Sustainable Investment Review Q4 2023

Storebrand Asset Management

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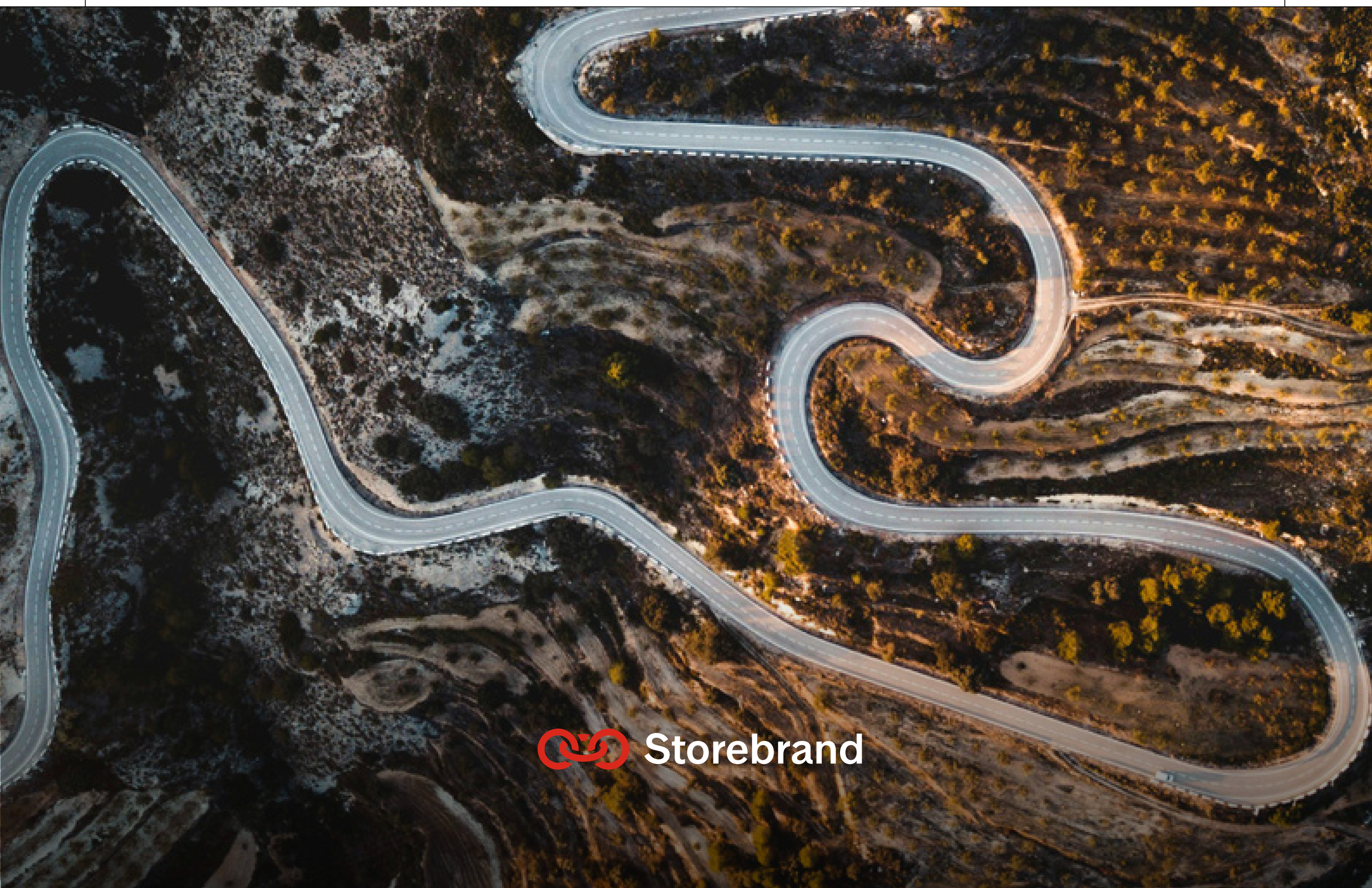
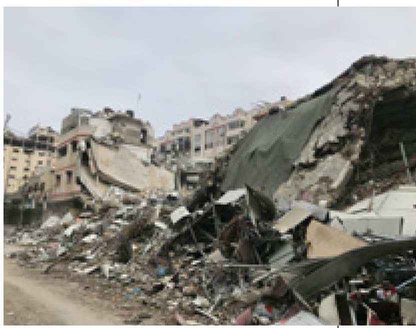


Storebrand

In this issue

Ramping up engagement



↑ Conflict in the Israeli-occupied Palestinian territories has resulted in open warfare and a humanitarian catastrophe.

