategy.

Engagement goal-setting and measurement

Before we start engagements, we establish specific goals for the engagement process, to ensure clear communication with the investment objects and to facilitate the measurement of the engagement's success. Engagement can be reactive (based on controversies or potential breaches of our standards) or proactive in nature in which we engage with companies or a sector to address more systemic issues.

ESG analysts in our Risk and Ownership team set the objectives for engagements and record the success factor for the commitment in each engagement process. All engagements are logged in an online system developed for the purpose of monitoring engagement progress.

We measure progress towards four levels of success, where the fourth and highest level is in line with the UN Principles for Responsible Investment, PRI: Improved Business Practices (in line with the PRI definition of success: "The actions taken were fully or mostly completed after Storebrand contacted the company"). We can therefore assume that our efforts have contributed to the improvement when this level is reached, although it is seldom possible to determine exactly to what extent.

The scale by which we measure progress is based on completion of four milestones:

Level 1 = company contacted (explanation of concerns + request for company practice improvement; no response)
Level 2 = company contacted; unsatisfactory response
Level 3 = company contacted; satisfactory response
Level 4 = company contacted; improved business practice

When engagements conclude, we classify the results in four categories:

1. None
2. Successful
3. Unsuccessful
4. Neutral

The relative success of engagement is notably easier to establish in reactive engagements about specific controversies, than in proactive engagements on broader issues like climate. The progress of engagement is discussed regularly by the Risk and Ownership Team, including minimum requirements, alternative methods of achieving or improving dialogue, and whether an engagement should be escalated or not. If the company does not meet our minimum requirements (or communicates a plan and ambition to start measures) after repeated dialogue attempts, we escalate our actions.

Escalation of engagement

Within the process of engagement, escalation can mean that we take some or all of the following actions:

- raising issues at board level if management is not responsive
- expressing our views publicly by issuing a public statement
- cooperating with other investors if not already done so
- proposing, submitting or co-filing resolutions at the AGM
- voting against re-election of board members concerned
- setting a company on our observation list

We are a Nordic actor, which means that we have more leverage in Nordic countries where we are more known and where our exposure can be higher (size of holdings). We will prioritise our proactive engagement with Nordic companies, where our position and knowledge of these companies enables constructive and meaningful dialogue that creates value both to these companies, to Storebrand, and our clients. This however does not limit us to engaging only with Nordic companies, as aspects such as the materiality of ESG risks, exposure, and the ability to have greater impact on ESG issues remain important factors to consider in the prioritisation of our engagement work with companies globally. Based on our long-term focus in investment, and our commitments to sustainable investment, avoiding certain investment incompatible with this perspective, is an intrinsic part of our processes.

We sometimes put companies on an observation list as a method of escalating the dialogue. According to our procedures, we expect companies under observation to show improvement within a pre-determined time, in order to be removed from this status. If the improvements are not achieved, the company can be excluded from our investable universe. Such cases typically involve companies that we consider close to being excluded based on norm-violations but where we see a possibility that the company will change practice in line with set expectations as part of dialogue. Companies on the observation list are continuously monitored for improvements and adherence to our standards.

Companies may only stay on the observation list for up to three years before being excluded from our investment universe or taken off the observation list. We set specific expectations of companies as to what actions are required to be taken to change their observation status. This specification for change is reviewed annually to ensure the company takes material action on issues. If the company does not take action to meet the specification, there may be cause for exclusion. While a company is on the observation list, we may not increase our investment in the company.

Voting

Our commitment to sustainable, long-term value creation drives us to actively exercise shareholder voting rights. This commitment is integral to our fiduciary duty, ensuring we safeguard shareholder interests and promote exemplary corporate management, particularly in environmental, social, and governance (ESG) aspects.

Our voting policy is adopted at SAM group level and is available on our website. Under this policy, voting rights and other rights deriving from shareholdings shall be exercised solely in the common interest of the unit holders, with the aim of ensuring the best possible risk-adjusted return for the unit holders. Responsibility for voting is delegated to the Risk & Ownership team, who determines how to exercise the voting rights appropriately, together with the relevant portfolio managers.

In October 2023, we adopted new policies: Introducing an updated Sustainable Investment Policy and a detailed engagement and voting policy, enhancing our approach to active ownership and voting. This track of work is planned to continue, with a revised voting guideline document that we have scheduled for release in 2024, offering insights into our specific voting strategies.

SAM has systems in place to identify, manage and document any conflicts of interest that may arise in the exercising of voting rights. Our procedure for handling conflicts of interest is set out in the Company's Guidelines for identifying and handling conflicts of interest,

3. Exclusion

Our approach to exclusions is driven by the principles and guidelines expressed in the Storebrand Asset Management Sustainable Investment Policy, as well as in Storebrand Asset Management's Exclusion policy (formerly called "The Storebrand Standard"). Our exclusion policy applies to all asset classes, and does not distinguish between active and passive assets.

Storebrand Asset Management works systematically to invest in companies that contribute positively to sustainability. Our approach to sustainable investments is based on the assumption that the companies which contribute to solving societal problems in a sustainable way, will also be the most profitable in the long term. This positive selection approach is complemented by the de-selection approach of our Exclusion policy, with both helping to ensure our clients' future returns.

We regard exclusion as a last resort in cases where companies fail to demonstrate the will to cease their practices, or to engage and improve. When companies breach our Exclusion Policy, we will, in most cases, first use our position as an investor to engage them in dialogue and seek to make adequate improvements to end these breaches. If dialogue does not lead to positive changes, we may exclude the company from investment.

Screening and monitoring

Screening of potential conduct-based breaches; third-party data providers deliver "company alerts" once a month, including background information on the controversies related to potential conduct-based breaches. The controversies are analyzed by our experts within the Risk and Ownership Team and contact with the company is established where necessary. Based on the severity and facts in the case, as well as the company's willingness to address the issue, a decision will be made to engage with the company, place the company on an observation list, or to recommend an exclusion.

Exclusion of conduct-based norm-breaches is to be used as a last resort and is applied where companies clearly fail to demonstrate willingness to cease the breach or incorporate improvements that can mitigate and or prevent adverse impact.

The decision to exclude a company, based on a conduct-based exclusion criterion, is made by Storebrand's Sustainable Investment Committee on the background of a recommendation by the Risk and Ownership Team. The Committee comprises several representatives of the Storebrand Group's senior management team and other executives, who meet quarterly.

Screening of companies excluded by Norges Bank Investment Management (NBIM) is also done on a continuous basis. All companies that are excluded by NBIM are assessed against the norm-based criteria of this policy and a decision for exclusion across all investments and products is made by the Sustainable Investment Committee based on a recommendation from the Risk and Ownership team. These cases are taken on an ad hoc basis, at the time exclusions are made public by NBIM, as our Norwegian domiciled funds adhere to NBIM exclusions.

The same screening process is also conducted on a quarterly basis for potential inclusion of companies that have previously been excluded. If an excluded company demonstrates positive change that reduces the risk of recurrence, the company may be re-included.

Observation

In some cases, where there is a risk of a violation of our norm-based criteria, it may be beneficial to follow a company over time to increase the information available. Likewise, there may also be cases where we see a company is working on corrective action, but such measures have yet to be fully implemented or verifiable.

In such cases, we place the company on an observation list, associated with specific restrictions, to allow for more time to gather the necessary information and influence company direction. Companies that are under observation will be closely monitored and engaged based on our existing ownership, and we will maintain a close dialogue with the company where we inform them of our expectations of measures and results. We expect the company to show improvement within a pre-determined time. Depending on the outcome, the company will either be excluded from our investment universe, or it will be removed from the observation list.

While companies are present on the observation list, portfolios without prior holdings will be restricted from investing in the said companies. Portfolios with prior positions will be allowed to maintain these positions but not to increase shares in the company.

Exclusion and/or inclusion

If we choose to exclude a company, we use formal routines for reporting to companies and internal formalities of compliance working with fund managers.

Quarterly reports regarding exclusions are first reported to portfolio managers and compliance, so they are aware of new exclusions. Fund managers have approximately 20 days to sell their holdings in excluded companies. Once this is achieved, other key internal and external stakeholders and clients are directly informed.

A list with all exclusions is published and updated quarterly on our website, along with more detailed information about exclusion cases in our quarterly insight reports. Storebrand Asset Management's Investment Control and Analytics (ICA) department is responsible for verifying that management complies with individual mandates as well as internal and external laws and regulations. As part of the daily compliance controls, all trades and positions are controlled for breaches based on this exclusion policy. Companies excluded are informed of our action and the reasons for our decision. Companies are also informed of the requirements for re-inclusion and are invited to contact us when they believe they have met our requirements.

Excluded companies are monitored continuously and evaluated on a quarterly basis for potential re-inclusion. When our data provider indicates improvements have been made, we assess whether those improvements are relevant to reconsider our grounds for exclusion and decide whether to reopen the case and engage with the company.

Prior to re-inclusion, the Risk and Ownership team assess whether the expectations set out in the original exclusion have been achieved and will then make a recommendation to the Sustainable Investment Committee. In the event that the improvements are not related to the grounds for exclusion (improvements with respect to governance and reporting, but no improvements regarding hazardous waste management and health and safety – which were the grounds for exclusion) then the company will not be considered for possible inclusion.

Exclusion criteria

We apply the following criteria to determine exclusions from investment:

1) Norm-based exclusions (conduct and non-conduct based)

Storebrand Asset Management will not invest in companies involved in the following norm breaches*:

- Companies that contribute to serious and systematic breaches of international law and human rights (conduct based),
- Companies involved in serious environmental degradation, including the climate and biodiversity (conduct based),
- Companies involved in systematic corruption and financial crime (conduct based),
- Companies that produce or sell controversial weapons, such as nuclear weapons, land mines, cluster munitions, biological and chemical weapons (non-conduct-based norm-breaches).

*A company will also be excluded when subsidiaries controlled by the company, typically through ownership of 50 per cent or more, are in breach of these criteria.

2) Product- and activity-based

Storebrand has also chosen to exclude investments in companies within certain single product categories or industries, or activities that we consider to cause significant adverse impacts. These products or industries are associated with significant risks and liabilities from societal, environmental or health-related harm. In these product categories there is also limited scope to influence companies to operate in a more sustainable way. These companies include:

- Companies with more than 5 per cent of revenue from coal-related activities
- Companies with more than 5 per cent of their revenue from oil sands
- Companies with more than 5 per cent of revenue from tobacco production and distribution
- Companies with more than 5 per cent revenue from recreational cannabis
- Companies that are involved in deforestation or conversion of native ecosystems through severe and/or systematic unsustainable production of palm oil, soy, cattle, timber, cocoa, coffee, rubber and minerals
- Companies involved in lobbying that deliberately and systematically work against international norms and conventions, such as the goals and targets enshrined in the Paris Agreement or the Global Biodiversity Framework
- Operations in biodiversity sensitive areas
- Deep sea mining
- Mining operations that conduct direct marine or riverine tailings disposal
- State-owned and controlled companies (from states excluded under sovereign bond criteria)

3) Risk-based Sale of assets

To further mitigate risk, Storebrand will sell assets from companies with a considerable risk of involvement in activities with severe negative impacts, such as Principal Adverse Impacts (PAIs) as described by EU regulations. For more information regarding PAIs and our due diligence work addressing them, please see our Principal Adverse Impact Statement available on the Storebrand Asset Management website.

4) Sovereign bonds

Storebrand Asset Management will not invest in sovereign bonds from countries lacking elementary institutions to prevent corruption, fulfil basic social and political rights, and contribute to maintaining international peace and security. Countries that rank among the lowest 10 percent on Transparency International's "Corruption Perceptions Index" and the World Bank's "Worldwide Governance Indicators; Control of Corruption Index", are excluded.

Furthermore, countries with the lowest scores in Freedom House's "Freedom in the World Index", and countries subject to sanctions imposed by the UN Security Council, and the EU are also excluded. This criterion also applies to the state-owned or controlled companies of these countries.

5) Green Bonds
Special rules apply to green bonds when it comes to fossil fuels. The entire sector 10 (coal, oil, gas) is excluded, and in addition, companies' turnover of more than 50 per cent coming from the production and/or distribution of fossil fuels in other sectors. The reason for this is that green bonds, among other things, must have the opportunity to create change in challenging industries.

6) Supplementary product-based exclusion criteria
For some selected products and entities, the Storebrand Asset Management Group has introduced additional requirements. In these cases, companies with more than 5 per cent of revenue from the following activities will be excluded:

- Production and/or distribution of fossil fuels
- Companies with large fossil reserves, more than 100 million tons of CO2 equivalents
- Production and/or distribution of alcoholic beverages
- Gambling operations or ownership of gambling establishments.
- Production and/or distribution of defense contracts/ conventional weapons
- Production and/or distribution of adult entertainment

Exclusion roles, responsibilities and reporting

Roles and responsibilities
Storebrand's Sustainable Investment Committee is responsible for the decision to exclude companies based on a conduct-based norm-breach, and thus mitigate and prevent the adverse impact. The committee comprises several representatives of the Storebrand Group's senior management team and other executives, who meet on a quarterly basis. Companies will be excluded, if the adverse impact and the breaches of our standards are considered severe, and the risk of recurrence is assessed as high, after engaging with the company on measures to prevent recurrence and mitigate the adverse impact.

Storebrand Asset Management Risk & Ownership team is responsible for exclusion of non-conduct-based norm-breaches, such as controversial weapons and for product-based and activity-based exclusion.

The Risk and Ownership team is responsible for selecting data providers that deliver relevant data enabling the organization to perform these screens. Data providers may vary over time and are described in the standards pertaining to each product or practice, as outlined in our Exclusion Guidelines.

Reporting
Storebrand Asset Management's Risk & Ownership team will report to the Board of Directors in SAM on progress and activities related to the obligations under this Policy twice a year. Externally, SAM will report quarterly and annually on main actions to implement this policy.

We publish separate updates on our exclusion-related activities, as well as in compiled format in our quarterly publication, the Storebrand Asset Management Sustainable Investment Reviews, both of which are available on our website. These updates are also distributed directly to customers and other stakeholders.

Further detail on how we approach exclusions, can be found our Exclusion Policy, which is published in the Document Library of the Storebrand Asset Management Website.

4. Portfolio integration

All portfolio managers within SAM are responsible for integrating ESG according to their mandates, and work in close collaboration with the Risk and Ownership Team.

As we manage investments within a broad range of asset classes and products, our specific approach to integration of sustainability in asset management may vary across different mandates, particularly in terms of how ESG data is used in portfolio construction and analysis. However, we generally include the following methods:

Risk rating: We integrate sustainability risk ratings in investment decisions to avoid or invest less in companies associated with high sustainability risk and prioritise or invest more in companies with low sustainability risk. The ESG Risk Rating feeds into the Storebrand Sustainability Score assigned to all the (listed) companies we invest in, and it is available for our portfolio managers to integrate in investment decisions. The idea is to move capital away from high sustainability risk companies to companies with lower sustainability risk. There may be local variations in the way risk ratings are applicable for different boutiques and asset classes.

