

16 November 2022

Gap analysis by Storebrand Asset Management of potential areas of improvement, based on PRI Assessment Report 2021

The following is a summary of indicators where PRI's Assessment report gave Storebrand Asset Management (SAM) less than a perfect score. SAM's score is provided for each listed indicator, compared to the median score for all PRI signatories that reported on the same indicator. A brief explanation is provided of the reason identified for not achieving a full score.

Module: Investment and Stewardship Policy (ISP)

Indicator group: Responsible investment policy & governance

ISP. 8.2: Bonuses for responsible investment practices

SAM score: 64/100. Median score: 32/100.

This indicator assesses whether and to what extent variable remuneration practices are linked to ESG objectives. SAM reported linking performance on investment objective "*contributing to the development of the organisation's ESG incorporation approach*" to variable remuneration system for various (but not all) staff roles, and no other investment objectives linked to ESG.

ISP 9: Frequency at which staff training for responsible investment practices is reassessed

SAM score: 32/100. Median score: 64/100

SAM reported "less than annually" to the question "*How frequently does your organisation assess the responsible investment capabilities and training needs among your investment professionals?*"

It should be noted that annual online training module on sustainability is mandatory for all staff, which was not reported. However, regular assessment of capabilities and training needs is noted as potential area of improvement.

ISP 10.1: Signatories incorporating ESG factors in strategic asset allocation

SAM score: 112/150. Median score: 56/150

SAM reported "for the majority of our assets" to the question "*For what proportion of assets do you incorporate ESG factors into your strategic asset allocation process?*"

For full score, SAM would have had to report "all assets".

Indicator group: Stewardship/engaging policymakers

ISP 24: Signatories with policies to ensure alignment of political activity with stance on responsible investment

SAM score: 0/200. Median score: 0/200

ISP 24.1: Public disclosure of political influence policies

SAM score: 0/150. Median score: 0/150

SAM replied "No" to the question "*Do you have policies in place that ensure that your political influence as an organisation is aligned with your position on sustainable finance and your commitment to the 6 Principles of the PRI?*"

SAM scored zero for not having an explicit policy commitment on political influence, and thus also for not disclosing such a policy. This is noted as a potential area of improvement. However, SAM got full score on ISP 25, for disclosing all political influence *activities*.

Indicator group: Climate change/strategy

ISP 30.1: Time horizon for climate risks and opportunities (TCFD strategy A)

SAM score: 150/200. Median score: 100/200

SAM not given full score due to not selecting all time horizon options for assessment of different climate-related risks and opportunities risks in portfolio.

ISP 31: Climate risks and opportunities identified beyond investment horizon (TCFD Strategy A)

SAM score: 0/200. Median score: 0/200

SAM scored zero score due to this answer: "*We have not identified specific climate-related risks and opportunities beyond our organisation's investment time horizon.*"

Indicator group: Transparency and confidence-building measures

ISP 47: Communication of information regarding passive ESG products

SAM score: 128/200. Median score: 64/200

Sub-indicator question: *"For the majority of your ESG/sustainability marketed funds or products, and/or your ESG/RI certified or labelled assets that are passive listed equity and/or passive fixed income, how do you communicate changes in their ESG benchmark selection and construction?"*

To get full score, SAM would have had to select alternative *"We disclose details that would allow external parties to replicate or test the ESG index or benchmark"*. All other reply alternatives (except "no reporting" were selected, hence partial score.

ISP 48: Information included in regular client reporting for ESG products

SAM score: 112/150. Median score: 113/150

To the question *"What ESG information is included in your client reporting for the majority of your ESG/sustainability marketed funds or products, and/or your ESG/RI certified or labelled assets?"*, the only reply alternative not selected, thus preventing a full score, was: *"Analysis of ESG contribution to portfolio financial performance"*

ISP 52: Confidence-building measures

SAM score: 128/200. Median score: 128/200

Not given full score for not reporting in detail on verification of reporting to PRI, such as external auditing.

ISP 58: Internal review: coverage

SAM score: 75/100. Median score: 100/100

Not given full score because SAM's reporting to PRI was not reported as reviewed by management or staff beyond Responsible Investment/ESG team.

Modules: Listed equity (LE)

Indicator group: Stewardship/voting

LE 18.2: Exclusions in securities lending

SAM score: 0/100. Median score: 0/100

Zero score because no companies are explicitly excluded from securities lending. (Although SAM got full score on indicators LE 18 and LE 18.1 for its securities lending policy and for recalling all securities to ensure voting on all ballots.)

LE 20: Pre-declaration of votes

SAM score: 0/150. Median score: 0/150

Zero score because SAM does not pre-declare votes in advance of AGMs. SAM does not currently have a system for pre-declaring votes, but is considering options for doing this in the future.

LE 21.1: Time between voting and disclosure of voting activities

SAM score: 112/150. Median score: 38/150

Partial score because of reported time-lag between votes and disclosure of votes. However, this issue has been resolved, as votes are now disclosed online immediately after AGMs.

LE 22.1: Coverage of communication of the rationale for voting abstain/against management recommendations

SAM score: 123/150. Median score: 48/150

Partial score for reporting "more than 95%" rather than "100%" on question on disclosure of votes cast against management or abstaining. However, SAM does aim to disclose rationale of 100% of against/abstain votes, but reported "more than 95%" to allow for any potential errors in online voting statistics dashboard.

Modules: Fixed income (FI) (both SSA and Corporate)

Indicator group: Pre-investment phase

FI 3.1: AUM coverage of ESG incorporation in investment research

SAM score: 82/200. Median score: 57/200

Partial score as SAM reported anticipating how the evolution of ESG factors may change the ESG profile of debt issuers, but did not report on incorporating ESG factors into the forecast of cash flow, revenues and profitability.

Indicator group: Pre-investment phase/ESG performance

FI 8: Incorporation of relative ESG performance in investment analysis

SAM score: 96/150. Median score: 48/150

To get full score, SAM would have had to select reply alternative "We use the relative ESG performance of a borrower to adjust the internal credit assessments of borrowers by modifying forecasted financials and future cash flow estimates". All other reply alternatives (except "no ESG performance assessment methodology" were selected, hence partial score.

Indicator group: Post-investment phase/Passive

FI 16: Percentage of passive fixed income holdings that use an ESG benchmark or index

SAM score: 0/150. Median score: 0/150

Zero score because 0% of passive fixed income assets reported as using ESG benchmark or index.

Indicator group: Engagement/Engaging with issuers/borrowers (Fixed income/Corporates)

FI 22: Timing of fixed income engagement

SAM score: 0/200. Median score: 128/200

It is unclear why SAM scored zero on this indicator, which asks at which stages the organization engages with issuers/borrowers. SAM reported engaging at the pre-investment stage, during the holding period and at the refinancing stage. SAM did not select reply alternatives "during pre-issuance stage" or "when issuers/borrowers default". Presumably this score is wrong, and SAM will consult with PRI to clarify.

Module: Direct - Real estate (RE)

Indicator group: Post-investment phase/Monitoring

RE 16: Percentage of real estate assets with external certification

SAM score: 32/100. Median score: 32/100

Partial score given because SAM responded "A minority of our real estate assets have obtained an ESG/RI certification or label". However, according to percentage of real estate assets with environmental certification increased from 42% in 2020 to 52% in 2021, so reported reply was incorrect. With clear targets for continued increase, this indicator score will improve.