As is often the case, the fourth quarter was a busy one, with high levels of engagement activity with companies in our portfolio. These included a major working trip to Japan, where we conducted in person meetings with several of our portfolio companies. Some of the highlights and insights from the trip are shared an article in this report.

On the collaborative front, we participated in several major knowledge-sharing events, including the UN Principles for Responsible Investment (PRI) In Person conference in Tokyo, as well as the 12th United Nations Forum on Business and Human Rights in Geneva. We conducted significant amounts of activity within collaborated initiatives on a broad set of issues, such as the net zero transition, chemical pollution, biodiversity, deforestation, living wages and human rights in the tech industry, as described in several entries in the section of this report on active ownership.

The quarter was also marked by a significant amount of planned and unplanned engagement activity related to conflict in the Israeli-occupied Palestinian territories (OPT): Gaza where a major war broke out in October, as well as the West Bank which simultaneously experienced a surge in armed conflict.

As of the time of publishing this report, reports from the United Nations indicated that the conflict had led to the deaths of tens of thousands of Palestinians and more than a thousand Israelis. The vast majority of the dead have been ordinary citizens, including a staggering number of children. The UN describes a dire humanitarian situation for Gaza's 2.2 million residents, with basic aid deprived and mass starvation "inevitable" amid Israel's blockade of the territory. Overall, this is one of the deadliest chapters in a long-running conflict in the OPT, spanning several decades with no clear resolution in sight.

Managing the risk of involvement in violations of human rights in conflict and high-risk areas is an issue that Storebrand has worked on for many years now, regularly screening our portfolios and evaluating companies that could be contributing to conflict. As the most recent outbreak of armed conflict in the OPT flamed up, we were in the middle of our annual screening, engagement and exclusion process for this region. This process, which is detailed in this report, has resulted in an exclusion so far and remains ongoing.

"As the most recent outbreak of armed conflict in the OPT flamed up, we were in the middle of our annual screening, engagement and exclusion process for this region."

Kamil Zabielski,
Head of Sustainable Investment

In brief

Event

OECD Responsible Business Conduct conference

On December 14, 2023, Storebrand Asset Management CEO **Jan Erik Saugestad** participated in a panel discussion about responsible business conduct organized by Norway's National Contact Point for the OECD Guidelines. The panel, which was part of the OECD national contact point's annual conference, focused on driving responsible business conduct amid the many crises and conflicts that the world is currently experiencing.

Saugestad was joined by **Eivind Vad Petersson**, deputy minister for foreign affairs; **Knut Kjær**, former CEO of Norges Bank Investment Management and professor at the Norwegian University of Life Sciences (NMBU); and representatives from DNB and NHO (the Confederation of Norwegian Enterprises).

The discussion focused on many issues, ranging from net-zero goals and the role of geopolitics in business, to nature preservation and indigenous communities. Saugestad's remarks emphasized the need to protect nature in our battle against climate change, as well as how indigenous communities should be more respected as the best stewards of nature. He also reiterated that there was no adequate scientific basis to justify deep sea mining as a necessary component of green transition.

On the social side of ESG, Saugestad underlined that important dilemmas like establishing decent working conditions or living wages should not be pushed to the backburner for the sake of solving environmental challenges. Both are vital inputs for smoothly running well-off societies.

Most significantly, Saugestad also emphasized that respect for human rights should be at the centre of investors' evaluation of their portfolio companies. Contrary to mainstream thinking, Saugestad argues, respect for human rights, in the context of conflict areas, is not a political question but a question of respecting international law. Respecting international humanitarian law makes up the baseline requirement of international legal order, and it is an important part of doing business that investors should not shy away from.

The rest of the conference focused on the latest OECD guidelines on responsible business conduct, updated in June 2023, its application and oversight by various stakeholders, as well as just transition.

See the streaming of the conference

Source: Heidi Årby/Storebrand

← Jan Erik Saugestad with deputy minister Petersson and representatives from NHO, DNB, and NMBU

Event

Norwegian TNFD launch

On November 17th, Tony Goldner, executive director of the Taskforce on Nature-related Financial Disclosures (TNFD), Jan Erik Saugestad, the CEO of Storebrand Asset Management, Karoline Andaur, the CEO of WWF Norway, and Kristina Furnes, Chief Communications Officer of Grieg Seafood, were featured in a panel on the latest developments regarding TNFD Guidelines, including its application in the Norwegian context. Before the panel discussion, the event began with a keynote address by Norwegian Minister of Climate and Environment Andreas Bjelland Eriksen, who emphasized the importance of systemic changes in preserving nature and biodiversity. Eriksen said that, in the next few months, the ministry would present national action plans on addressing nature and biodiversity risks.