Sustainability Score: The score is used to optimise portfolios towards more sustainable companies and to calculate an internal fund rating. We calculate the sustainability score on over several thousand companies and base it on a scale of 0-100. The sustainability score is the basis for a total weighted sustainability score given to our funds. Portfolio Managers at Storebrand Asset Management can access the score on several levels. Total Score, Risk Score, SDG Score, and scores for underlying themes within these building blocks, are all readily available. Implementation of the score is dependent on the style and risk profile of the fund/portfolio in question. The score can be used to better assess the ESG risk of a particular investment, for identifying companies with an attractive SDG positioning, or for assessing the overall exposure on ESG risk and opportunities of a portfolio.

Principle Adverse Impacts (PAIs): We have integrated the Principal Adverse Impacts (PAIs) identified in the EU Sustainable Finance Disclosure Regulation (SFDR) into our risk analysis for asset classes since 2021, where data is available. There is an overlap between PAI indicators, and our general work carried out to mitigate risk. This has not changed our methodology to identify risk, but has added a new dimension to further map, manage, measure and mitigate adverse impact as more specific data is available.

Our methodology is to identify PAI laggards (red), PAI intermediate performers (yellow) and PAI leaders (green). This traffic light system has been calculated based on a sector-based materiality assessment, for which thresholds have been set for what is considered green, yellow and red. As of this date, the PAI traffic light score has been calculated for the following indicators: GHG intensity, activities in the fossil fuel sector, violations of UN Global Compact and OECD guidelines, board gender diversity, controversial weapons and deforestation. Other indicators will be included if we see that the data quality and coverage improve. Some of the PAI indicators are binary, whereas some are more quantitative, for example GHG intensity. For the quantitative PAIs, the values of the 5th and 95th percentile will act as guiding numbers for establishing the red and green scores.

PAI flags are calculated and made available in Bloomberg for all portfolio managers, together with other ESG-related information such as exclusions, green revenues, whether the company is classified as a sustainable investment under SAM's SFDR definition, sustainability scores etc. How different fund products consider PAIs will differ, depending on the specific product (for example art. 8 and 9), and strategy (active or passive). PAI data has also been integrated into our trading system, so that when the managers make a trade, they can see how it affects the various PAI indicators at portfolio level.

In order to further mitigate risk, Storebrand will sell its holdings in companies with a considerable risk of involvement in activities with severe negative impacts such as Principle Adverse Impacts (PAIs) as described by EU regulations, so called, risk-based sale of assets. PAI red-flagged issuers will be prioritised for potential engagement or risk-based sale of asset, if the adverse impact is particularly severe. Our **Principal Adverse Impact Statement** is available on our website.

Sustainability Implementation

Solutions-driven investment

We aim to invest 15 per cent of assets under management in solution companies, bond investments in solutions, green bonds, green infrastructure and environmentally certified real estate by 2025.

Solutions

At the end of 2023, 12.9 per cent of our total assets were invested in solutions, up from 12.4 per cent in 2022. 9.6 per cent of our equity investments are invested in solution companies, 11.4 per cent of bond investments are invested in solutions and green bonds, 100 per cent of infrastructure investments are invested in green infrastructure and 61.9 per cent of real estate investments in certified green real estate.

Green bonds

By the end of 2023, we had invested NOK 40.7 billion in green bonds. This represents 9.8 per cent of our total bond investments, up from 8.3 per cent in 2022. Storebrand also makes bond investments in the category "Solutions". Our ambition is to increase our holdings in the category.

Real Estate

We continuously work towards reducing the climate and environmental footprint of our real estate operations. In 2023, emissions from our real estate investments in Norway and Sweden were 5.6 kg CO2 equivalents per square metre, marginally up from 5.5 kg in 2022, but over 40 per cent down against the reference year 2018. A 20 per cent reduction in energy consumption has contributed to this.

We aim to increase the proportion of green investments according to the EU taxonomy and certify the properties according to the BREEAM environmental classification system or equivalent. In 2023 the proportion of real estate investments with an environmental certificate (BREEAM or equivalent) was 62 per cent. Despite an increase in the number of certified properties, our 2023 figure was down from 65 per cent in 2022, due to the availability of new and uncertified property stock for management.

In 2023, our real estate business has maintained its position of 5 out of 5 stars, for all our portfolios, in GRESB (Global Sustainability Benchmark for Real Assets). Our funds Storebrand Eiendomsfond Norway and SPP Fastigheter were both named "Global Sector Leader" in the category "Diversified, Unlisted". 5 stars are awarded to the top 20 percent among more than 2,000 reporting real estate funds in 75 countries. GRESB is an investor-driven benchmark within real estate and infrastructure, covering ESG factors in the property management and performance dimensions. GRESB´s data is used by more than 170 institutional and financial investors.

Overall, these results demonstrate our commitment to not only reducing energy consumption and CO2 emissions, but also to minimising waste and promoting a circular economy.

Infrastructure

The fund has made several investments to date and is currently still investing. Currently our infrastructure portfolio includes an investment in the City of Oslo's district heating network, an onshore wind farm in the United States, an offshore wind farm outside Scotland and two investments in electric train fleets in the United Kingdom. The fund has also invested into two assets under construction: an offshore wind farm in the German North Sea and an investment in two co-located solar energy plants with battery storage facilities in the United States.

Private Equity

Cubera published its first impact report in 2023, based on data collected from all funds and managers. Cubera will continue to collaborate with the private equity community, supporting industry initiatives, and actively involving investors to integrate sustainability into mandates and standardise data.

Improving sustainability standards

This autumn marked a significant milestone for Storebrand Real Estate: Storebrand Eiendomsfond Norge advanced from 92 to 94 points in GRESB (Global Sustainability Benchmark for Real Assets), an industry survey that collects and analyses data on environmental, social, and governance aspects in property companies. The GRESB survey emphasises concrete results and the validation of an independent third party, thus providing valuable information our sustainability performance.

Solutions case

Advancing rehabilitation to improve sustainability in the property sector

The rehabilitation of one of Storebrand's properties, at Grev Wedels Plass 9 in Oslo, which was completed in 2023, is a good example of our commitment to sustainability and energy efficiency.

Through rehabilitation, real energy consumption on the property has been reduced by as much as 60%, while the property's energy labelling has been raised from "D" to "B".

Seven years ago, Storebrand Eiendomsfond Norge's score was below 50 points. Since then, dedicated, long-term work with the portfolio has been underway. This year, the fund received the status of "Global Sector Leader, diversified", based on a 1st place score among over 300 portfolios with a similar composition (diversified, non-listed, open-ended).

Upgrading existing buildings is critical

We are highly aware that we always want to improve the buildings we own. That is perhaps the most important aspect. We don't always need the newest buildings with the highest energy standards, but we aim to develop the portfolio and each individual building in the right direction. If we look at the energy rating scale, it can be more sustainable to upgrade a "G"-rated building to "C"-standard than to buy/build a new A-rated building or upgrade a building from "B" to "A".

The energy rating indicates how much energy is required to heat and operate the buildings. The newest and most energy-efficient buildings are awarded an A rating, while less energy efficient buildings – often older ones that haven't been renovated to current standards - are rated down to "G".

Upgrading old buildings is crucial for Storebrand Real Estate – and for the entire property sector – on order to succeed moving forward. Meeting our sustainability commitments would be more difficult if we only constructed new buildings. When upgrade buildings, we should have low a footprint of nature and material resources as possible. This requires making conscious choices. What materials do we use in the upgrade? What can be recycled or reused? Ultimately, it's important that the balance sheet is positive: we should not consume more greenhouse gas emissions upgrading the building, than the emissions we later save when operating it.

Renewal at Grev Wedels Plass

In 2023 we completed the upgrading of the office property Grev Wedels Plass 9, in central Oslo, owned and managed by Storebrand Real Estate Norway. When the project began, we had high environmental ambitions, aiming for a 60 per cent energy reduction. Porcelain, marble, brick, and glass materials and fixtures from the building were preserved and reused through architectural design. Large parts of the interior were dismantled and resold for reuse in other construction projects. Additionally, over 30 toilets were transported across Oslo from Filipstad Brygge to continue their life at Grev Wedels Plass.

Over 900 tons of building materials were reused, while the project's waste sorting rate was an impressive 90 per cent. To achieve this, we even installed an on-site crushing plant in the basement of the building, in order to recycle materials without transporting them away to be crushed and then back again.

How Storebrand contributes to the UN SDGs through investments in solutions

3 GOOD HEALTH AND WELL-BEING

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

6 CLEAN WATER AND SANITATION

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

7 AFFORDABLE AND CLEAN ENERGY

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

8 DECENT WORK AND ECONOMIC GROWTH

We invest in companies dedicated towards increasing access to equal opportunities, social services and economic empowerment.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

We support companies' growth, generating new jobs, and promoting sustainable industrial development that requires financial services, including affordable and accessible credit and women's integration in value chains and markets.

11 SUSTAINABLE CITIES AND COMMUNITIES

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

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

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

13 CLIMATE ACTION

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

The result is modern, bright, and space-efficient premises, with a high environmental profile. Fittingly, the renovated building at Grev Wedels Plass now serves as the headquarters of Innovation Norway, the Norwegian Government's most important instrument for innovation and development of Norwegian enterprises and industry.

Compared to new buildings, we have reduced greenhouse gas emissions by 90 per cent in the rehabilitation project at Grev Wedels Plass 9, from 6.8 to 0.66 kg CO2 eq./ BTA m^2 years. Real energy consumption on the property has been reduced by as much as 60 per cent, while the property's energy labelling has been raised from "D" to "B". The keys to the improvement included measures we took, such as:

- BMS with "smart" functions
- Sealing of air leaks (leakage rate)
- Solar cells on roofs
- Climate control and shading
- Powerless sockets
- Hybrid ventilation
- Heat pump for recovery of process cooling and exhaust ventilation

Reuse is important in all our projects, as demonstrated by the rehabilitation of Grev Wedels Plass 9:

- 82 per cent of waste is reused or recovered (measured by weight), exceeding the EU taxonomy requirement of 70 per cent.
- Only 0.7 per cent of waste has gone to landfill, compared to the industry average of 23 per cent.
- Almost 95 per cent sorting rate, far exceeding both the TEK requirement of 70 per cent and the industry average of 75 per cent.
- Our average amount of waste per square metre is currently below 40 kg, even with regard to demolition of parts of the building. This is far below the industry average of 132 kg per square metre in 2016 for rehabilitation projects

Taking responsibility

This project points the way forward, but more is needed. To reach sustainability goals such as the 1.5C target, the real estate sector must contribute. In particular, private and public actors have a significant responsibility to take care of existing buildings. Both we and other actors must address older buildings appropriately and ensure that environmental standards are improved. If we just keep building new ones, we won't make the level of contribution that's needed.

Active Ownership

Engagement

Based on the principles set out in our investment and sustainability strategy, we engage with a large number of companies each year, seeking to influence them to move in a more sustainable direction. We use our position as owners to influence companies to improve corporate behaviour and reduce adverse sustainability impact. Through active ownership in this way, we aim to reduce risks, improve the quality of our investments and influence companies to move in a more sustainable direction.

We believe in a combination of engagement and voting, screening and exclusion, and inclusion and integration.

Screening and exclusions are steps in our implementation of due diligence to identify, manage and mitigate actual and potential adverse impacts in our portfolios. If companies are unable or unwilling to mitigate adverse impacts to the required level, we consider divestment.

Engaging with companies happens on different levels, including management and board levels, and can be both direct individually and/or in collaboration with other investors. We employ two main ways of doing this: voting at shareholder meetings or direct company engagement by expressing our views, in writing or through dialogue with the company's management, advisers or Board of directors.

We believe combining engagement with companies and voting is a good strategy for achieving change in corporate behaviour, and thus for reducing adverse impact. Both methods can effectively address ESG concerns and provide complementary signals to companies on where we stand on important issues.

Our stewardship approach is strategically aligned with the interests of our clients. Our strategy is designed to meet the needs of asset owners, such as Storebrand Livsforsikring and other companies in the Storebrand Group, in working towards their Net Zero 2050 goals with short- and medium-term targets, as well as targets related to nature and human rights. To that end, our engagement themes and processes are long term in nature, with pre-determined focus areas for 3 years. We believe this aligns well with the expectations and interests of institutional asset owners, many of whom are working towards long term alignment with the goals of the Paris Agreement. Further our voting and engagement policies apply regardless of the instrument or asset class.

Whole-portfolio approach to stewardship

A differentiating feature of SAM's investment approach, and an important method for ensuring we can meet our business sustainability commitments, is the fact that all of our funds under management are subject to baseline sustainability criteria. When it comes to the implementation of strategies to meet our climate and nature targets it is crucial that we can engage, and divest, on behalf of the whole SAM portfolio. This work is done by the SAM Risk and Ownership Team in line with our policies.

The Risk and Ownership Team sets SAM's priority engagement themes and develops frameworks and strategies to engage portfolio companies on those themes, including direct and collaborative engagements both internally (with portfolio managers) and externally (with industry coalitions). This whole-portfolio approach is also helpful for engaging in systemic sustainability issues and policy engagements.

Engagement prioritization

Most of our engagement is based on prioritization/priority themes, including our assessment of the significance of a particular matter, holding size, scope to effect change, and opportunities to collaborate with other investors.

In a smaller number of cases, we undertake engagement in reaction to company incidents or controversies. This is based on our engagement strategy which emphasizes a positive impact (proactive engagement) in addition to redressing wrongs (reactive engagement).

Therefore, we prioritize engagements where we think we can have a better opportunity to obtain results and positive impact in alignment with our policies. This means better quality engagements for longer periods of time and when possible, with other investors for more leverage. This also allows for more proactive engagement.

Engagement themes

To maximize our impact, and based on a structured assessment, we periodically develop engagement themes that guide and focus our action. During the period of 2021-2023, we had the following four themes:

- The race to net zero
- Biodiversity and ecosystems
- Resilient supply chains
- Corporate sustainability disclosure

The race to net zero:
This involves the transition to a low-emission society and net zero emissions in 2050. Storebrand was one of the founding members of the United Nations-convened Net Zero Asset Owner Alliance. We also became a member of the Net Zero Asset Managers Initiative in 2021.

Storebrand is committed to achieving net zero greenhouse gas emissions in our investment portfolios by 2050, in line with the Paris Agreement.

In line with this commitment, we have set short-term targets to reduce emissions from Storebrand's total listed equity, corporate bond and real estate investments by 32 per cent by 2025, with 2018 as the base year. Furthermore, Storebrand has a target for 42 per cent of our portfolios' listed equities and corporate bonds to have set validated science-based targets by 2027 (based on AUM). This target has been approved and validated by the Science Based Targets initiative (SBTi).

