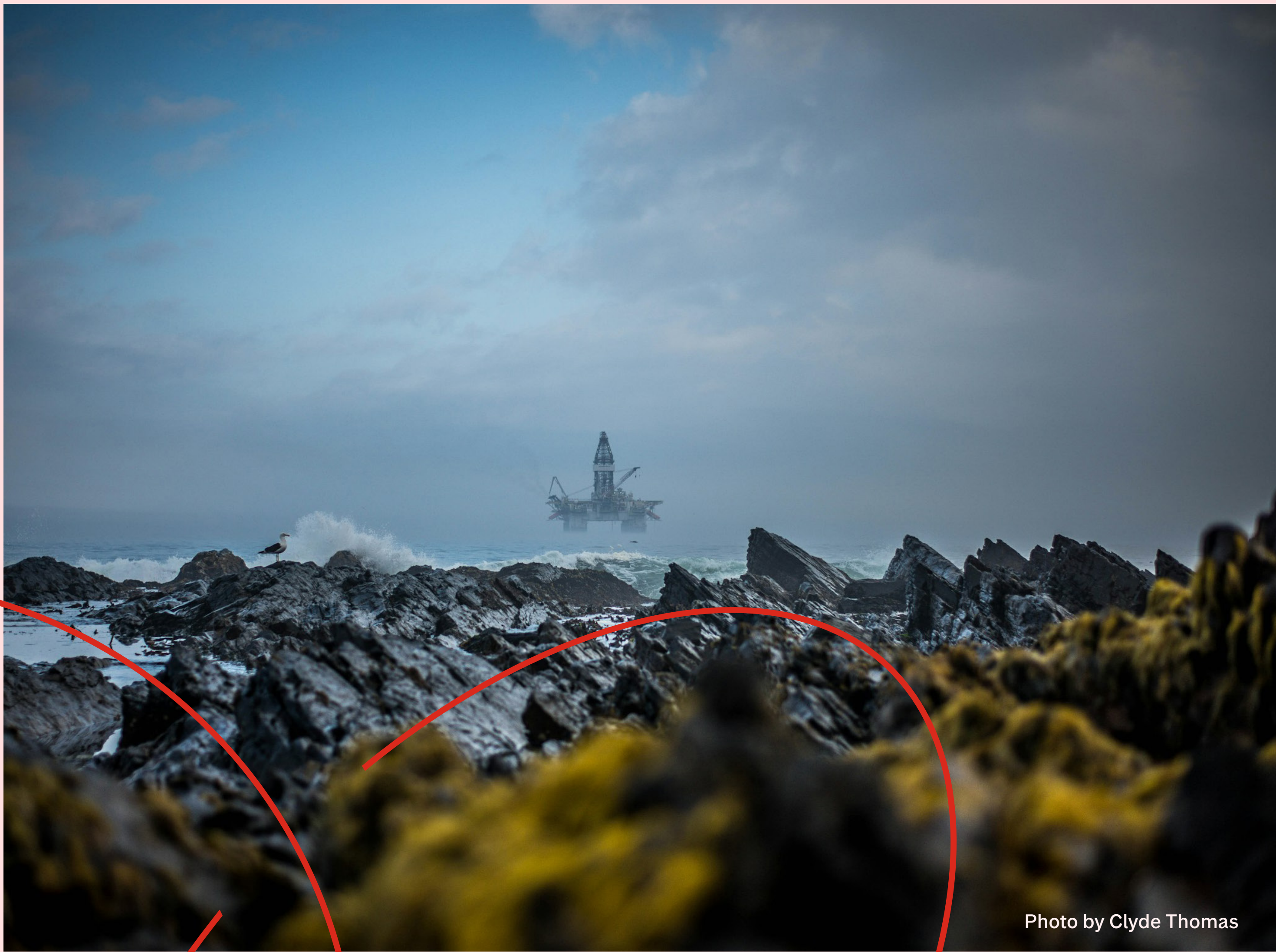
Storebrand

Oil and Gas Position Paper

Storebrand Asset Management



Contents

1. Purpose

Storebrand is a Nordic financial group and is a leading player in the Nordic market for long-term savings, pensions, banking and insurance. Storebrand Asset Management is committed to managing our customers' money efficiently and responsibly, helping them to achieve increased financial freedom and security. Our fiduciary responsibility is to manage our customers' portfolios with the best risk-adjusted returns long-term and we recognize the importance of addressing environmental, social and governance-related risks and opportunities to fulfil this responsibility.