→ **Storebrand Asset Management CEO Saugestad in the panel discussion with Andaur, Furnes, and Goldner**

Later, Goldner gave a presentation on the TNFD guidelines launched in September. He explained TNFD's intentional reliance on existing standards and frameworks, to make it easier for companies to account for the inescapable nature and biodiversity risks. Goldner also emphasized that TNFD aimed to bridge the lag in implementing the changes into regulations worldwide. He noted that since progress will take some time, for national governments operating in a multilateral system; the TNFD is stepping up in the meantime to provide guidance to companies and investors.

The seminar concluded with a panel discussion where Saugestad, Andaur, and Furnes shared their sectoral insights on how TNFD would enable greater action on nature.

Recognition

Taking the lead

Storebrand Asset Management CEO **Jan Erik Saugestad** has been elected a member of the board of the Institutional Investors Group on Climate Change (IIGCC). IIGCC is the leading European membership body driving the investment community towards a net zero and resilient future. IIGCC has focuses on policy, investor practices and corporate engagement. Its 375+ members represent over EUR 51 trillion of assets under management (AuM).

Event

Swedish TNFD launch

On November 16th in Stockholm, the Swedish Financial Supervisory Authority and WWF Sweden convened over 80 executives from financial institutions and corporates. **Tony Goldner**, the CEO of the Taskforce on Nature-related Disclosures (TNFD) introduced the TNFD recommendations and guidance to the Swedish market, with representatives from The Swedish Financial Supervisory Authority, WWF AP7 and Storebrand Asset Management.

At the event, **Emine Isciel** of Storebrand Asset Management presented how Storebrand has already started to implement TNFD methodology in their portfolios to better understand their nature-related risks and opportunities. She encouraged businesses to act now, as it is only a matter of time before the TNFD recommendations become requirements as we are seeing with the TCFD.

She explained how Storebrand Asset Management has established a governance structure with an internal taskforce to set additional targets, monitor nature-related risks and opportunities and to regularly report to the Board. The Nature Policy which was adopted last year will guide our investment decisions going forward. We have conducted a preliminary analysis of impact and dependencies of our investments, and we now currently evaluating various data providers that may give us more granular understanding. As part of our commitment to nature, and in line with the precautionary principle, we have introduced new divestment criteria.

← **Storebrand's Emine Isciel at the Swedish launch of the TNFD guidelines, with counterparts and organizers.**

Geneva conflict workshop

Amid rising levels of conflict around the world, investors face a minefield in ensuring that human rights are respected throughout the business activities that they are involved in. Storebrand believes that a critical tool towards solving this is knowledge sharing among investors on the details of building of deeper, more intentional relationships with multi-stakeholder partners.

In Geneva this November, following the 12th UN Forum on Business and Human Rights, the Investor Alliance for Human Rights, of which Storebrand is a member, along with PeaceNexus and the Heartland Initiative, organized a post-Forum workshop of the Business and Conflict Community of Practice (CoP). The workshop assembled human rights experts and investors, to share thoughts and learn from relevant experiences.

At the event, Storebrand Head of Human Rights **Tulia Machado Helland** along with counterparts from the Church of England Pensions Board and de Pury Pictet Turrettini, led a discussion on rights-respecting investment in the tech and renewable energy sectors in CAHRA (Conflict Affected and High-Risk Areas).

Stepping up nature action

In early November, **Emine Isciel**, Storebrand's Head of Climate and Environment, participated in ESG Investor's Nature Data seminar in London, to discuss how to drive greater corporate ambition and action on nature with **Tim Steinweg**, Nature Lead at Principles for Responsible Investment (PRI).

Isciel remarked that the investor group would publish an annual benchmark starting in 2024 to track the progress made by these 100 companies. She also emphasized the need for alignment between engagement initiatives, including between NA 100 and Spring, PRI's new stewardship initiative.

For Isciel, the companies that Spring will identify need to have much more in-depth dialogue on their behaviour regarding corporate political engagement. Alignment between NA100 and Spring would give investors a unique opportunity to go further into companies' political engagements, whereas the current focus of NA100 is the negative impacts of companies across their whole operations and throughout their value chains.