We have designed an engagement approach to create an impact in the real economy and encourage companies to define and implement climate strategies and align with the goals of the Paris Agreement and reaching net-zero emissions by 2050 or sooner. We will also continue to engage with a number of banks in order to understand their exposure to the fossil fuel industry. Our participation in Climate Action 100+, The Institutional Investors Group on Climate Change (IIGCC) as well as the Principles for Responsible Investment (PRI), connects us with like-minded investors and offers platforms for collaborative engagement on this engagement theme.

We expect investee companies to:
- Implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change risk.
- Take action to reduce greenhouse gas emissions across the value chain, consistent with the Paris Agreement's goal of limiting global average temperature increase to well below 2°C above pre-industrial levels, aiming for 1.5°C.
- Provide enhanced corporate disclosure in line with the final recommendations of the Task Force on Climate related Financial Disclosures (TCFD).
- Support effective measures across all areas of public policy that aim to mitigate climate change risks and limit temperature rise to 1.5°C. Storebrand will no longer invest in companies that deliberately and systematically lobby against the goals and targets enshrined in the Paris Agreement.
- Support just transition by including workforce and community issues in climate-related engagement on corporate practices, scenarios and disclosures.

To achieve our goals, we collaborate with other investors through platforms such as Climate Action 100+ and the Net Zero Engagement Initiative (NZEI), where we play a leading role. In addition, we engage with the highest-emission companies in our portfolios and set clear expectations for them to set targets, have credible decarbonisation strategies and report in a transparent and standardised manner.

We participate in the Just Transition Collective Impact Coalition, which has partnered with the World Benchmarking Association's Equitable Transition Initiative. In 2023, the initiative sent a joint statement to ten energy companies expecting the companies to plan for a just transition to a low-emission society. Storebrand led the dialogue on behalf of the investor group towards Norwegian-owned Equinor.

In 2023, we voted on 114 explicitly climate-related proposals, of which 78 were votes against company management's proposals.

Biodiversity and ecosystems:
The protection and sustainable management of nature are essential to ensure long-term social and economic stability. Nature underpins all economic activities. Businesses depend on nature for direct inputs, such as water and materials. Businesses also have an indirect dependence on it for production processes, such as through erosion control and flood protection. Protection and sustainable management of oceans, forests, wetlands and other sensitive ecosystems is essential to long-term social and economic stability. Environmental degradation puts at risk the capacity of nature to continue to generate the ecosystem services which businesses and society depend on. Failure to recognise business dependencies and impacts on nature exposes companies, and the financial institutions that invest in them, to 'hidden' risks.

The Global Biodiversity Framework (GBF) of the Kunming-Montreal agreement adopted in December 2022, recognises, for the first time, the role that finance can play in helping to halt the loss of nature. This is the result of work carried out by Finance for Biodiversity, a coalition of 153 global financial institutions, where Storebrand is co-chair of the Public Policy and Advocacy Working Group. Storebrand represented the financial industry during the negotiations in Montreal and will continue to lead Finance for Biodiversity's work towards policy makers also in 2024.

We expect companies to mitigate impacts on biodiversity and ecosystems through commitments at the organisational level and respect international agreements such as the UN Convention on Biological Diversity. Companies depending on or impacting biodiversity and ecosystems should integrate relevant nature-related risks and opportunities into their corporate strategy, risk management and reporting. Reporting standards and principles in this area are still evolving. We expect our investee companies to assess their impacts and dependencies on nature and to report on these in line with the recommendations of the Task Force on Nature-related Financial Disclosure (TNFD). With our investment activities, we want to contribute to the protection of biodiversity and are currently assessing our impact. As a first step, in 2022 we did high-level screening of direct nature-related impacts and dependencies for our portfolio of equity and bonds using the measurement tool ENCORE. In 2023 this initial analysis offered a useful point of reference in further focusing our engagement themes for 2024-26. We are now evaluating numerous data providers to follow up on this initial mapping and offer a more granular, portfolio and company level risk assessment with respect to nature.

In 2022, the Nature Action 100, the first global nature initiative for investors, was launched, with the goal of halting and reversing the loss of nature and biodiversity. In a short period of time, the coalition, in which Storebrand participates, has gathered nearly 200 financial institutions around the demands placed on 100 global companies that are considered critical to halting the loss of nature.

Storebrand is a driving force for investor measures against deforestation and for reducing the financial risk associated with deforestation. As co-chair of the Investor Policy Dialogue on Deforestation (IPDD), we engage with policy makers in Brazil, Indonesia, the US, UK and the EU on this. The IPDD is supported by a membership of 80 financial institutions from 20 countries with approximately US$ 10 trillion in assets under management.

Through the Finance Sector Deforestation Action (FSDA), we contribute to engagement with 80 companies, with the aim of eliminating deforestation risk from their operations, supply chains and loan books.

In 2023, we also worked to prevent the commercialisation of deep-sea mining, in line with the precautionary principle of our nature policy.

In January 2023, Storebrand, together with a group of the world's largest institutional investors and their representatives, launched the Investor Initiative on Hazardous Chemicals (IIHC), a collaborative engagement with major chemical companies regarding management of hazardous chemicals and transparency. The IIHC is comprised of 50 institutional investors with over USD 10 trillion of assets under management. The initiative addresses the global health and environmental crises associated with the use of harmful substances and calls for an end to the production of "forever chemicals". Such chemicals can pose a systemic threat to nature and biodiversity.

As part of our efforts in our engagement themes on the race to net zero and biodiversity and ecosystems, during the fourth quarter of 2023 we formally joined two biodiversity-related collaborative engagements organised by the FAIRR Initiative.

In 2023, we voted on 12 nature-related proposals (excluding climate-related proposals, which are the majority of environment-related proposals at company meeting), of which 10 were votes against company management's proposals. Eight of the proposals were related to plastic pollution.

Resilient supply chains:
Our goal is to ensure healthy operations through robust supply chains.

Respect for labour rights in supply chains has been an important issue for Storebrand for many years. Building on this work, it was our main focus theme for engagement within social issues in 2021 -2023.

We understand that many of the challenges in supply chains cannot be solved just by companies or investors alone and thus a multi-stakeholder approach is essential to make progress. For this reason, Storebrand is participating in different engagement initiatives that also adopt such an approach and cover different issues pertaining supply chains and involved different stakeholders, not just the companies. For example, we are signatories to and participate in engagements on forced labour, in general, based on data from the organisation Know-the-Chain in collaboration with the Investor Alliance for Human Rights. More specifically within this issue, we have been involved in engagements discussing the situation of Uighurs in the Xinjiang region in China. It is also together with other investors at the Investor Alliance that we have advocated for robust anti-forced labour regulation in the EU.

In 2023, we continued our partnership with the Platform for Living Wages Financials (PLWF), to help conduct assessments and influence portfolio companies to pay a living wage for workers within the food, textile and other retail sectors. Storebrand co-led two of the PLWF workstreams, actively participating in the writing of the PLWF annual report and presenting results at the PLWF annual conference.

During 2023, we also mapped and assessed human rights risks in sectors ranging from renewable energy to oil and gas, textile, food and agriculture and the ICT sector among others. We implemented measures to stop, prevent, or limit negative consequences in our portfolios for the following risks:

- Living wages and decent working conditions in supply chains
- Forced labour
- Gender, diversity, and inclusion
- Employee rights, including the right to participate in trade unions
- Children's rights
- Local community rights in the green transition
- Indigenous peoples' rights
- Human rights in conflict affected and high-risk areas (CAHRA)

The due diligence process as well as the results were duly reported in June 2023 in accordance with the newly enforced Norwegian Transparency Act disclosing how we conduct human rights due diligence in our portfolios.

We also reported in accordance with the EU's Sustainable Finance Disclosure Regulation (SFDR) on principal adverse impacts such as violations of the UN Global Compact and OECD Guidelines for Multinational Enterprises, unadjusted gender pay gap, board gender diversity, and exposure to controversial weapons.

In 2023, we voted on 130 proposals related to resilient supply chains, of which 111 were votes against company management's proposals.

Corporate sustainability disclosure:
Storebrand advocates standardised and company-specific sustainability standards, to ensure transparency and benchmarking, which benefits all stakeholders.

The reporting of ESG-specific issues is a good indication of how a company measures and manages its exposure to risk. We believe that it is in everyone's interest that companies report on how sustainability issues affect their business, and how their own operations and products/services impact people and the environment.

Currently there are differing standards and few regulatory requirements on corporate sustainability disclosure, leading to non-comparable and insufficient information. This means that we as investors do not have a good enough overview of the sustainability risks our portfolio companies are exposed to.

However, we need this information to be comparable and verifiable to channel our investments towards the most sustainable companies, to protect our clients' returns.

Regulatory changes are also driving change in this area. Companies based in the EU will be subject to regulations that streamline and demand such reporting, but we will demand the same disclosure from publicly listed companies in all countries.

We continued to highlight the importance of consistent, reliable and verifiable reporting on sustainability indicators in our dialogue with our portfolio companies in the period 2021-2023. We expect our investee companies to:

- Integrate sustainability risks and measurable targets into the decision-making process.
- Provide enhanced corporate disclosures in line with TCFD recommendations where applicable.
- Disclose their remuneration policies and packages for senior management and that these are aligned with the companies' sustainability targets.
- Report on diversity in the company, such as gender pay gap and diversity initiatives.
- Report on their commitments to adhere to international standards such as the UN Global Compact Principles, the UN Guiding Principles for Business and Human Rights and their adherence to core ILO and UN human right conventions.

A milestone within this engagement theme was achieved in September 2023, with the launch of the final version of the Taskforce on Nature-related Financial Disclosures (TNFD) framework. Storebrand has been part of an Informal Working Group (IWG) preparing for the launch of the TNFD, and we are active in the TNFD Forum.

Storebrand Asset Management was also part of a group of 93 investors that issued a joint statement to the European Commission in July 2023, cautioning European Parliamentarians against watering down the proposed requirements included in the upcoming European Sustainability Reporting Standards (ESRS).

Examples that help illustrate the challenges we face and the choices we have taken, during our engagement on these themes, are available in several cases later in this section on active ownership.

At the end of 2023, we reviewed and revised our engagement themes, which we will communicate publicly in 2024.

Engagement data summary

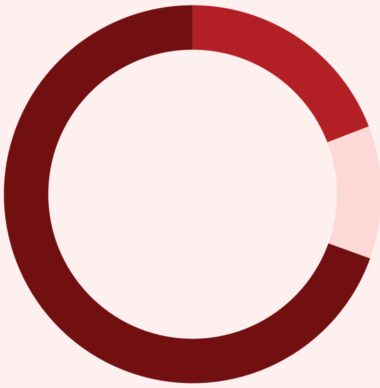
As of year-end 2023, we had a total of 875 ongoing engagements with 728 companies. In total, we registered 572 interactions with portfolio companies. 294 of these activities were linked to an ongoing engagement with a company. These activities included enquiries to obtain information, as well as dialogue and follow-up of the companies' sustainability efforts.

We had 57 dialogues with 40 external fund managers and five meetings with government representatives.

80 per cent of our engagements with portfolio companies were conducted in collaborations and alliances with other stakeholders, up from 77 per cent in 2022. This reflects our strategy to join forces with other investors and stakeholders to maximise impact, where appropriate.

During the year, we concluded 222 engagements, with positive outcomes in 20 of those cases, i.e. we achieved the goal of the dialogue.

Format of engagements



19 % - One-on-one

11 % - Collaborative (leading role)

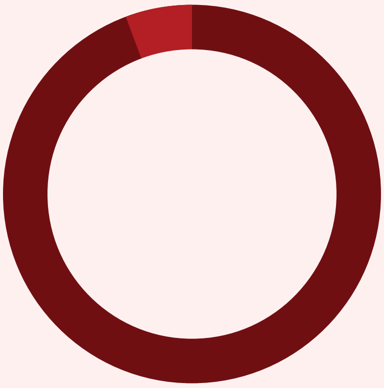
69 % - Collaborative (supporting role)

Dialogue with companies

One-on-one dialogues between Storebrand and companies accounted for 19 per cent of our dialogues with portfolio companies. In other cases, we engaged in dialogue with companies in collaboration with other investors. Of these, 11 per cent were conducted with Storebrand in a leading role, and 69 per cent with Storebrand in a supporting role. A total of 94 per cent of the dialogues took place at the initiative of Storebrand or other investors, compared to 93 per cent in 2022, while 6 per cent occurred on a reactive basis, meaning they were triggered by specific incidents and controversies that resulted in requests to companies for measures to remedy damages and avoid recurrence.

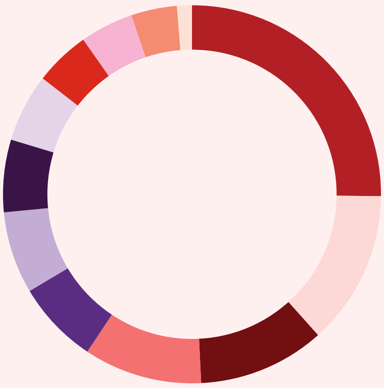
The dialogues took place mainly in the form of e-mails, letters and digital meetings. In most cases, the dialogue took place with investor contacts or representatives of the companies' sustainability teams. In 5 per cent of cases, we were in contact with the CEO of the companies.

Reasons for engagement



94,27 % - Proactive
5,73 % - Reactive

Engagement by sector



25.2 % - Materials
13.2 % - Consumer staples
10.9 % - Other
10.2 % - Industrials
7.1 % - Consumer discretionary
7.0 % - Energy
6.2 % - Communication services
5.8 % - Financial
4.7 % - Utilities
4.6 % - Healthcare
3.9 % - Information technology
1.3 % - Real estate

Sectors we engage in

Most of the engagements in 2023 were aimed at companies in materials, industrials and consumer staples sectors.

Geography

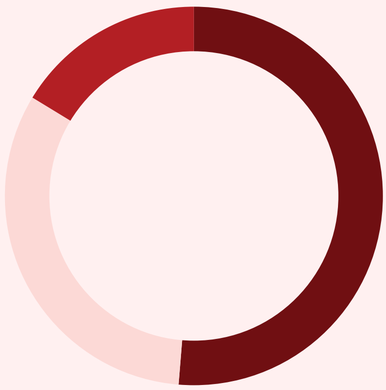
The majority of the companies we had dialogue with in 2023 were based in the US, Norway, Sweden and Japan.