Storebrand has committed to realizing the goals of the Paris Agreement and to making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. Successfully managing climate change will require substantial investments far beyond what the public sector can provide alone.

Transition in the oil and gas sector will be a critical element in realizing the goals of the Paris Agreement. We have joined initiatives such as Net Zero Asset Owner Alliance and Net Zero Asset Manager Initiative and stay committed to play a role in the transition to a low carbon economy, supporting governments and private sector efforts towards the diversification of energy sources and wider use of renewable energy.

We recognise the need to transition away from fossil fuels both from the supply and demand side; engagement is therefore important from both sides. This position paper outlines Storebrand Asset Management's principles and approach to managing risks related to the oil and gas sector, as well as our expectations to companies in this sector that we are invested in. The paper is focusing on our energy financing portfolio and our commitment to managing our activities, with the aim to contribute to a net zero emission economy by 2050. The positions outlined in this document are based on our current "Policy on Sustainable Investments", and the scope of application of this paper covers investment activities relating to companies in the oil and gas sector. Specific criteria apply to companies involved in non-conventional oil and gas and those operating in sensitive Arctic and Amazonian regions.

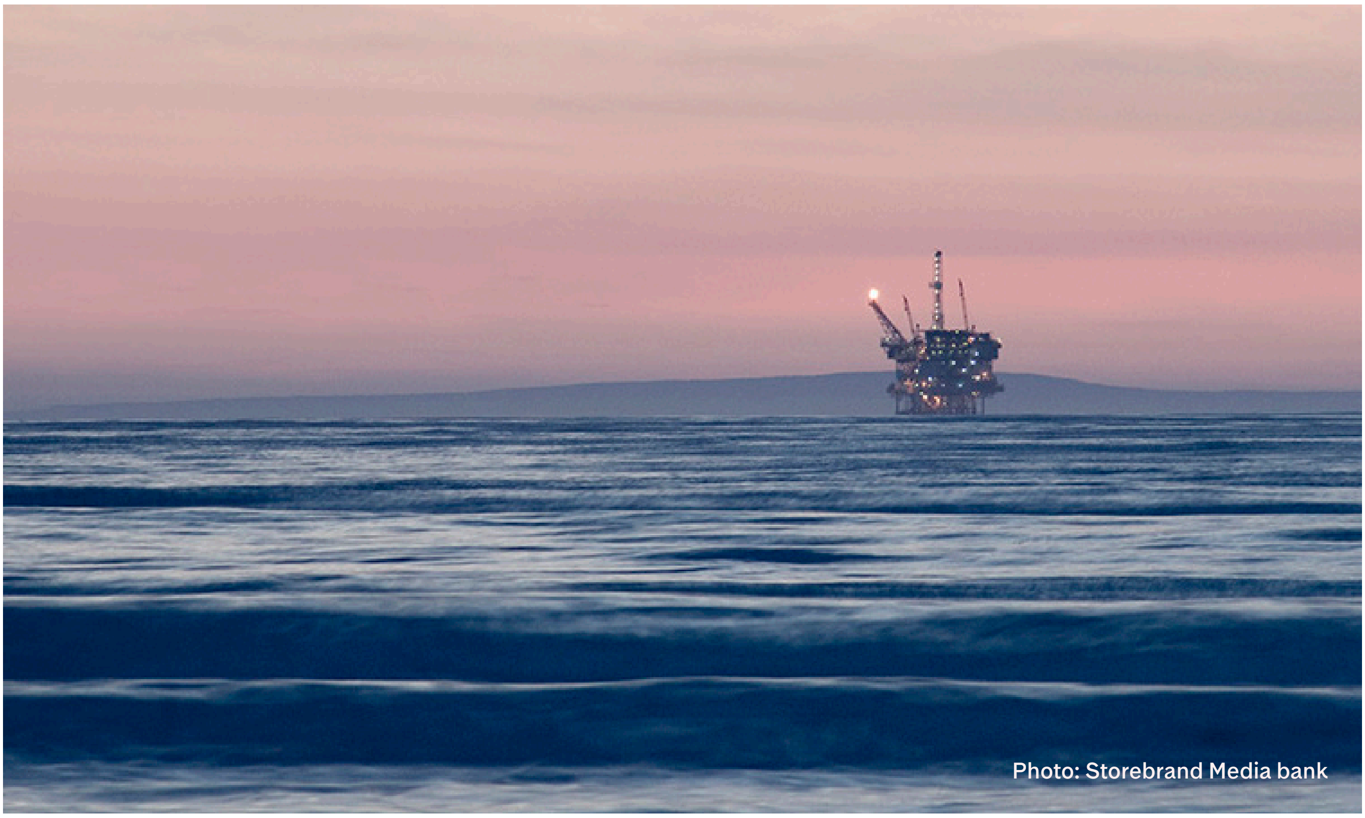


Photo: Storebrand Media bank

2. Principles for position

Storebrand Group is a member of the UN Global Compact, follows the UN Guiding Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprises. We also support UN Human Rights Conventions and ILO Core Conventions, UN Environment Conventions, and the UN Convention Against Corruption. Our work with Sustainable Investment is anchored in our commitments to these international standards.

Transition towards a decarbonized energy system