← Storebrand's Emine Isciel at the LSFI event with counterparts and organizers.

Luxembourg masterclass on nature risk

Storebrand was honoured to contribute insights on nature-related risk in sustainable finance, at a Luxembourg Sustainable Finance Initiative (LSFI) Masterclass in November 2023.

The LSFI designs and implements Luxembourg's national sustainable finance strategy, by raising awareness, promoting and helping to develop relevant initiatives. One of these is the November masterclass, which gathered financial professionals and sustainable finance experts, to discuss managing nature-related financial risks and opportunities by combining theoretical and practical content from national and international experts.

Emine Isciel of Storebrand Asset Management participated as a featured expert at the event. In her presentation, she contributed insights on; the characteristics and scope of nature-related risk; the reasons why it is an important consideration in long-term investment management; and learnings from the approach that Storebrand Asset Management has developed to manage these risks.

In her contribution, Isciel also explained how, alongside climate change, the related rising crisis of biodiversity loss is now a critical business risk for portfolios. She detailed how, spurred on by the recommendations of COP15, the engagement of governments, policymakers and financial regulators on this issue is growing. Two areas that they are increasingly focused on, are: aligning financial flows with the preservation of biodiversity; and enforcing this through ESG regulatory frameworks which currently mainly target climate change.

The feedback received from the event attendees and organizers was positive. The attendees, already well aware of the theoretical aspects of nature-related risks, were eager to receive concrete examples on how to implement strategies for managing these, and to learn from Storebrand's experience in the field. By sharing our knowledge, we aim to meaningfully contribute towards ensuring that nature-related risks are optimally integrated into the strategies of Luxembourg, which is influential as a leading global financial centre.

← Emine Isciel, head of climate and environment with Tim Steinweg, nature lead for PRI.

Recognition

Fund Selection Repeat Win

Storebrand Asset Management is chosen the best Norwegian fund selection team at this year's Nordic Fund Selection Awards. The team, composed of **Georg Skare Lund**, **Karsten Solberg**, **Marius Valantiejus**, and **Stein Svalestad**, has won the award 13 out of 14 times so far.

↑ Senior Fund Analyst Karsten Solberg and Head of Fund Selection Georg Lund at the Nordic Fund Selection Awards 2023

Rising star

At this year's Portfolio Adviser Wealth Partnership Awards, Storebrand Asset Management was awarded the Rising Star Business Award. The PA Wealth Partnership Awards recognize excellence in wealth-asset manager collaboration for the benefit of end-investors.

DJSI top ranking

Storebrand has been assessed by the Dow Jones Sustainability Index as one of the world's leading listed companies in work on sustainability. The assessment was welcomed by the CEO of Storebrand Group, **Odd Arild Grefstad**, who said that the ranking was a good indication of Storebrand's success in making sustainability a driving force at all levels.

The Dow Jones is a comprehensive and recognized ranking of listed companies' work with sustainability. The index includes companies in the top ten percent in each industry.

This year, out of 3400 companies assessed, Storebrand is ranked in the top three per cent in global insurance.

Academy on sustainability reporting

In November Storebrand contributed sustainability measurement insights at the launch of a training program organized by the Norwegian Institute of Public Accountants in collaboration with the country's "Big 5" audit firms (BDO, Deloitte, EY, KPMG, PwC).

The new program, "Academy on sustainability reporting," has been designed to provide hands-on learning, for both auditors and reporting companies, regarding how to put the EFRAG's European Sustainability Reporting Standards (ESRS) exposure drafts into practice. The need for new training is based on the agreement reached by EU policymakers in June 2022, on the Corporate Sustainability Reporting Directive (CSRD).

The CSRD adds new elements to the educational requirements for statutory auditors that provide assurance services on sustainability information. Going forward, auditors must acquire the necessary theoretical and practical knowledge on, and pass a required examination, regarding sustainability information. As the additional CSRD-related requirements are a major shift for the accountancy profession, getting adequate training is critical for professionals in the field, especially those at smaller practices, which tend to rely on professional institutes for this preparation.

At the training program, **Emine Isciel** presented Storebrand Asset Management's focus on ESRS E4, which specially addresses biodiversity and ecosystem. In the context of ESRS E4, companies are required to report on the actions they have taken and their outcomes to prevent, mitigate, or restore existing or potential adverse impacts on biodiversity and ecosystems. Additionally, they should detail measures taken to safeguard or restore biodiversity and ecosystems. Companies are obligated to provide clear information on the influence of risks and opportunities on the short-, medium-, and long-term development, performance, and status of the organization. Furthermore, the disclosure should encompass the organization's plans and capabilities to adapt its business models and activities, aligning them with the relevant objectives of the EU Biodiversity Strategy for 2030.