Country	Number of engagements	Percentage
United States	270	24,61 %
Japan	97	8,84 %
Norway	76	6,93 %
Sweden	63	5,74 %
Germany	50	4,56 %
United Kingdom	43	3,92 %
France	41	3,74 %
China	39	3,56 %
Switzerland	30	2,73 %
Indonesia	23	2,10 %
All other countries	365	33,27 %

What aspects of ESG we engaged on

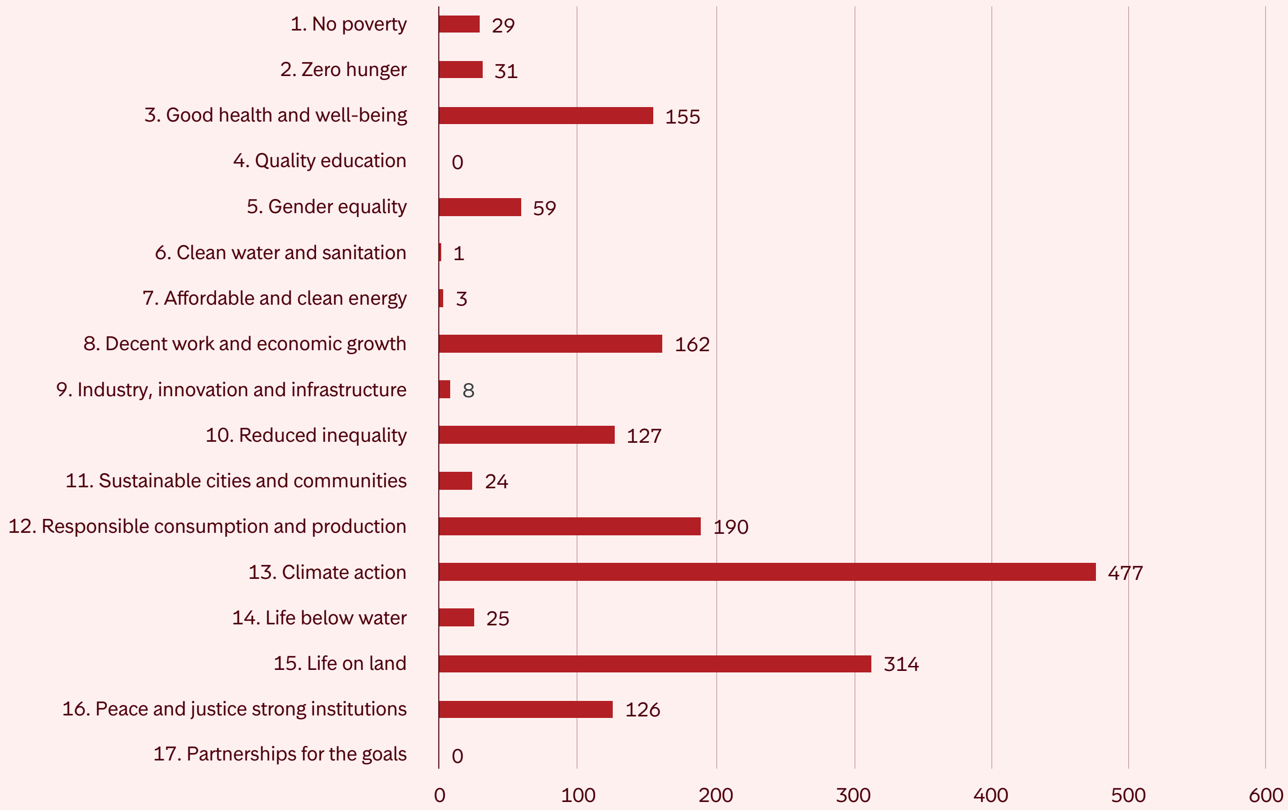
In 2023, we engaged with portfolio companies on several ESG topics. 51 per cent of the dialogues addressed environmental issues, including climate change, emissions, deforestation and the use of chemicals, while 33 per cent focused on social issues such as human rights, working conditions and wage conditions. 16 per cent of the dialogues focused on corporate governance.

ESG categorizations of engagements



51,29 % - Environmental
32,41 % - Social
16,30 % - Governance

SDGs impacted by engagements



Outcomes of engagements concluded

Eighteen of our 222 dialogues had no or negative outcome, while the remainder had either a neutral or positive outcome in the form of increased understanding from the company, a commitment to change, increased transparency and reporting, or actual change in practice.

Engagement with other stakeholders

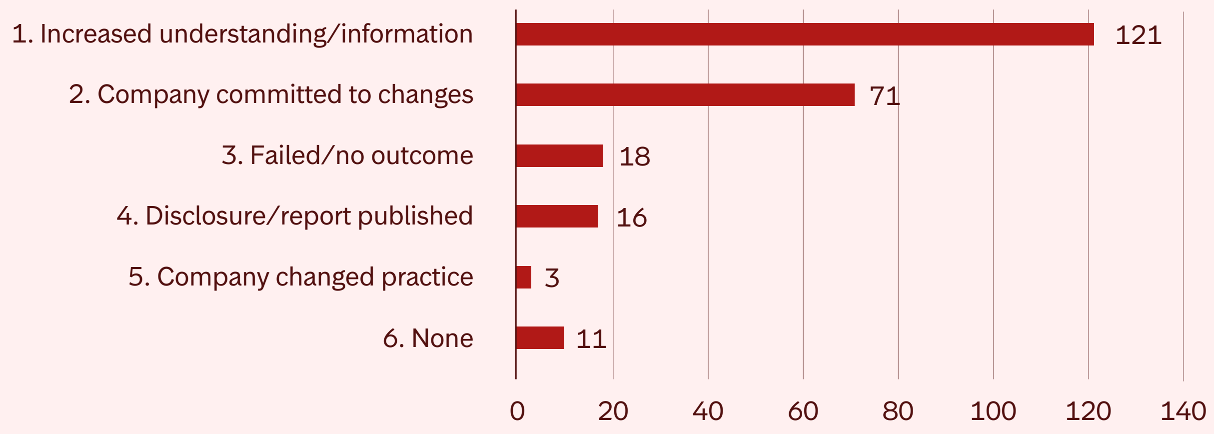
Efforts to slow the loss of biodiversity require action from governments and businesses. Storebrand has been actively involved in policy and advocacy work towards a wide range of stakeholders.

In 2020, Storebrand established and led the Investors Policy Dialogue on Deforestation (IPDD). At the end of 2023, IPDD was backed by 78 global institutional investors from 20 countries representing approximately USD 10 trillion in assets under management.

IPDD has three working groups: Brazil, Indonesia and consumer countries (EU, UK and US). For the Brazil working group it has been important to engage and establish relationships with the new government. The investors had a very successful trip to Brazil in April 2023 where they met both private sector and government officials to discuss efforts to halt deforestation. During 2023, the third working group targeting consumer countries was established. The aim has been to promote constructive public policy dialogue with the largest forest risk commodity (FRC) consumer countries, with the aim to halt deforestation. This working group will also complement the existing objectives of the Indonesia and Brazil IPDD working groups to ensure goals are aligned across commodity supply and demand curves.

Storebrand has also been co-chairing the Public Policy and Advocacy Work stream under Finance for Biodiversity in 2023 and will continue to have this role up to CBD COP 16 in October 2024. In the run-up to the UN Convention on Biological Diversity Conference of the Parties in 2022 (COP15), the members of the Public Policy Advocacy working group of the FfB Foundation advocated for an ambitious agreement that explicitly addresses: 1) the alignment of all financial flows, both private and public; and 2) improved disclosure of biodiversity impacts and dependencies. We are delighted that both of these components have been successfully safeguarded in the new agreement. In 2023, we provided an overview and recommendations on how investors can support the implementation of the Kunming-Montreal agreement. This resource was jointly developed with UNEP-FI and PRI. In addition, the Public Policy Working Group has engaged with selected governments to understand how the agreement will be implemented at national levels and what this will mean in terms of transition risk for investors.

Engagement outcomes



Engagement Case:

Collaboration on nature within the Nature Action 100

With mounting evidence of nature's decline and the crucial role of natural ecosystems in sustaining business operations and livelihoods, the need for global financial markets and agricultural and industrial firms to address nature loss is urgent. Storebrand is committed to making nature impact an intrinsic part of its investment process, and to engaging companies on it. This is codified in the nature policy we adopted in 2022.

We therefore have started engaging with companies as part of the Nature Action 100 (NA100) global investor engagement initiative, of which we are founding partner. The NA100, which currently comprises of 190 institutional investors, representing USD 23.6 trillion of assets under management or advice, focuses on driving greater corporate ambition and action to reduce nature and biodiversity loss.

The sectors that the Nature Action 100 focuses on include biotechnology and pharmaceuticals; chemicals; household and personal goods; consumer goods retail; food; food and beverage retail; forestry and paper; and metals and mining. These sectors are major drivers of nature loss, due to their large impacts on habitat loss, overexploitation of resources, and soil, water, and solid waste pollution.

In June 2023, the NA100 published a set of investor expectations for companies, outlining six actions that we the investors will call on companies to take, in terms of: ambition, assessment, targets, implementation, governance, and engagement.

In September 2023, the NA100 followed this up, by first publicising a list of 100 companies that we as a group will focus on engaging with, and then by sending off initial letters to the companies. These letters include a formal communication regarding investor expectations for companies, which have collectively been aligned on by the NA100's participating companies. The 100 companies have been selected based on their key role in one of eight sectors that are major drivers of worldwide nature loss, which we had together identified for initial investor engagement.

NA100 will conduct annual benchmark analyses to track the progress of the companies against the formally communicated investor expectations, which outline the timely and necessary steps that the companies must take to protect and restore nature and natural ecosystems. The benchmarks will also provide needed insight into sectoral action on nature and biodiversity across the globe. Investor participants from the initiative engage companies individually, or as part of engagement teams with other participating investors. Individuals and engagement teams will submit regular updates on their engagements.

The companies that Storebrand is engaged with, within this process are Essity, Norvo Nordisk, UPM and Stora Enso. The initial meetings in these engagements have focused on companies' current ambitions, the quality of materiality assessments by the companies, target setting and nature governance within the organization.

Engagement Case:

Collaboration to promote New York State Deforestation Bill

Protecting forests is essential to be able to meet global climate and biodiversity goals. Storebrand therefore supports clear and standardized regulation aimed at preventing deforestation and conversion of natural ecosystems. We frequently support investor initiatives to demonstrate to regulators the critical mass of support for proposed regulations of this type.

One such effort in the U.S.A., came close to fruition, but was defeated at the very end, in December 2023.

In May 2023, Storebrand supported a joint investor letter of support for the New York State Tropical Deforestation-Free Procurement Bill, aiming to bar the state from purchasing goods linked to illegal deforestation. The investor group was significant, representing $2.5 trillion in AUM from global investors, and had been assembled amid strong public support within the state. The proposed bill was voted on, and successfully passed through, by both chambers of the New York State legislature, with backing from both of the major political parties in the country.

However, in December, New York State Governor Hochul subsequently vetoed the bill, despite its have been passed with broad political and public support.

From Storebrand's perspective it was disappointing to see the New York Tropical Deforestation-Free Procurement Bill vetoed, as it would have made an important contribution to the growing number of public policies restricting trade in commodities linked to deforestation, such as the EU Deforestation Regulation and the UK Environment Act.

Although this effort in New York State did not reach its goals, the setback underlines the importance of collaborative investor action to protect forests, such as the Investor Policy Dialogue on Deforestation (IPDD) and Finance Sector Deforestation Action (FSDA). The case also illustrates the challenges that investors sometimes face in engaging with the public sector, to secure their involvement in bringing necessary policies and regulations to life.

Engagement Case:

Nippon Steel

Storebrand is part of an investor group, along with Man Group, Corporate Action Japan (CAJ) and the Australasian Centre for Corporate Responsibility (ACCR), that has been co-engaging with Nippon Steel on decarbonisation.

Progress has been made, as was noted in May 2023, when at its FY2022 Earnings Announcement, Nippon Steel committed to the start of studies to shift from a blast furnace (BF) steelmaking process to an electric arc furnace (EAF) steelmaking process, with the Kyushu Works steel plant in Yawata, and the Setouchi Works steel plant in Hirohata, identified as candidate sites.

The investor group has received assurances that Nippon Steel will either replace blast furnaces with electric furnaces at the end of their useful life, or implement measures such as retrofitting them to ensure emission cuts. The group understands that Nippon Steel intends only to temporarily prolong the life of the blast furnaces that use conventional technology, where economic, maintenance or safety matters stand in the way of immediate conversion.

These new commitments are in line with the expectations communicated by investors that the company set a credible decarbonization strategy to promote the long-term value of the company.

Nippon Steel has stated that a stable supply of renewable energy such as green hydrogen and power are prerequisites for achieving the goal of carbon neutrality.

Developments so far in this case show how shareholder dialogue and investor alliances can stimulate positive change. That said, Nippon Steel still relies on unproven technologies, which creates uncertainties related to efficiency and cost. The company also has not demonstrated sufficient transparency regarding capital allocation, particularly details on investments in decarbonisation technologies.

Storebrand plans to continue following up on this engagement with Nippon Steel during 2024.

Engagement Case:

Meta in Myanmar

Storebrand has been engaging with Meta on specific digital rights issues for many years, based on our concerns about the potential for involvement in violations of human rights, as well as risks to the company's reputation and brand.

In 2021, following the military coup in Myanmar, Storebrand Asset Management began focusing more of its engagement with Meta on the company's role in the human rights crisis in Myanmar, including the persecution of Rohingya people, and the potentially adverse impact of the company's business model in conflict areas and high-risk countries.

The root problem behind Meta's involvement in Myanmar is in company's business model, in which algorithms aim to boost usage by proactively amplifying and promoting content posted by the users on its platforms. However, in this particular case, the content being amplified and promoted, was inciting and encouraging violence against the Rohingya ethnic minorities in the country. Meta's activities substantially increase the risk of mass violence, in light of the ongoing regional ethnic conflicts and long-standing discrimination against the Rohingya, Amnesty International therefore concludes that Meta has a responsibility towards the survivors of ethnic conflict.

Meta's connection to conflict-related violence has created significant legal, regulatory, operational, and financial risks that could impact shareholder value. In the United States and the United Kingdom, Meta is currently facing parallel lawsuits seeking US$ 150 billion on behalf of the Rohingya population. Meta was also involved in an International Court of Justice lawsuit against Myanmar, after Gambia requested the disclosure of materials from Meta to support its case. It has also faced repeated advocacy campaigns, internal dissent among employees, and mandates to comply with international investigations, related to its involvement in Myanmar. Moreover, following recent potential legislative developments, such as the EU Digital Services Act Package; and in the US the Protecting Americans from Dangerous Algorithms Act, as well as the US Supreme Court consideration of its Section 230 Act which has shielded tech companies from potential liabilities in such situations, Meta might also face further legal and regulatory liability for the inherent human rights risks in its business model.

On the other hand, Meta is willingly participating in the OECD process to fund educational facilities within the Bangladesh-based Cox's Bazar Refugee Camp. While this is a positive development in addressing Meta's impact over the Rohingya people, we believe in the need to continue engaging with Meta on its human rights risks.

Since we started the dialogue on Myanmar with Meta, the company has taken several measures. The actions in 2023, included its announcement that it would publish a Responsible Business Practices Report in summer 2023, to increase transparency regarding its impact on society and approach to operating responsibly. Meta also announced that its second Human Rights Report would be published at the end of 2023.