With regards to its implementation, considering the several works conducted by the scientific community (IPCC) and scenario developed by the International Energy Agency (IEA) highlights the need for a very strong acceleration of investments in low-carbon energies, which is essential to enable a total withdrawal from fossil energies and the achievement of net zero by 2050. In this perspective, Storebrand Asset Management has decided to reduce its support to the oil and gas industry and strongly accelerating the financing of low-carbon energies. As of December 2023, roughly 50 % of our AUM in mutual funds has no investments in oil and gas companies, given the fund mandates exclude fossil investments. We have also committed 15 % of total AUM by 2025 in solutions, including renewables.

Areas of high biodiversity value

Storebrand Asset Management has committed to maintaining and strengthening biodiversity. We believe biodiversity loss and degradation of ecosystems will affect the capacity of our long-term economic growth and is likely to have implications for long-term asset returns. While oil and gas operations are often not the biggest threat to biodiversity in an area, they can have a wide range of negative impacts on ecosystems. With increasing demand for energy and the likelihood that oil and gas will be used to meet much of this demand over the next several decades, the risk to biodiversity from energy development projects is expected to increase. Many areas with significant biodiversity remaining are also the traditional areas of indigenous, tribal or traditional peoples.

Respect for human rights

Storebrand Asset Management is furthermore committed to conducting its business with respect for all internationally recognized human rights, including those set out in the International Bill of Human Rights and the International Labour Organisation Declaration on Fundamental Principles and Rights at Work. We will not knowingly invest in companies with operations that are illegal, fail to respect, or that contribute to the severe violations of the rights of workers, children, communities, indigenous peoples or consumers among others.

Photo: Storebrand Media bank

3. Expectations and thematic positions

Storebrand Asset Management offers a wide range of funds that are fossil-free. As of December 2023, roughly 50% of our fund offerings/AUM has no investments in oil and gas companies. For the remaining assets under management, the following expectations and thematic issues will be applied to the oil and gas holdings.