The CFO role in sustainability

Challenges such as climate change, nature loss, and social inequality require fundamentally rethinking how businesses think about value creation. This in turn, prompts questions about the role of a Chief Financial Officer (CFO) — a role which at most companies means holding the primary responsibility for the financial dimensions of value creation.

Previously most companies have defined the CFO role with a singular emphasis on measuring, managing, and reporting traditional elements of financial value. However, many companies are now increasingly tasking CFOs with various responsibilities that support their sustainability goals.

The implications for the CFO role were the focus of a PWC-organized panel discussion this December, at which Storebrand's **Emine Isciel** was invited to share our perspective on the issue. At the event, Isciel presented the case that that traditional discussions of performance and accounting are often backward-looking: they quantify, report, and assure what has already occurred, with various levels of detail and amounts of controls. She argued that strategic CFOs in an era defined by climate change, among other sustainability pressures, must also look forward.

Isciel noted that CFO leadership of sustainability initiatives is crucial for long-term value creation, as well as for ESG objectives. With many CFOs already fielding questions from investors, she suggested that most companies could expect to face a barrage of reporting and compliance requirements in the coming years. Overall, she concluded, with sustainability gaining importance to companies, the CFO's value-creation mandate calls for a new way of thinking and making decisions one that uses sustainability information to guide choices about how to deliver strong performance for investors.

The panel, titled "How CFOs further value creation by leading on sustainability", was part of a seminar held in Oslo by the global assurance, tax and advisory firm PWC.

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What's ahead for ESG investing

Jan Erik Saugestad
CEO Storebrand Asset Management

2022 was a tumultuous year for ESG investing with a backlash coming not only from the left and right of the US political spectrum, but also from Europe and even the Nordics. 2023 was not the year that the anti-ESG backlash has finally subsided, but there had been some promising developments for its future. In taking stock of this year's developments, perhaps we can also envision what lies ahead.

Looking back on 2023, here's what I see for ESG investing

No concept has been more vilely attacked in the past few years than ESG investing, and the United States carries the brunt of the burden when it comes to anti-ESG backlash. Since 2021, nearly half of all US states have instilled some sort 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 been saying 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.

Moreover, the regulatory developments had not been so promising either—the Trump administration's rule change regarding the consideration of ESG factors in public pension investing had muddied the viability of ESG investing in the US. The rule change has been overturned with President Biden's arrival, but it remains vulnerable to a future administration change. When we add the attacks of academics and other media personalities into the mix, it is safe to say that being involved in ESG investing has been both engaging and challenging.

Hopeful changes on the horizon

2023 has offered some *glimmers of hope* for the future of ESG investing, though.

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]. While the state attorneys filed an appeal, the decision from a traditionally conservative leaning judge still comes as a promising development for ESG-oriented investors. This might be the beginning of the end for the ideological polarization in the US against ESG investing, pending the results of the upcoming presidential election.

The second development is the historic Inflation Reduction Act, which filled its first year this past August. With almost 370 billion USD in subsidies committed to building climate resilience, it represents the biggest investment for clean energy and transportation in history. Focusing on the production of EVs, solar and wind energy capacities, heat pumps, as well as grid upgrades, the IRA, in connection with its sister legislation the CHIPS and Science Act, promises the creation of more than a hundred thousand jobs. All considered, the IRA seeks to bring America back to the climate fight, and to a position where it is leading the pack.

Of course, there have been some well-deserved critique of the IRA. In dissecting the American transition trajectory from the rest of the world, the US has been criticized for turning global energy transformation into a zero-sum competition between nations, for kindling a subsidy war with and within Europe, for disregarding the role of China in the transition, and even for failing its foundational premise of reducing inflation. We should not turn a blind eye to these criticisms, as they might be hitting the right chord regarding the necessity of global collaboration in transition. However, I want to focus on how the IRA might be contributing to calming down of the anti-ESG backlash in the United States.

When we look at where the IRA jobs are created, we see that it is predominantly the so-called Red states that reap the benefits of the IRA. According to FT journalists Sonja Hutson, Sun Yu, and Amanda Chu, more than 80% of manufacturing projects under the Act has gone to states that are current or historical strongholds of the Republican party, including Arizona, Ohio, Michigan, and Georgia[2]. In claiming to re-industrialize the American heartlands, the IRA is in fact creating a new "battery belt," where these "Red states" compete to become national and even global leaders of renewable energy production, employing thousands of people. Given that these are the very states that vehemently opposed the passing of the IRA, the legislation makes a strong statement regarding what it can offer—even to the most fervent opponents.