We continue to engage with Meta, following up on their impacts of their business model and how they build up on their human rights due diligence work as explained in their first human rights report identifying salient risks related to advertising, AI and new products such as Metaverse, and how they follow up on those. Despite new policies and reports the company continues to face litigation and fines for the way it carries out its business. In addition, we will continue to engage the company on its business model in the context of conflict areas and high-risk countries such as Myanmar; and on how the company implements its commitment to the UN Guiding Principles on Business and Human Rights (UNGPs) and other key standards, as stated in its own Corporate Human Rights Policy.

Engagement Case:

Platform Living Wages Financials (PLWF)

While the topic of living wages has become more recognized over the past few years, progress has been slow on embedding the principles into corporate practices. A study released by the anti-poverty NGO Oxfam International in early January 2024 indicates that, of 1600 of the world's largest and most influential companies they assessed, less than 0.4 per cent of the companies have publicly committed to paying their workers a living wage and support payment of a living wage in their value chains.[11]

Storebrand has been actively involved in the issue of living wages for many years. In 2021, we joined the PLWF, based on our recognition that achieving living wages requires detailed and dedicated cross-sector international investor collaborations over the long term. As such, 2023 marks the fifth anniversary of PLWF and of our engagements with companies.

The PLWF brings together a group of approximately 20 investors to collaboratively engage with 52 investee companies on achieving living wages internally and in their supply chains. The PLWF's workstreams focus on living wages in working groups defined by sector: garment & apparel, food & agriculture, and food retail.

During 2023, Storebrand continued its ongoing collaborative engagement through the PLWF on living wages, at the working group level, and leading the presentation of the year's findings, at the PLWF annual conference, which was held during the fourth quarter.

At the annual conference, as co-chairs of the Food & Agri and Food Retail working groups, Storebrand's Head of Human Rights and Senior Sustainability Analyst Tulia Machado Helland and her counterpart from A.S.R. Asset Management, presented this year's results from the working groups' company assessments and engagement processes.

11) https://oi-files-d8-prod.s3.eu-west-2.amazonaws.com/s3fs-public/2024-01/Davos%202024%20Report-%20English.pdf

Sobering findings

A common finding across both sectors that showed up in the results, is that there is still no evidence of living income gaps being closed in a structural and substantial manner. To help solve these deficiencies, what's needed are need more time-bound targets; income and wage gap calculations; and higher farmgate prices. This is especially the case for supply chain workers.

Agriculture & Food and Food Retail sector findings

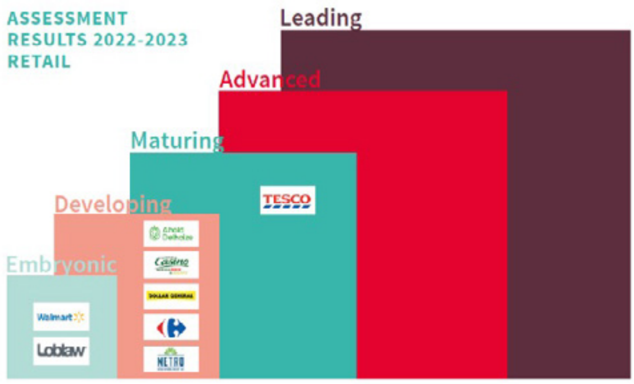
- No evidence of living income gaps being closed structurally and substantially.
- Recognition of living income in formal policies has improved for Food & Agricultural companies.
- Most companies commit to responsible purchasing practices, but few commit to paying higher farmgate prices.
- Some companies still fall short of paying living wages to their own employees and data on living wage gaps is insufficient.
- Feedback from stakeholders is slowly being integrated in strategies for Food & Agri, less for Food Retail.
- Weak complaint and remediation mechanisms for human rights grievances.

Garment & Footwear sector findings

- Companies are stepping up efforts to assess the impact of the nonpayment of living wages
- 50% of companies provided evidence of responsible purchasing practices
- Remediation is still a core area for improvement
- There is limited evidence of efforts to track the effectiveness of living wage strategies.
- Lack of emphasis on the importance of union dialogue at the supplier level

However, the lack of time bound targets, gap calculations and evidence of living wages closing gaps also applies for own employees in the Food retail sector. Regarding their own employees, many Food &Agri companies that cannot document that they are paying a living wage, have many production plants around the world. Some companies are working towards ensuring living wages but only two companies had data to show that they have achieved it.

The Food Retail sector lags behind the Food & Agri sector and has yet to recognize that ensuring living wages is salient issue: one which the sector needs to address, and update its practices to routinely include. Our assessment finds that only a few retailers have identified living wages as salient issue in policies. The companies we have assessed struggle with creating living wage strategies for their own employees and those of their suppliers.



Along with our partners in the PLWF we have therefore called for retailers to collaborate in order to progress – by joining industry initiatives on specific commodities that are relevant for their own brands, such as sugar (BonSucro), palm oil (RSPO), bananas, coffee, cocoa, cotton etc. The PLWF welcomes such industry cooperation, but we also expect the companies to use them to build concrete roadmaps, with timebound targets.

Most agrifood companies are committed to implementing responsible purchasing practices, such as ensuring that producers or farmers receive a payment for their crop in a timely manner. However, our assessment does not show companies committing to a minimum price connected to the cost of production. Many of the companies we assessed report paying price premiums, which are often connected to better quality or good agricultural practices or organic products for example.

Our assessment also shows that when companies report on premiums, they provide very little detail regarding the scope, number of farmers receiving them, trackable identities for the farmers over time, amount of payment the farmers received, and so on. Most important, they don't record whether these premiums have an impact on ensuring living wages.

This situation is clearly not satisfactory. Currently average farmer in Cote d'Ivoire (Ivory Coast) is living on less than US$ 1.00 per day, well below the World Bank-defined extreme poverty line of US$ 1.90. Over the past few years, the price of cocoa has plummeted, pushing many farmers further into poverty. The price paid to farmers should cover the cost of production, and should comprise a living wage.

Looking ahead

Overall, in 2023 we expanded the scope of the work, increasing the number of companies assessed and engaged, with two more companies in the Food & Agri and Food Retail workstreams, compared to last year.

In our work during the past year, we also updated the methodology that we applied. Our goal in doing so was to make the work more robust, raising the bar and increasing focus on implementation of concrete strategies, quantifiable time bound targets and documentation.

In general, we find that among the companies we have assessed, there is more awareness and understanding of the living income of farmers and living wages of workers. We have experienced more mature dialogues with companies on these issues, especially with Food & Agri companies.

Following a two-year period as co-chairs for the Food & Agri and the Food Retail working groups, Storebrand and A.S.R. have handed over the formal leadership of the workstream and the corresponding co-chair positions - to other investors involved in the PLWF. We will continue participating in the PLWF and the working groups, taking the lead in engaging and assessing additional companies as well as contributing to any reviews of the methodology, the writing of the report and the conference.

Learn more about the results of the PLWF's work on living wages this past year, in the PLWF's 2023 annual report.

Engagement Case:

Collaboration with the Net Zero Engagement Initiative

During 2023 Storebrand Asset Management was among 93 investors that 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. This is well aligned with our strategic engagement priorities, specifically the 'Race to Net Zero' as illustrated in Principle 9 and our corporate net zero goals outlined in Principle 1.

The NZEI began at the end of March 2023, it 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 companies on the "demand side".

Progress in 2023: The key outcome of this initiative for 2023 was a coordinated issuance of letters of expectation on net zero transition 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
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.

Engagement Case:

Collaboration with World Benchmarking Alliance on just transition in oil & gas sector

Storebrand, as part of the World Benchmarking Alliance ("the Alliance"), has joined with 53 other major investors, in a formal demand for plans to ensure just transition in the oil and gas sector. This engagement coalition was strategically selected to align with our focus on climate change and human rights. The Alliance and its signatory investors sent a letter of expectations to ten oil and gas companies, including Equinor where Storebrand is the co-leader of the engagement on behalf of the group. Storebrand has a special interest in Equinor, as it is the only Nordic company that is being engaged in this round. The dialogue with companies will continue into 2024.

The engaging parties' have five main asks:

1. Companies should lead meaningful social dialogue and stakeholder engagement on just transition.
2. Companies should develop and implement just transition plans, which respect and promote fundamental rights of workers, communities, and other affected stakeholders.
3. Companies should minimise the impact of employment dislocation caused by the low-carbon transition.
4. Companies should ensure social protection by fulfilling their tax duties and by managing the consequences of transition over stakeholders.
5. Companies should advocate for policies and regulations supporting just transition, and not undermine policies that promote just transition.

The World Benchmarking Alliance is a non-profit organisation seeking to hold more than 2000 companies accountable for their part in achieving Sustainable Development Goals. Recently, it enlisted major investors to support its engagement regarding the social impacts of transitioning to a low-carbon energy system. In its initial assessment, the Alliance drew attention to the lack of action from companies when it comes to identifying, preparing, and mitigating the negative impacts over workers employed in the oil and gas industry, who are at an increased risk of unemployment.

Progress in 2023: The 10 focused companies were formally contacted, between the engagement period of May and December 2023, with letters explaining the initiative and main asks. The following key milestones at the end of 2023 will be summarised in a report in 2024:

- Securing an initial meeting with focus company to introduce the initiative and discuss the company's progress on Just Transition fundamentals.
- Establishing and articulating clear 'asks' of the company according to the objectives of the collaborative engagement, using the guiding questions provided and the WBA's benchmark findings.
- Gaining commitment from the company to introduce the objectives (if it has not already done so).
- Meeting with subject matter experts within the company (e.g. Chief Information Officer, Sustainability team, etc) to assess implementation.
- Public disclosure from the company on Just Transition Fundamentals.

Engagements continue during 2024 based on 2023 engagement outcomes.

Engagement Case:

Collaboration for child-conscious product design

The topic of product responsibility is an area of growing focus, driven by emerging concerns about the potentially negative impacts of products and services, including social impacts on children.

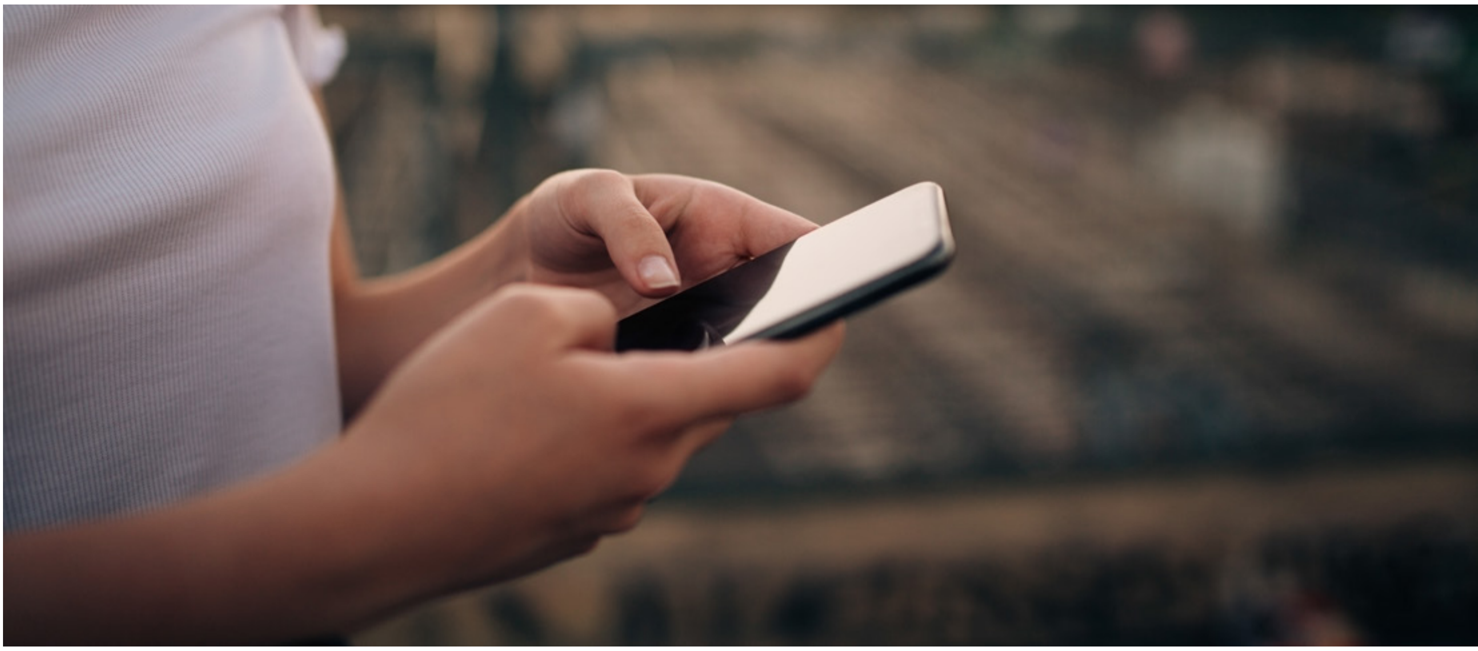
During the second quarter of 2023, Storebrand joined a collaborative engagement in this area, with the aim of reducing such risks faced by companies in our portfolios. Led by Swedbank Robur and the Global Child Forum, investor letters were sent to 35 companies in the technology & telecommunications; food and beverage; and personal care sectors; regarding the impact of their products on children. The engagement focuses on companies that have been identified as "poor performers" in the benchmarks developed by the Global Child Forum. For the food and beverage and personal care sectors, the engagement has included annual impact assessments of risks related to child labour within their in-house operations and supply chain chains; assessments of risks documented in the companies' annual public disclosures; and addressing any issues identified in these assessments.

Progress in 2023: Formal letters were sent out during the second quarter of 2023, engaging in further dialogue with the companies during the third and fourth quarter of the 2023.

As part of the engagement, we asked the companies within the food and beverage and personal care sectors to:

- Explicitly consider children as a stakeholder group in the process of developing and marketing products and services.
- Conduct downstream impact assessments regarding how children are affected by marketing and advertising activities.
- Build these practices in a way that would contribute to healthy habits and high self-esteem in children.

For the technology and telecommunications sectors, we asked the companies to conduct impact assessments on the risks and dynamics of child labour in operations and supply chains, to publicly disclose these assessments, and to mitigate any identified issues. In addition, we asked the companies to consider children as a stakeholder group when developing and marketing products and services, specifically focusing on understanding and addressing the impact they might have children, even if children were intended to be users of these products and services.
The next stage of this collaborative initiative will involve analysing the responses provided.



Engagement Case:

Collaboration to solve hazardous chemicals challenges

In October 2023, representatives from ChemSec, BNP Paribas Asset Management, and Storebrand Asset Management came together at the PRI conference to take stock of their two-year-long engagement under the umbrella of Investor Initiative on Hazardous Chemicals (IIHC) on the issue of PFAS, also known as forever chemicals.