3.1 Expectations to companies

Our expectations to companies are in line with expectations outlined by Climate Action 100+ and IIGCC Net Zero Standard for Oil and Gas. We are seeking commitments from company boards and senior management to:

- Implement a strong governance framework which clearly articulates the board's accountability for and oversight of risk from climate change.
- 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 two degrees Celsius above pre-industrial levels, aiming for 1.5 degrees. Notably, this implies the need to move towards net-zero emissions by 2050 or sooner.
- Provide enhanced corporate disclosures in line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and sector-specific Global Investor Coalition on Climate Change (GIC) Investor Expectations on Climate Change guidelines (when applicable). These disclosures will enable investors to assess the robustness of companies' business plans against a range of climate scenarios, including well below two degrees, and will help improve investment decision-making.

3.2 Principles for escalation of engagement

Our approach is to try to influence a company through engagement, and utilise various tools for escalation, if needed, to achieve progress. Companies will be informed of expectations, and we will engage with them, either bi-laterally or through various investor coalitions.

Storebrand Asset Management will also use its voting rights to address and reduce adverse negative impacts that companies in our portfolios may be involved in. We believe in the strategy of combining engagement and voting to achieve change in corporate behaviour and thus reduce adverse impact. Voting can exert extra influence over companies we are engaging with, or signal that certain sustainability issues are important to us, such as voting against oil and gas companies' climate plans not aligned with net zero targets. We may also pre-declare our voting in advance of AGMs, or co-file shareholder resolutions in certain circumstances where we see lack of progress.

If companies do not meet our expectations, and the above escalation measures do not achieve desired results, we will also consider options, such as freezing trading in a company and placing it on an observation list, executing a risk-based sale of assets (for example in the highest risk companies where it is not possible to engage or influence), or formal exclusion of companies across our investment portfolios.

Exclusion is to be used as a last resort and should only be applied where companies clearly fail to demonstrate change or improvements that can mitigate and/or prevent adverse impact, or where it is not possible to come into dialogue with a company and escalation measures fail. If an excluded company demonstrates positive change that reduces the risk of recurrence, the company may be re-included in the list of companies we invest in. We will continue to exclude companies in certain sectors (such as oil sands), and certain activities (such as operations in ecologically sensitive areas or Indigenous peoples' areas with no free prior informed consent established).

3.3 Thematic positions

3.3.1 Oil and gas activities in ecologically sensitive areas:

Storebrand Asset Management reaffirms its commitment which we have outlined in the Nature Policy from 2022 that we will apply a precautionary approach in ecological sensitive areas.

Arctic: Companies that derive more than 5 % of their revenues from drilling in ecologically sensitive areas above the Arctic circle will be put on our observation list, assets frozen, closely monitored and engaged with based on our existing ownership. Depending on the outcome, the companies will either be excluded from our investment universe, or they will be removed from the observation list. Assessments will be made case-by-case and be science based with respect to risks and impacts to ecologically sensitive areas within the Arctic.

Deep-sea and ultra deep-sea drilling: Companies will be assessed in relation to operations in environmentally sensitive areas. We will engage with companies to address potential negative impacts of their operations and escalate engagement accordingly, consider exclusion if the company cannot/will not mitigate the impacts adequately.

Amazon region and tropical forests: Companies will be screened for operations in tropical forest areas. Enhanced due diligence will be conducted to identify appropriate risk mitigation actions, which can include engagement, and escalation, such as voting, observation/freezing of assets, risk -based sale of assets, or exclusion.

3.3.2 Unconventional oil and gas

Oil sands: Storebrand Asset Management has not been financing companies deriving more than 5 % of their revenues from oil sand since 2020. This applies to all investments and asset classes.

Shale gas: Fracking is an activity with potentially significant environmental consequences. Methane gas emissions, contamination of groundwater with chemicals, and disturbances to the land are among the most possible environmental impacts. Fracking can have negative social consequences for residents near the facilities. This includes encroachment on indigenous territories or health issues for the local population due to contamination of drinking water or soil. There is a significant difference in how various actors operate and the safety measures they implement to prevent environmental and health damage, including methane emissions. It is therefore important that companies provide detailed reports on each project, including methane and other gas emissions, chemical use, water discharges and usage, land disturbances, and the effectiveness of environmental and safety measures. Storebrand Asset Management does not have an activity-based exclusion criterion for companies involved in fracking as a method for extraction of oil and gas. Any exclusions related to fracking activities will be made based on an analysis of companies' operations and implementation of this extraction method in accordance with our exclusion criteria for environmental damage, human rights violations, as well as nature and biodiversity.