The IRA marks a vital acceleration point for the US journey in green transition. It can unblock the wheels much needed for bolstering global green transition, and which have been stuck in a polarized political discussion for the past couple of years. Getting a business- and innovation-oriented context like the US, which is the largest financial market and the second largest emitter of carbon in the world, on board with sustainability means a lot to our global transition pathways, even if the particular legislation can vastly be improved.

The IRA also demonstrates that the anti-ESG backlash is not about what ESG investing is seeking to achieve in the real world. Rather, it is a contestation over its narration: Opponents of ESG investing employ a narrow perspective on investment risks to appeal to their electora-

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.

tes. They frame ESG investing as conflicting with the interests of 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.

A much-needed, brand-new equilibrium

These promising developments do not mean critique of ESG investing is done and over. On the contrary, it should inspire a deep thinking about our ways of operating—How can a concept that appears so commonsensical and healthy to us be so outlandish and vicious to others? What are we doing wrong? How can we make ESG investing less susceptible to these kinds of easy yet vicious attacks? Is all this a matter of time perspective?

As it is right now, ESG investing seems to be a "flawed catch-all, trying to encompass too many issues in one marketable acronym," as declared in a recent Financial Times editorial [3].

We should have a good hard look at ourselves and what we are doing to make ESG investing more resilient into the future. And that, in my thinking, involves finding a new equilibrium.

The new equilibrium necessitates investors, companies, and governments rethink their way of being and working, coming up with clear goals and even clearer methodologies. For governments, there are a lot of lessons hidden in the IRA experience: Government support for clean energy and transition should be more meaningful. It should respond well to the needs of corporations. This may well mean better deals for energy infrastructure. It can also mean regulation that is better designed to level the playing field and streamlined administrative processes.

Investors have some pressing tasks on deck as well: First, they should be more articulate about how integration of ESG factors results in better returns in the long run. Second, they should recognize 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, like with 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.

Glimmers of hope—for when it is 30 years from now?

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

First, there is now a wider recognition that ESG integration is relevant and even necessary for long-term risk-adjusted returns.

Second, it is now widely accepted that ESG integration is creating additional value for the clients—value beyond return. And that is much appreciated by clients.

Third, we are seeing improvements in the transnational regulation that allow further flourishing of ESG investing. We have seen it 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.

References

[1] Texas Court Upholds Rule on ESG Factors in Retirement Plans

[2] A year of the Inflation Reduction Act

[3] Saving capitalism from the culture wars

Private Equity: The dark horse of all asset classes

An interview with Dagfin Norum, Chief Investment Officer

Private equity has from time to time been dismissed as a complicated and inaccessible asset class which does more harm to society than good. This understanding has been shifting for a while now, with increasing democratization and mainstreaming of PE, as well as a steadily growing sustainability orientation. We turn to Dagfin Norum, our CIO, to debunk some common misconceptions about PE, understand what it can offer to clients, and look ahead for upcoming trends in PE for sustainability and beyond.

What are some common misconceptions about private equity you see out there and how do you respond to these?
One notable misconception is that private equity suffers much more from high interest rates compared to public equities. This is an understandable concern as we have been experiencing higher interest rates for a couple of years now. However, when compared with listed equities, the leverage applied is less apparent as a value driver than it was in the 1980s and 1990s.

Furthermore, when we employ a long-term perspective, we also see that private equity can outperform public equities in different economic situations, both in times of high as well as low inflation. According to recent research by NBIM, PE buyout funds have on average outperfor-

med public markets by almost 4 per cent[1]. In this respect I would like to highlight that our own experience with PE investing since the late 1990s shows an even higher outperformance.

Of course, we need some asterisks here: There is large variation in risk levels within PE, depending on the investment strategy of the manager and the risk profile of the underlying companies. There are also significant differences in performance across different PE managers. Selecting the right partner for PE-investments is crucial to achieve the results you are looking for.

What about the perception that PE cannot serve those clients with ambitious sustainability goals?
I would strongly disagree with such a general statement. Of course, the sustainability focus varies between different managers, just like it does in all asset classes. However, for managers taking sustainability into account, I would rather argue that PE is an excellent vehicle to make strong impact. PE managers normally have considerable ownership stakes and follow active management strategies with a focus on generating long-term value. The private markets also offer great opportunities to tap into early-growth and solution companies. We are also seeing an increase in PE involvement in impact strategies, which aim to bring about positive societal impact in addition to satisfactory financial returns.