The initiative asks world's 50 largest chemical producers to increase their transparency around their production of hazardous chemicals, and phase out persistent chemicals. Storebrand Asset Management is part of the initiative's steering committee, along with Aviva and other investors. The initiative works closely with ChemSec, a Sweden-based NGO, which develops roadmaps for engagement with companies. Storebrand has engaged with three companies in the ChemScore hazardous chemical risk benchmark ranking since 2022, and all of them showcased an improvement in the ranking following our dialogue. The biggest gain so far is 3M's decision to discontinue PFAS. Increasingly, more companies are responding positively to the initiative's engagement. ChemSec releases annual scores for world's largest chemical companies on their involvement in forever chemicals. The ranking serves as a starting point for the company engagement activities. The 2023 scores were released in November. Another promising development regarding PFAS has been the Swedish Supreme Court's decision in favour of Ronneby town residents who have been affected by PFAS-contaminated drinking water. Many believe that the decision can set a precedent for other court cases involving PFAS damages.

Progress in 2023: During 2023, the initiative expanded its influence to over 60 participating investors representing over $12 trillion under management or advice.

Following the release of the updated scores in November 2023, an investor letter was sent to the CEOs of ranked companies, outlining three key asks :

1. Increase transparency
2. Publish a timebound phaseout plan of products that are, or contain, persistent chemicals
3. Develop safer alternatives for hazardous chemicals

Throughout 2023, Storebrand continued to lead the engagement with Yara and Umicore. In the 2023 annual ranking, Yara improved their score and moved into the top 3 out of 50 companies.

We have also been in contact with Sika, to improve understanding of the company's perspective on the EU proposal to ban persistent chemicals and how they plan to address any potential challenges and opportunities arising from it. In August 2023, as well as in their latest annual report, Sika provided an update on their investigation, mapping the use of PFAS across their operations.

The progress of the IIHC so far indicates that active ownership and investor action has a role to play to achieve change. Dialogue with the selected companies will continue in 2024 towards the goal of achieving the three key asks outlined above.

Engagement Case:

Collaboration with FAIRR on the food sector

As part of our efforts in our engagement themes on the race to net zero and biodiversity and ecosystems, during the fourth quarter of 2023 we formally joined two biodiversity-related collaborative engagements organised by the FAIRR Initiative.

FAIRR is a collaborative investor network, with 400 members globally representing over USD 70 trillion of assets, that raises awareness of the environmental, social and governance (ESG) risks and opportunities in the global food sector. The agriculture, forestry and land use (AFOLU) sector is a central driver of both greenhouse gas (GHG) emissions and nature impacts. In particular, animal agriculture accounts for 60 per cent of the sector's GHG emissions, and 15 per cent of all GHG emissions worldwide, according to an estimate by the FAIRR initiative.

One of the engagements we are involved in is Phase 2 of the FAIRR engagement on Animal Waste and Pollution. The objective of the engagement is to reduce pollution from animal waste, which is a significant driver of biodiversity loss. Phase 2 of the Animal Waste and Pollution engagement began in December 2023 with letters sent to 12 companies. This builds on the dialogue between investors and companies that was established during the first half 2023 in Phase 1, which Storebrand also participated in.

Phase 2 is expected to last until July 2024. In addition to targeting ten large, publicly listed pork and chicken producers, the Animal Waste and Pollution engagement targets two fertilizer companies whose range of services includes the extraction and marketing of nutrients from manure. There is huge potential for using animal waste to increase circularity in the fertilizer business.

The other engagement with FAIRR is a new one on Seafood Traceability, which Storebrand joined In November 2023. The Seafood Traceability collaborative investor engagement aims to encourage seven major seafood companies to develop and implement supply chain traceability systems, as a means of identifying and reducing key risks such as illegal, unreported and unregulated (IUU) fishing, overfishing, habitat destruction and human rights violations. In addition to FAIRR, the investor group is supported by the WorldWide Fund for Nature (WWF), UNEP FI's Sustainable Blue Economy Finance Initiative, the World Benchmarking Alliance (WBA), and Planet Tracker. The Seafood Traceability engagement is expected to last until December 2024.

Engagement Case:

Collaboration within the IPDD to halt and reverse deforestation

On the issue of deforestation, Storebrand continues to engage with policymakers in selected countries, through the Investor Policy Dialogue on Deforestation (IPDD) collaborative initiative, as detailed. The IPDD is supported by a membership of 80 financial institutions from 20 countries with approximately US$ 10 trillion in assets under management.

IPDD Brazil has seen significant success in terms of gaining greater engagement and increasing awareness on such a complex issue, particularly given the many stakeholders and dynamics involved. IPDD Brazil has established an open dialogue and met with government-related entities and associations, demonstrating a responsiveness on behalf of the government to the investors' concerns.

Progress in 2023: Storebrand and the investor group had in person meetings with the new administration in 2023. We were encouraged to see that illegal logging and deforestation in Brazil's Amazon rainforest in 2023 halved from the previous year to its lowest level since 2018, a major win for President Luiz Inacio Lula da Silva in his first year in office. The investors will continue to engage with relevant government authorities to promote good social and environmental governance and reduce financial risk arising from deforestation.

Engagement Case:

Collaboration to engage on human rights in tech

The Council on Ethics of the Swedish AP Funds (AP1, AP2, AP3 and AP4) organised a group of institutional investors, representing EUR 7 trillion in combined assets under management, to collaboratively engage major tech companies, aiming to strengthen their management of human rights risks and impacts.

SAM joined the initiative during the third quarter of 2023 and began engaging in calls to companies, as part of the work of the initiative, from the beginning of fourth quarter. The primary goal of the initiative is to ensure that the companies take concrete measures to address operational and human rights risks pertaining to their products and business models, and to encourage more transparent reporting on the related impacts and efforts. The collaboration's activities and results will be publicly reported. Progress in 2023: During 2023, initial focus objectives were determined for each company. Based on the overall engagement objectives and KPIs, participating investors then sent company-specific engagement letters to all seven companies. As of the end of 2023, dialogue had been established with several of the targeted companies, and meetings have been held with three companies.

During 2024, engagement groups will continue to focus on establishing dialogue with the companies, as well as measuring and tracking their progress towards the engagement objectives. The collaboration also aims to extend the programme of knowledge-building sessions, working with participating investors to build deeper insights into the sector's human rights challenges.

The initiative will run for three years from January 2023 until end of 2025. It builds on:

- The Investor Expectations issued by the Council on Ethics of the Swedish national pension funds (AP 1—4) in cooperation with the Danish Institute of Human Rights in 2020.
- UN Guiding Principles on Business and Human Rights (UNGPs)
- Ranking Digital Rights (yearly published relevant data)
- Relevant Sustainability Accounting Standards Board (SASB) standards

To avoid duplication of, and to build on, other completed and existing investor efforts in this field, the Initiative will focus on influencing corporate practices regarding these issues in general:

- Content for example, misinformation, hate speech and electoral interference and its impact on the society, such as democracy and polarisation. The elevated and differentiated risks connected to vulnerable groups, such as children and minorities, will be addressed with heightened attention.
- Corporate culture and structures how human rights considerations are integrated in company culture and operations; enabling and expecting employees/contractors to act in line with stated corporate human rights commitments; internal grievance mechanisms such as whistleblowing.
- Access to remedy for rights holders effective and accessible grievance mechanisms for affected individuals, groups and communities, supported by constructive stakeholder engagement to mitigate the (re)occurrence of human rights harms and related operational risks.
- Corporates' interaction with authorities and regulators, including lobbying ensuring the integrity of the synergistic relations, maintaining social license to operate and building trust, thus helping to proactively manage the regulatory risks connected to the business model.

Engagement Case:

Dollar General engagement on workers' rights and escalation due to non-responsiveness

During Q3 2023, Storebrand took a new step in escalating its engagement with the Dollar General Corporation on its responsibilities regarding the health and safety of its workers. Headquartered in Tennessee in the U.S.A, Dollar General, one of the largest retailers in the world, is listed on the New York Stock Exchange and is a member of the S&P 500. As of the 2022, it had approximately 158,00 employees and operated around 19,000 discount general merchandise stores across the USA and Mexico.

The company has been engaging in a pattern of behaviour that raises investor concern regarding risks to its brand reputation as well as potential liabilities from failing to comply with regulations. There appear to be wilful and repeated health and safety violations that have been reported at Dollar General locations across the country. These issues of safety and regulatory compliance, which have also been reported in the media, can be interpreted as being endemic to the company's business model that is heavily dependent on keeping labour costs low.

Dollar General was declared by Occupational Safety and Health Administration (OSHA), the U.S. federal health and safety regulatory body, as a "Severe Violator" of workplace safety standards, as it had accumulated over $21 million in OSHA fines since 2017.

Investors have reacted strongly to these risks. In May 2023, at the Dollar General Annual Meeting, SAM was among the 67.7 per cent of investors that voted in favour of a shareholder proposal that requested for an independent third-party audit to be conducted focusing on the impact of the company's policies and practices on the safety and well-being of workers. Since that time, the company does not appear to have followed up with any action on the issue and has not communicated on it to the public or the parties that tabled the proposal. Requests by the proponents to engage with the company's management and board on the issue have been denied.

As a result, during the third quarter of 2023 SAM gave its support to a shareholder initiative, led by Domini Impact Investments, to send a formal investor letter to Dollar General's board and management regarding the issue. The letter was signed by 33 investors and sent to the company in October 2023. So far, Dollar General has responded with public statements declaring its intention to conduct an audit before its 2024 annual shareholder meeting. SAM's action demonstrates our commitment to these issues, as well as illustrating how we engage collectively with other shareholders to continue to escalate engagement when companies are not responsive to initial methods of engagement.

Voting

One of the methods we use for carrying out our responsibilities as a shareholder, is by exercising voting rights. We strive to exercise these voting rights aiming to maximise long term value creation, and in alignment with principles we have stated in our sustainable investment policies.

Based on our engagement and voting policy, Responsibility for voting is delegated to the responsible manager, or to the Risk & Ownership team, who determines how to exercise the voting rights in accordance with our policies. Voting rights are exercised either directly as part of management or using a system for exercising voting rights (known as proxy voting).

We take the following topics to be of particular importance when exercising our shareholder vote:

- Insufficient information before a general meeting
- Absence of a majority of independent board members or independent management committees (remuneration, nomination, and audit committees)
- If the Company considers that the board of directors and/or board members do not meet the requirements for sufficient competence and knowledge
- Existence of mechanisms for preventing takeovers (poison pills, etc.) that counteract shareholders' final decision-making power in these matters
- Unnecessary or indefensible changes in capital structure. The Company supports the principle of one share = one vote
- Existence of remuneration structures for senior executives leading to conflicts of interest between management and shareholders
- Unsatisfactory stewardship of climate, environment, fair labour practices, non-discrimination, and the protection of human rights.

To maximize the impact of our votes, we strategically target:

- Our top 1000 global holdings
- Our 100 largest holdings in key markets: Norway and Sweden
- Companies in our SFDR Article 9 funds and Storebrand Global ESG Plus (Article 8 fund)
- Companies targeted by ESG engagement initiatives that we are part of, including those addressing human rights and climate issues
- Oil and gas sector companies
- Meetings with environmental or social resolutions on the agenda

In October 2023, we adopted new policies: Introducing an updated Sustainable Investment Policy and a detailed engagement and voting policy, enhancing our approach to active ownership and voting. This track of work is planned to continue, with a revised voting guideline document that we have scheduled for release in 2024, offering insights into our specific voting strategies.

In addition to revising our policies, in 2023 we also engaged in consultations to update voting policies of our proxy advisor ISS, ensuring they resonate with our sustainability objectives and voting preferences.

We utilize the services of an independent proxy voting service provider, ISS Governance, which supports us in meeting preparation and offers research-based voting recommendations. The proxy provider handles invitations to, and registration for, general meetings for our funds and produces comprehensive information about the individual portfolio companies. The proxy provider presents the agendas of the meetings with research on all resolutions and recommendations on how fund managers should vote. Voting conduct is nevertheless governed by SAM's common voting policy and is always based on what is in the interest of the funds and of the unit holders. Storebrand has chosen ISS' Sustainability Policy as default voting policy, as it is closely aligned with the principles set down in our Proxy Voting Guideline. In the absence of a policy for a specific vote, the recommendations of the proxy provider's Sustainability Proxy Voting Guidelines are usually followed. The fund manager reviews the partnership with proxy provider and evaluates the quality and efficiency of the services provided. All SAM's funds have a depositary that is subject to supervision and which, in addition to the proxy provider, provides information relating to the general meetings of the portfolio companies in the Company's funds.

Our voting aligns with ISS's sustainability policy, reflecting our sustainability commitments and goals. In 2023 we voted in accordance with recommendations of the ISS Sustainability Policy in 99.8% of cases.

All our voting activities and rationales are published on the Proxy Voting Dashboard on the Storebrand website.

We regularly monitor ESG-relevant votes cast, through checking votes on high-profile companies, all votes on environmental and social shareholder resolutions, as well as extracting quarterly voting statistics. For example, we manually go through voting records to select "most significant votes" on ESG issues, and in that process, we check that votes have been approved and properly registered. Any errors are raised with ISS to identify causes and avoid repetition.

With regards to fixed income rights, we maintain close dialogue with issuers, leveraging our stewardship role when relevant and we have a realistic possibility to influence and potentially amend terms and conditions in alignment with sustainability objectives. While we have not so far executed such amendments, we possess the capability to do so.

We maintain the capacity to seek access to information provided in trust deeds, although we have not done so yet. We are ready to leverage this access when relevant to our stewardship responsibilities, enhancing our ability to integrate sustainability considerations into investment decisions.

We review prospectuses and transaction documents when deemed relevant to ensure alignment with our stewardship objectives.

Voting summary 2023

In 2023, we voted at 1,999 company meetings, an increase from 1,348 in 2022. We voted at meetings held in a total of 60 countries. We voted most frequently in the US; at 523 meetings. The sector with the most meetings was the industrial sector with 849 meetings, while companies in the energy sector had the fewest, with 137 meetings.

We have prioritised voting where we consider it to have the best possible effect and prioritise general meetings in companies that represent:

- Our largest holdings
- The Norwegian and Swedish markets
- Our most important ownership dialogue initiatives
- Specific ESG-related resolutions

The AGMs that we voted at correspond to 90 per cent of our total equity investments, up from 68 per cent in 2022. Among 52,304 voting motions in 2023, we voted on 27,399 items, or 52.4 per cent. This is an increase from 2022, when we voted in over 17,600 out of 51,980 voting proposals, equivalent to 34 per cent. This aligns with our strategy to proactively exercise our voting rights, including targeted escalation when needed.

Storebrand has also proposed resolutions at several general meetings. This is particularly done in cases of deadlocked dialogue or where companies ignore proposals, in matters of major importance to several shareholders, or in collaboration with other shareholders for leverage. In 2023, we co-filed resolutions to be voted on at the general meetings of Toyota and Amazon, among others.