3.3.3 New fields and infrastructure

IEA is of the position that new oil and gas field development with new infrastructure is not compatible with 1.5 C scenario for upstream companies with net zero targets for 2050. We are concerned that with the current trajectory, 1.5 C scenario may not be achievable, however, we will exercise our ownership rights related to new oil and gas developments with new infrastructure and encourage work towards a transition and a decarbonized energy system.

New field development & secondary markets:
Companies opening up for **new fields with new infrastructure** in ecologically sensitive areas will be placed on our observation list /freezing of assets, assessed against our Exclusion Policy and excluded if, after engagement and escalation of engagement, they choose to commence activities for infrastructure development in ecologically sensitive areas.

Companies opening up for new fields with new infrastructure (not in an ecologically sensitive area), will be assessed for observation/freezing of assets. If, after engagement and escalation of engagement, the company chooses to commence infrastructure development, the company will be considered for a risk-based sale of assets.

Companies opening up for **new fields with existing infrastructure**, will be assessed. If, after engagement and escalation of engagement, the company chooses to commence new field development, various options will be considered, including such as observation list/freezing of assets, and a risk-based sale of assets for some or all investment strategies.

Oil & Gas Infrastructure & primary markets:
We will make no new direct investments in new oil and gas fields, non-brownfield pipelines, oil-fired power generation or unabated gas power generation. Exceptional circumstances where alternatives for affordable and reliable energy are not yet viable or where government-issued regional/national 1.5 C pathways and /or other regional specificities may influence portfolio decisions.

Storebrand Asset Management may invest in infrastructure that is required to support the global economy during the energy transition, but all choices must be guided by credible 1.5°C scenarios for the oil and gas sector, including the OECM and the IEA roadmap.

3.3.4 Human rights and just transition

Companies opening up for oil and gas operations in Indigenous Peoples (IPs) areas, will be assessed, and the Free Prior and Informed Consent (FPIC) process they have with the IPs evaluated. The commencement of projects in these areas carries with it also high legal, reputational, operational and financial risks. If, after the engagement and escalation of engagement, the company does not have in place an appropriate FPIC process, the company will be considered for a risk-based sale of assets, or formal exclusion.

Storebrand Asset Management will engage with oil and gas companies on just transition. In line with the recommendations of the ILO Guidelines for a just transition and the World Benchmarking Alliance, it is expected that companies embed just transition accountability within their wider climate strategy.

Companies should embed just transition accountability within their wider climate strategy. They should establish a social dialogue mechanism and start by defining who within the company is responsible for implementing a just transition and how to incorporate it as part of the company's long-term objectives and priorities. Furthermore, implementation strategies should include requirements on how companies consider just transition factors within their products and services and address risks of harm to key stakeholder groups.

Companies should ensure their just transition strategies are based on social dialogue, collective bargaining agreements, decent work, labour rights and employment opportunities and challenges as well as the respect of local communities.

3.3.5 Lobbying against climate and nature

Storebrand Asset Management will not invest in companies that deliberately and systematically work against the goals and targets enshrined in the Paris Agreement and the Kunming-Montreal agreement. We expect companies to support for effective measures across all areas of public policy that aim to mitigate climate change risks and limit temperature rise to 1,5 degrees Celsius and to halt biodiversity loss. This support should apply to all engagement conducted by the company in all geographic regions, and to policy engagement conducted indirectly via third party organizations acting on the company's behalf or with the company's financial support.

Companies' lobbying activities against climate and nature will be assessed, and, if after engagement and escalation the company fails to adequately address concerns, will be excluded.

86176 04/24

Storebrand Asset Management AS
Professor Kohts vei 9, Postboks 484, N-1327 Lysaker, Telefon 915 08880, storebrand.no