I also think demand coming from sustainability-oriented clients will help continue to strengthen PE practices. As more institutional clients with ambitious sustainability goals turn to PE, the PE firms will need to further step up their game to accommodate the wishes of their clients. It is easy to see this: The number of private equity firms which are signatories to the Principles for Responsible Investment (PRI) is increasing steadily. More than two thirds of private equity capital raising come from managers with an ESG mandate [2].

This all sound great but what do you think about the infamous fee structure of PE?
The management fees are traditionally high, there is no beating around the bush there. However, one must keep in mind that with PE you get a truly active portfolio management. Sourcing and executing successful private market deals and thereafter leading operational improvements through active ownership is different from managing more passive listed portfolios. History has also shown that strong PE managers are able to generate excess return, which more than offsets the additional fee compared to listed strategies. In this regard, it is crucial for clients to find PE partners that have a strong track record of generating satisfactory returns within their stated investment strategy and are transparent about how they are doing it.

I also think of PE management fees as premiums paid to access investment opportunities that are otherwise difficult to find. This is true both within direct PE and in fund-of-fund structures. Of course, deal originating is crucial within direct PE to deliver on the return expectations. Within fund-of-fund structures managers devote significant time and effort into building relationships with individual PE fund managers over many years. Clients can then access these relationships without devoting the same level of effort. In one sense, the fee is not only paid for allocation but also for the research and good long-term relationships that go into the process and gives access to the potentially best managers across the globe.

As you mentioned, we are seeing an increase in the use of impact/sustainability strategies in private equity. What does this mean for clients and for the positive impact on our planet and society?
In essence, PE Impact funds invest in funds or companies that intentionally select assets which not only provide a financial return but – through their business activity – also provide a solution to a given environmental or social problem. Examples can be car-battery producers that enable the electrification of transport or digital health care providers which help to cover people who would otherwise have no access to medical services.

Clients get exposure to companies that pro-actively address environmental and/or social issues through their business. Clients receive a financial return and transparent reporting on impacts achieved.

Most PE Impact strategies come with stated objectives and pre-determined impact topics (such as emission avoidance, waste-reduction, affordable education, etc.), but can vary from strategy to strategy.

One notable misconception is that private equity suffers much more from high interest rates compared to public equities.

Is there any geographical variation in private equity impact/sustainability strategies, for instance between Europe and the US? If so, how would you evaluate these differences?
Naturally there can be different priorities, not necessarily by geography, but often by investor type. For example, foundations prioritize topics according to their statutes whereas insurance investors might overweight emission-related themes.
However, what we do notice, is that there can be differences in what terminology is being used. While European investors commonly embed their investment strategy in reference to the Paris Agreement, you might see impact investors in the US rather speak about more "secular" trends such as industrial transformation.

When it comes to strategies, generally we do see more investment opportunities in environmental themes than social topics, but that is of course due to the attention around climate and climate change, and I do think that other strategies will continue to evolve.

In 2023, Norges Bank Investment Management (NBIM) has opened discussions about whether its mandate should be extended to cover private equity assets. What do you think of this move? What would it mean if NBIM is indeed allowed to invest in private equity?
I do think that NBIM has a strong rationale behind their arguments for extending the investment mandate. They have been articulate around the return potential and diversification benefits. After all, PE gives investors access to a wider universe of investment opportunities and should therefore offer opportunities for improving the risk adjusted return on the total portfolio. It is also a fact that PE delivers attractive returns, provided that you are able to find the right partners that suit your investment strategy. In general, I would support this move by NBIM given both the increased return potential and the diversification benefits. In this respect it is also worth noting that the size of private markets has increased rather strongly over the years. Within equities, PE has grown from a share of 4 per cent of the public equity market in 2010 to 9 per cent in 2022[1]. This is a trend I expect to continue.

Even if NBIM is mandated to pursue opportunities in PE, there is still some questions that remain to be answered. A meaningful allocation should in my view be around 5 per cent, which means that the fund will be a very big investor in this space. This raises the question of whether it is possible to deploy that amount of capital to attractive investment opportunities within a reasonable time period.

The fact that costs associated with PE are relatively high could impact the public's respect and trust which is crucial. It is important that the fund can convince the public that the total fee load for fund investments and co-investments are acceptable. Another important aspect is of course the organizational set-up for investing in the asset class.