Of late, international investors are increasingly utilising the action of filing resolutions at company AGMs as an escalation tool.

Ninety per cent of our voting in 2023 was in line with company management, while we voted against management's recommendations in 10 per cent of cases. Among other things, we voted against the re-election of board members in companies with poor corporate governance, or where the Board had failed to follow up companies' obligations related to ESG-related reporting and targets. It is generally very difficult to achieve a majority against management's recommendation, and in 2023 we achieved this in only 78 cases. However, voting against management's recommendation can still lead to change over time, as it gives a clear signal of what direction shareholders want. This can contribute to positive changes in the governance of companies.

Here are some additional examples of our voting choices during 2023:

- We supported shareholder resolutions asking Danish companies A.P. Moeller-Maersk and Carlsberg to report on due diligence and human rights risks in their operations and supply chains.
- We voted in favour of a shareholder proposal asking Starbucks Corporation to conduct an independent assessment on the company's efforts to respect freedom of association and collective bargaining rights.
- At the annual general meeting of Canadian company Metro Inc, we supported a shareholder proposal asking the company to report on human rights risks associated with the use of migrant workers. At the same AGM, we also voted in favour of a resolution to adopt science-based emission reduction targets.
- At the annual general meeting of Nike Inc., we supported two proposals, regarding gender pay gaps and the implementation of human rights commitments in the company's supply chain.
- We supported a shareholder proposal at Microchip Technology Inc. to report on due diligence assessments that track misuse by end users of the company's products.
- In addition, we voted for FedEx Corporation to adopt a paid sick leave policy.
- We voted in favour of a shareholder proposal asking Apple Inc. to report on its pay gaps related to gender and ethnic diversity.
- We voted in favour of shareholder proposals asking companies to comply with World Health Organisation (WHO) guidelines for antimicrobial use in supply chains.

ISS is our proxy voting service provider, and we usually vote in alignment with their recommendations based on the ISS Sustainability Voting Guidelines. However, we change voting instructions when we believe that such adjustments are appropriate. For example, at the Amazon.com AGM, we supported a shareholder proposal on animal welfare, against the recommendation of ISS. We believe the proposal to produce an audit and report on animal welfare in Amazon.com supply chain will reduce the company's risk and be beneficial to shareholders. Another example of our voting against ISS recommendations was our vote against TotalEnergies SA's "Sustainable Development and Energy Transition Plan". The reason was that, in our opinion, the plan was not sufficiently robust to comply with the Paris Agreement's 1.5°C target.

Climate votes:

Dominant Focus on Climate: In 2023, we cast 122 votes on environmental proposals, with a significant focus on climate change; 114 were climate related, of which 78 were votes against company management's proposals.

Proactive Stance for Decarbonization: We challenged management's recommendations in 78 out of 114 climate votes, underscoring our commitment to promoting corporate decarbonization aligned with a 1.5-degree target. Even non-majority votes can influence corporate practices, signaling shareholder expectations for environmental responsibility.

Key Outcome: A notable victory was our majority vote against management at Coterra Energy Inc, compelling them to report on methane emissions reliability.

Human rights and resilient supply chains:

Voting on Social Issues: We voted on 270 social-related proposals, with 130 pertaining to human rights, labor practices, and diversity. Notably, we opposed management in 111 of these votes, on account of various reasons, such as the content of proposals did not meet our expectations on human rights, or were counterproductive or contrary to human rights.

Successful Proposals: Among these, five key shareholder proposals gained majority support against management's stance, including impactful initiatives at companies like Starbucks, Wells Fargo, and The Kroger Co, focusing on labour rights, sexual harassment prevention, and pay equity.

Voting key figures

All our votes are published online at [VDS Dashboard (iss-governance.com)]

	Votable	Voted	Percentage voted
Number of general meetings voted	4,390	1,999	45.5 %
Number of items voted	52,304	27,399	52.4 %
Number of votes on shareholder proposals	1,093	822	75.2 %

Top 10 countries voted in

Country	Votable meetings	Voted meetings	Percentage voted
USA	703	523	74.4 %
Japan	341	186	54.5 %
Norway	151	130	86.1 %
Sweden	412	123	29.9 %
India	268	106	39.6 %
China	503	84	16.7 %
United Kingdom	118	82	69.5 %
Canada	109	72	66.1 %
Germany	76	52	68.4 %
France	70	51	72.9 %

Shareholder proposals

	Proposals	No. of votes aligned with recommendations of company management	% of votes aligned with recommendations of company management	No. of votes aligned with ISS policy	% of votes aligned with ISS policy	ESG Flag
Audit Related	1,558	1,524	98 %	1,539	99 %	G
Capitalization	1,898	1,625	86 %	1,865	98 %	G
Company Articles	648	604	93 %	637	98 %	G
Compensation	3,994	3,307	83 %	3939	99 %	G
Corporate Governance	42	9	21 %	42	100 %	G
Director Election	11,985	10,744	90 %	11,871	99 %	G
Director Related	3,137	2,827	90 %	3,083	98 %	G
E&S Blended	84	64	76 %	84	100 %	ES
Environmental	122	41	34 %	120	98 %	E
Miscellaneous	152	129	85 %	149	98 %	G
Non-Routine Business	276	251	91 %	275	100 %	G
Routine Business	3,297	3,186	97 %	3,259	99 %	G
Social	270	103	38 %	268	99 %	S
Strategic Transactions	170	141	83 %	167	98 %	G
Takeover Related	147	140	95 %	145	99 %	G

Shareholder proposal categories

Proposal category	# items voted	% of total
Director Election	11,985	43.14 %
Compensation	3,994	14.38 %
Routine Business	3,297	11.87 %
Director Related	3,137	11.29 %
Capitalization	1,898	6.83 %
Audit Related	1,558	5.61 %
Company Articles	648	2.33 %
Non-Routine Business	276	0.99 %
Social	270	0.97 %
Strategic Transactions	170	0.61 %
Miscellaneous	152	0.55 %
Takeover Related	147	0.53 %
Environmental	122	0.44 %
E&S Blended	84	0.30 %
Corporate Governance	42	0.15 %
Total	**27,780**	**100 %**

Environmental and social topics

Proposal category	ESG Pillar	No. of proposals voted	No. of proposals voted in alignment with management recommendations	% voted in alignment with management recommendations
Environmental - Management Climate-Related Proposal	E	11	9	82 %
Environmental - Reporting on Climate Transition Plan	E	8	6	75 %
Environmental - Toxic Emissions	E	2	2	100 %
Environmental - Community -Environment Impact	E	3	1	33 %
Environmental - Report on Climate Change	E	22	0	0 %
Environmental - GHG Emissions	E	22	0	0 %
Environmental - Climate Change Action	E	6	4	67 %
Environmental - Restrict Spending on Climate Change-Related Analysis or Actions	E	3	3	100 %
Environmental - Proposals Requesting Non-Binding Advisory Vote On Climate Action Plan	E	7	0	0 %
Environmental - Recycling	E	8	0	0 %
Environmental - Miscellaneous Proposal - Environmental	E	2	2	100 %
Environmental - Disclosure of Fossil Fuel Financing	E	11	0	0 %
Environmental - Restriction of Fossil Fuel Financing	E	17	14	82 %
E&S Blended - Approve/Amend Corporate Social Responsibility Charter/Policy	E, S	2	2	100 %
E&S Blended - Accept/Approve Corporate Social Responsibility Report	E, S	24	23	96 %
E&S Blended - Establish Environmental/Social Issue Board Committee	E, S	1	0	0 %
E&S Blended - Link Executive Pay to Social Criteria	E, S	4	0	0 %
E&S Blended - Genetically Modified Organisms (GMO)	E, S	1	1	100 %
E&S Blended - Product Toxicity and Safety	E, S	5	1	20 %
E&S Blended - Miscellaneous - Environmental & Social Counterproposal	E, S	34	34	100 %
E&S Blended - Miscellaneous Proposal - Environmental & Social	E, S	6	3	50 %
E&S Blended - Climate Change Lobbying	E	7	0	0 %
Social - Approve Charitable Donations	S	16	11	69 %
Social - Approve Political Donations	S	57	57	100 %
Social - Black Economic Empowerment(BEE)Transactions (South Africa)	S	1	1	100 %
Social - Board Diversity	S	4	0	0 %
Social - Human Rights Risk Assessment	S	14	0	0 %
Social - Improve Human Rights Standards or Policies	S	15	1	7 %

Environmental and social topics (continues)

Proposal category	ESG Pillar	No. of proposals voted	No. of proposals voted in alignment with management recommendations	% voted in alignment with management recommendations
Social - Operations in High Risk Countries	S	16	13	81 %
Social - Data Security, Privacy, and Internet Issues	S	5	0	0 %
Social - Racial Equity and/or Civil Rights Audit	S	12	0	0 %
Social - Miscellaneous Proposal - Social	S	22	0	0 %
Social - Political Spending Congruency	S	10	0	0 %
Social - Report on Pay Disparity	S	1	1	100 %
Social - Prepare Tobacco-Related Report	S	2	2	100 %
Social - Avoid Support of Abortion-Related Activities	S	1	1	100 %
Social - Facility Safety	S	3	0	0 %
Social - Weapons - Related	S	2	0	0 %
Social - Review Drug Pricing or Distribution	S	9	0	0 %
Social - Prepare Report on Health Care Reform	S	6	1	17 %
Social - Charitable Contributions	S	2	2	100 %
Social - Political Contributions Disclosure	S	14	4	29 %
Social - Political Lobbying Disclosure	S	15	0	0 %
Social - Political Activities and Action	S	1	1	100 %
Social - Report on EEO	S	8	0	0 %
Social - Labor Issues - Discrimination and Miscellaneous	S	11	2	18 %
Social - Gender Pay Gap	S	11	0	0 %
Social - Workplace Sexual Harassment	S	1	0	0 %
Social - Animal Welfare	S	9	4	44 %
Social - Animal Testing	S	1	1	100 %
Social - Animal Slaughter Methods	S	1	1	100 %
Total		**476**	**208**	**44 %**

Voting case:

Toyota voting escalation

In cases where dialogue does not seem to be leading to the outcomes we are seeking from our engagement with a company, we sometimes escalate the dialogue, by voting or submitting resolutions at general meetings.

One example was the resolution on climate lobbying disclosure at the 2023 annual general meeting (AGM) of Toyota Motor Corporation (Toyota). The decision to escalate followed a stall since 2022 in our ongoing engagement with Toyota on its climate lobbying policies and practices.

Lack of transparency on lobbying practices

As Toyota is the world's largest carmaker, its actions are central to meeting climate goals in an industrial sector that is responsible for a significant amount of greenhouse gas emissions. Toyota has demonstrated leadership on climate change in several important areas. However, despite the increased transparency, the company continues to lobby against climate-related regulation and policies in several countries, according to independent think tank InfluenceMap.

We expect our investees to engage with policymakers responsibly, within a process for monitoring and reviewing climate policy engagement that is transparent to investors. Here, Toyota fell significantly short of our expectations. However, we believe that openness and transparency on this significantly material issue will enhance Toyota's market value. Therefore, in early 2023, along with AkademikerPension, we co-filed a shareholder resolution, and were successful in gaining enough support from other investors, to get the resolution on the ballot at this year's AGM.

Shareholder resolution filed

Therefore, in early 2023, along with AkademikerPension, we co-filed a shareholder resolution, and were successful in gaining enough support from other investors, to get the resolution on the ballot at this year's AGM.

In the resolution, we proposed that the following provision be added to Toyota's Articles of Incorporation:

> *" ..The Company shall conduct a comprehensive, annual review and issue a report (at reasonable cost, omitting proprietary information) describing if, and how, the Company's climate-related lobbying activities (direct and through industry associations), including public statements, serve to reduce risks for the Company from climate change and how they align with the goals of the Paris Agreement and the Company's goal of carbon neutrality by 2050. The report should disclose any instances of misalignment with those goals, along with the planned actions to address these..."*

The shareholder proposal we engaged in driving at Toyota's AGM, in collaboration with other investors were backed by proxy advisors, as well as many US and European asset managers and owners. Many institutional investors publicly pre-declared their support for the resolution. The proposal unfortunately did not pass at the meeting, as due to Japanese corporate governance regulations, it required the support of two thirds of the shareholders.

A clear signal

However, the issue received the attention of Toyota's Board of Directors and management, and the proposal contributed to sending the company's leadership a clear signal: that a significant proportion of investors expect more openness and transparency, as a necessary element of the governance required for the company to be aligned with the climate objectives of the Paris Agreement.

As of the end of 2023, we were awaiting an updated report from Toyota in 2024 on their efforts to improve reporting on lobbying activities. Depending on the results, we would consider options to further escalate the dialogue.

Reflections on our voting in 2023

Reviewing our activities and results for the year, the most notable observations we find are:

Higher levels of voting activity
In following through on our commitments, we have aimed to be even more active in our presence on voting. In 2023 this was reflected in terms of:

- **Growth in voting numbers:** From 2021 to 2023, our voting at company meetings more than doubled, from 947 to 1999.
- **Higher representation of invested capital:** In 2022, we voted in meetings representing 68.6% of our invested equity capital, a figure which rose to 90.7% in 2023.

Growing focus on voting to support climate objectives

- **Climate dominating environmental agenda:** In 2023, we cast 122 votes on environmental proposals, of which 114 were climate-related.
- **Proactive Stance for Decarbonization**: We challenged management's recommendations in 78 out of 114 climate votes, underscoring our commitment to promoting corporate decarbonization aligned with a 1.5-degree target. Even non-majority votes can influence corporate practices, signalling shareholder expectations for environmental responsibility.
- **A notable victory:** was our majority vote against management at Coterra Energy Inc, compelling the company to report on methane emissions reliability.

Emphasis on human rights and resilient supply chains

Voting on social issues: We voted on 270 social-related proposals, with 130 pertaining to human rights, labour practices, and diversity. Notably, we opposed management in 111 of these votes, on account of various reasons, such as the content of proposals did not meet our expectations on human rights, or were counterproductive or contrary to human rights.
Successful proposals: Among these, five key shareholder proposals gained majority support against management's stance, including impactful initiatives at companies like Starbucks, Wells Fargo, and The Kroger Co, focusing on labour rights, sexual harassment prevention, and pay equity.

Continued ESG conflict
2023 was a year of a strong anti-ESG movement, originating in the United States, where, during the year, several "anti-ESG" shareholder proposals were put forward at general meetings in the US. Such proposals are intended to prevent companies from spending resources on dealing with ESG issues such as climate change or workplace diversity.

Exclusion

All our holdings are continuously screened by using data from various third-party data providers. As part of the exclusion process, our investment universe is monitored daily for potential conduct-based breaches, and screened quarterly to assess if companies are in breach of any of our criterion.

Exclusion summary 2023

In 2023, we made adjustments and improvements to our screening process, partly to better cover issuers that primarily issue bonds. This has resulted in a one-off increase in the number of exclusions, from a significantly larger universe of companies and funds than before. This adjustment accounts for roughly 80 per cent of the exclusions. The remainder are part of our regular product-based screening, which we conduct quarterly.

As of 31 December 2023, the screening process resulted in 113 companies being excluded from our investment portfolios based on conduct- or activity-based criteria. A total of 288 additional companies[12] were excluded based on our product-based criteria and NBIM/Oil Fund exclusions[13].

Some examples of exclusions we made in 2023 were:

- POWERCHINA, based on risk of serious harm to the environment.
- GAIL India Ltd, Korea Gas Corporation and Sinopec, all based on risk of human rights violations in Myanmar.
- Hanwha Aerospace Ltd, based on issues related to production of fuses for white phosphorus ammunition.
- Israel-based Surveillance software company Cognyte, based on risk of human rights violations in several high-risk countries, among them Myanmar.

As of 31 December 2023, 248 companies listed on the MSCI ACWI Index were listed as excluded from all our funds. An additional 309 companies on the same index were excluded from certain funds, solely based on our extended criteria.

12) Some companies may be excluded on several criteria. The numbers provided here avoid double counting.
13) Storebrand excludes companies excluded by NBIM/the Government Pension Fund Global.

Exclusion key figures 2023

Companies excluded by Storebrand, as of 31st December 2023

Category	Total Excluded
Environment	20
Corruption and financial crime	9
Human Rights	57
Tobacco	28
Cannabis	0
Controversial weapons	40
Coal	117
Oil sands	5
Lobbying	4
Artic drilling	0
Marine/riverine tailings disposal	4
Deep-sea mining	1
Deforestation	14
Cannabis	0
State-controlled companies	15
Total	**314***
(Observation list)	4

Storebrand Extended Exclusion List

Category	Total Excluded
Serious environmental damage	33
Corruption	12
Human Rights	95
Controversial weapons	40
Fossil Fuels	517
Tobacco	28
Alcohol	88
Weapons/arms	63
Gambling	38
Cannabis	0
Adult entertainment	0
Total	**953***

*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 EU sanctions and UN Security Council sanctions.

Exclusion case:

Occupied Palestinian Territories

According to the United Nations (UN), the year 2023 proved to be the deadliest for Palestinians in the Israel-occupied Palestinian territory (OPT) since the UN began recording fatalities in 2005. The rise in killings in the decades-long conflict, spanning 56 years of Israeli military occupation, has been accompanied by widespread violations of human rights, with a high risk of companies with activities in the OPT being involved and/or contributing to these violations.

Thorough screening

Since 2009, Storebrand has screened and assessed companies related to the OPT. We have strengthened our human rights due diligence assessment in this area and have engaged in dialogue with and divested from several companies on this basis.

Storebrand does not have any direct lending activities or underwritings. However, we do carry out continuous human rights' due diligence of all our portfolios, mainly based on our standards on international human rights and humanitarian law, but also on ESG risk data (including country risk, industry risk and company risk ratings) in alignment with the UN Guiding Principles for Business and Human Rights, the OECD Guidelines for Responsible Business Conduct for Institutional Investors and human rights due diligence requirements from the Norwegian Transparency Act ("Åpenhetsloven").

We conduct enhanced human rights' due diligence, including a thorough annual analysis based on data from data providers and our own research to identify human rights risk regarding this specific issue in our portfolios. Once identified, we address and mitigate the risk by engaging, and as last resort, excluding companies from our portfolios.

Our human rights due diligence includes an annual analysis based on data from data providers and our own analysis to identify human rights risks on this topic in our portfolios. Once the risk has been identified, we address and mitigate the risk by engaging with and ultimately excluding companies.

All activities, services and goods have the potential to contribute to the occupation and to maintaining the illegal settlements. However, some of these contribute more than others. We focus on those who are at higher risk of this and engage in dialogue with these companies. We exclude companies where it is not possible to exert influence on them. Since 2009, we have used a set of criteria to assess the extent to which companies contribute to Israel's 50+ years of occupation. The criteria include companies that:

- Assist Israel's regime resulting from the occupation by providing security services and/or surveillance equipment for actions such as surveillance, identification and control of the occupied population at checkpoints and the wall, among others. (most severe contribution)
- Contribute to the construction, maintenance and expansion of settlements and the exploitation of natural resources, including infrastructure and direct financing (second-most severe contribution)
- Purchase goods or services from companies operating in Israeli-occupied territories

Companies that fall into the first and second categories are candidates for company dialogue and potential exclusion if the dialogue is not successful.

Status at the end of 2023

As of 31 December 2023, we had excluded 24 companies related to the occupation of Palestinian territories. The full list of companies includes:

- Alstom
- Ashtrom Group
- Bank Hapoalim
- Bank Leumi
- Bezeq
- Cemex
- Danya Cebus Ltd.
- Delek Group Ltd.
- Elbit Systems
- Elco ltd
- Electra Ltd.
- Enlight Renewable
- First International Bank of Israel
- General Electric
- Heidelberg Materials (formerly HeidelbergCement AG)
- Israel Chemicals
- Israel Discount Bank
- Mizrahi Tefahot Bank
- Motorola Solutions
- Orbia
- Paz Oil
- Shapir Engineering & Industry Ltd.
- Shikun and Binui Ltd.

At the end of 2023, we initiated another annual of process of screening, engaging and excluding companies on the issue of occupied Palestinian territories, and plan to publish the results of that assessment during the first half of 2024.

Exclusion case:

POWERCHINA

Nature and biodiversity remarkable in many ways, supporting a great deal of human live and economic activity. However, science shows that nature has become vulnerable to the impacts of human activity. Now we are approaching a turning point, where in a domino effect, certain critical changes – such as the loss of endangered species of plants or animals - could set of a catastrophic chain reaction, resulting in a collapse of natural ecosystems.

For these reasons, Storebrand has been deeply involved in efforts to halt and reverse the loss of biodiversity and nature, and in recent years published newly revised policy to guide our investment decisions. In some cases, this has resulted in our concluding that certain companies were not, and would not be, compatible with this policy. During 2023 this notably led to our exclusion of the Power Construction Corporation of China (known as "POWERCHINA"), due to its involvement on hydroelectric dam projects that could be extremely harmful to nature.

The Black Rhino is one of extinction-threatened species impacted by a POWERCHINA project in Tanzania.

The Sumatran tiger and Tapanuli orangutan are among the extinction-threatened species impacted by a POWERCHINA project in Indonesia.

The projects, being undertaken by the company's subsidiaries in Tanzania and Indonesia, could precipitate the extinction of the Black rhino, Sumatran tiger and the Tapanuli orangutan. Therefore, the projects 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".

While environmental damage is relatively common in the industry, our assessments were that these cases were especially severe and systemically critical.

In the case of the project in Tanzania, the construction of the Julius Nyerere Dam, this 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 impacts associated with the dam project are significant, in this specific protected and vulnerable environmental area of Tanzania, will stretch far beyond the dam and its reservoir. What the impacts would do is to undermine the high density and diversity of species that makes the reserve an area of outstanding importance for in-situ conservation of biological diversity. Additionally, the company had systematically failed to address recurring concerns expressed by the United Nations, IUCN, the media, nature conservation organizations, scientists, and local communities.

In Indonesia, POWERCHINA's subsidiary is responsible for 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.

Exclusion case:

Human Rights Exclusions Connected to Myanmar Crisis

During the first quarter of 2023, Storebrand excluded several companies from investment, based on human rights risks in the crisis-ridden southeast Asian country of Myanmar. Myanmar has been at the centre 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 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 registered a million internally displaced people (IDPs) in Myanmar, with another 14 million people in urgent need of humanitarian assistance.

One of the companies excluded by Storebrand 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, Sinopec 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.

Another company excluded by Storebrand during 2023 was 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.

Storebrand also 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, these 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.

During the second quarter of 2023, GAIL India Ltd and the Korea Gas Corporation (KOGAS) were both excluded from our investment universe, based on their involvement in a project in Myanmar. GAIL India Ltd is involved in natural gas exploration, production distribution and sales. KOGAS's operations span the importation of natural gas used within South Korea, as well as building and maintaining gas terminals and pipelines in the country and outside of it. Within Myanmar, GAIL India Ltd and KOGAS are each minority partners in a joint venture with Myanmar Oil and Gas Enterprise (MOGE), a company owned by the Myanmarese government. The venture is involved in the Shwe offshore gas project in Myanmar.

Exclusion case:

Saudi Arabian Government Bonds Exclusion

During Q1 2023, as a result of our high-risk country due diligence, we identified 12 companies as part of an investment pre-screening. 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 potential 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.

How Storebrand contributes to the UN SDGs through active ownership

5 GENDER EQUALITY

We expect companies to take a structured approach to promoting gender diversity and diversity in general, as well as equity and inclusion, across their workforce and supply chains. The company should conduct a due diligence assessment for measures to improve the gender balance in its own operations, supply chains, products and services, and for the company's impact on local communities and society. They should have zero tolerance for all forms of discrimination, violence and harassment, and have training programmes and reporting mechanisms, as well as clear policies for their work.

Storebrand has engaged with companies on these issues, as well as voting and supporting shareholder resolutions at general meetings aiming to:

1. Improve transparency about processes that reduce gender inequality, including policies and objectives.
2. Achieve diversity in boards and/or senior management.
3. Achieve better transparency about gender pay gaps and measures to achieve this.
4. Conduct due diligence related to gender and diversity.

We generally vote against, or withhold our votes from, the incumbent members of the nominating committee of boards, if they do not contain at least 40 per cent of people from underrepresented genders.

8 DECENT WORK AND ECONOMIC GROWTH

An important topic in our dialogue with the companies we invest in is requirements for good social conditions in the supply chain, including the issue of forced labour. We continue to focus on China and the Xinjiang region through direct company dialogue and cooperation with the Investor Alliance on Human Rights. Storebrand works to raise awareness of international labour rights, especially in vulnerable industries such as the textile industry.

10 REDUCED INEQUALITIES

We engage in dialogue with companies in our portfolio on working conditions, particularly the living wage. We are part of the PLWF (Platform for Living Wages Financials) initiative, where we lead and collaborate with other investors and civil society on issues of living wages and structures that support good working conditions. The platform contributes to positive developments in living wages in the clothing, food and agriculture sectors, as well as the retail industry.

How Storebrand contributes to the UN SDGs through active ownership (cont.)

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We work with companies to reduce water consumption and greenhouse gas emissions in livestock production. In partnership with Platform Living Wages Financials, we also engage with companies on working conditions. We have engaged in dialogue with companies about the rights of local communities and indigenous peoples, and about responsible production that does not adversely affect local communities.

13 CLIMATE ACTION

The transition to a low-emission society and net zero emissions in 2050 is a top priority. We encourage companies to adopt climate strategies aligned with the Paris Agreement, targeting net zero emissions by 2050 or sooner. We pay special attention to the largest emitters among our portfolio companies. We engage with several banks to understand their exposure to the fossil fuel industry. Our participation in the Climate Action 100+, The Institutional Investors Group on Climate Change (IIGCC), as well as the Principles for Responsible Investment (PRI), provides platforms for collaborative engagement. We expect investee companies to:

1. Implement a strong governance framework that clearly articulates the board's accountability and oversight of climate change risk.
2. Implement measures to reduce greenhouse gas emissions throughout the value chain, in line with the Paris Agreement.
3. Provide enhanced corporate disclosure in line with the final recommendations of the Task Force on Climate related Financial Disclosures (TCFD).
4. Supports policy measures to reduce the risk of climate change and limit the temperature rise to 1.5 degrees. Storebrand will not invest in companies that deliberately and systematically lobby against the goals of the Paris Agreement.
5. Support just transition: Including labour law and social issues in climate-related activity. Renewable energy and mining companies must conduct human rights due diligence to identify the impact of their operations on workers, communities, indigenous peoples, and environmental and human rights.

14 LIFE BELOW WATER

In line with our nature policy, we do not invest in companies that engage in deep-sea mining activities, or in marine or riverine tailings disposal. Due to the scientific uncertainty and the potential negative consequences for vulnerable ecosystems, we have applied the precautionary principle. We engage in active dialogue with companies, industry associations and policy makers to explain our view on the environmental and financial risks that deep sea mining and tailings disposal entail.

15 LIFE ON LAND

Storebrand's nature policy expresses clear expectations of companies. We use frameworks from International Financial Corporation's (IFC) Performance Standard 6, the Science-Based Targets Network (SBTN) and the Taskforce on Nature-related Financial Disclosures (TNFD).

We expect companies to have policies in place to manage nature-related financial risks and opportunities in their investments and financial operations. At a minimum, we expect companies to report on a four-pillar approach: 1. Governance, 2. Strategy, 3. Risk Management, and 4. Metrics and Targets. We expect companies to incorporate the principle of "double materiality", disclosing not only how nature impacts the organisation, but also how the organisation impacts nature.

We are committed to eliminating commodity-driven deforestation from our portfolios by 2025. Tropical forests contain between 50 and 80 per cent of land–based species, and provide critical ecosystem services. Our expectations of companies associated with deforestation risk are described in our deforestation policy, which was updated in 2023. The main elements of our strategy are portfolio screening and disclosure of deforestation risk, engagement with companies and policy makers and reducing risk exposure (divestment/exclusion).

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

We take measures to avoid corruption and bribery at portfolio companies enabled by inadequate corporate governance. We highlight the importance of consistent, reliable, and verifiable reporting on such factors by companies. We engage with companies operating in war and conflict areas, demanding that they respect human rights and avoid contributing to conflict via their operations, for example in occupied territories in Palestine. Ultimately, we exclude companies that do not meet our requirements.

Sustainable investments team

A 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. The team is dedicated to integrating environmental, social and governance (ESG) risks into our analysis of companies and management of investment portfolios.

The dedicated resources on the team work closely with our portfolio managers and leadership, to implement our strategies and standards for investment.

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, she 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. Isciel has worked for the United Nations and provided technical advice and content to the SDGs. She holds an M.A. in Political Science from the University of Oslo and has studied at University of Cape Town, New York University and Harvard Extension School.

Vemund Olsen
Senior Sustainability Analyst

Olsen joined our sustainable investments team in 2021. He was previously Special Adviser for Responsible Finance at Rainforest Foundation Norway, where he engaged with global financial institutions on management of risks arising from deforestation, climate change, biodiversity loss and human rights violations. Previously, Olsen has worked with the United Nations High Commissioner for Refugees in Venezuela and with human rights organizations in Colombia. He 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 8 years of experience in sustainability within the financial industry. She holds a B.Sc. in Business Administration and Economics from Stockholm University, including studies at National University of Singapore. In addition, she has studied sustainable development at CSR Sweden and Stockholm Resilience Centre.

Frédéric Landré
Sustainability Analyst

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

Find out more about our work and offerings

Storebrand Asset Management is part of the Storebrand Group, managing NOK 1212 billion of assets for Nordic and international clients.

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