After all, there is a difference between investing in listed markets with rather limited deviation to the reference portfolio and investing in private markets with limited liquidity. How this is organized, and the amount of resources applied, is important to clarify. Given the indisputable success with the fund, we should be very careful with altering the fund's investment strategy too much, given the strong support it has in the public in Norway.

All in all, if these questions are answered in a convincing manner, I would personally support an extension of the mandate.

What trends do you foresee in 2024 for private equity? Especially in terms of sustainability and impact?
If you speak to institutional investors today a common theme is the overallocation to PE after 2022, when both fixed income and public equities dropped significantly, while PE held up better. Combined with a rather slow transaction market in 2023 due, at least partly, to the sharp increase in interest rates this situation has been prolonged. We now see signs of interest rates levelling out, and I expect transaction volumes to pick up in 2024, and with that also distributions to investors. With this in mind, I expect 2024 to offer some very interesting investment opportunities, which is usually the case when you come out of a "slow" period when markets rebalance. Furthermore, I do think we will see a continued trend where institutional investors will access private markets in general.

Another trend that is picking up speed is the efforts to make PE available for a broader audience of private investors. Historically PE has been reserved for institutional and professional investors, and we have seen a strong drive from the industry towards finding solutions to offer PE to private individuals. I expect this trend to strengthen in 2024 and beyond.

When it comes to sustainability, there is a tremendous amount of capital needed to reach the ambitions inherent in the Paris agreement. This will require both public support and capital, but not the least vast amounts of private investments. Combined with an increased sense of urgency among people in general and the required and expected political support for these kinds of investments, I do think that sound investment ideas that can contribute to the solutions we all need will generate both excellent returns and impact.

All considered, if you were to sum up private equity in one sentence, what would you say?
Investing in private equity is an excellent way of improving your portfolio's risk adjusted return and making an impact – given that you can identify and access the best PE managers.

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“Cybersecurity is one of the reasons for the excellent returns.”

Interview of portfolio manager Ellen Grieg Andersen

Ellen Grieg Andersen, Storebrand Equal Opportunities fund

Source: Storebrand

The fund Storebrand Equal Opportunities invests in companies with products and services that can address societal inequalities by providing better access to digital, financial, and health-related services. The fund manager, Ellen Grieg Andersen, explains what contributed to last year's returns and the trends the fund continues to navigate.

Despite not investing in the 'Magnificent Seven,' which were the major drivers of the S&P 500, Storebrand Equal Opportunities had a positive relative return in 2023. Can you tell us more about that?

Absolutely. The "Magnificent Seven" consists of companies like Nvidia, Tesla, Meta, Apple, Amazon, Microsoft, and Alphabet. Their stocks surged last year, largely driven by enthusiasm for artificial intelligence. For Storebrand Equal Opportunities, these companies currently lack products and services that align with the fund's investment themes. Despite opting not to invest in these companies, we managed to achieve an absolute return of 30.3 per cent and a relative return of 4.4 per cent in 2023. Duolingo, one of the top contributors to the portfolio last year, is an educational technology company that has successfully integrated AI in its products and services. The company collaborated with ChatGPT in March to incorporate AI into their learning methods. Along with AI, cybersecurity was one of the big "tech trends" last year. Our cybersecurity stocks, Crowdstrike, Palo Alto, and Okta were among the best positive contributors to the portfolio return in 2023. With increasing digitization, significant and serious cyberattacks, the use of generative AI, and geopolitical tensions, cybersecurity has become a top priority for companies, despite higher costs and inflation.

Do you see challenges in finding profitable solution companies?

We seek out companies that we believe can address specific UN Sustainable Development Goals (SDGs). Our goal is to invest in companies that not only yield financial returns but also have a positive societal impact. We strongly believe that companies contributing positively to society can also generate financial returns. We invest significant time in researching companies at a thematic level, to ensure we avoid those engaged in greenwashing or merely claiming to be sustainable. Bigger companies often have the resources to publish glossy sustainable reports. Our job is to make sure that we avoid these types of companies and identify those that actually have the potential to deliver positive societal impact.

What other driving forces have influenced the fund's performance?

Connectivity forms the foundation of the modern digital economy and access to digital services is a fundamental theme in the fund. Internationally, several governments have launched initiatives to ensure access to digital services and the internet. An example is India, where the government has ensured that all citizens have access to a digital identity as part of the country's significant push for digital development. American Tower is an example of a company in our portfolio that has had a positive development, largely due to its international diversification in communication infrastructure.

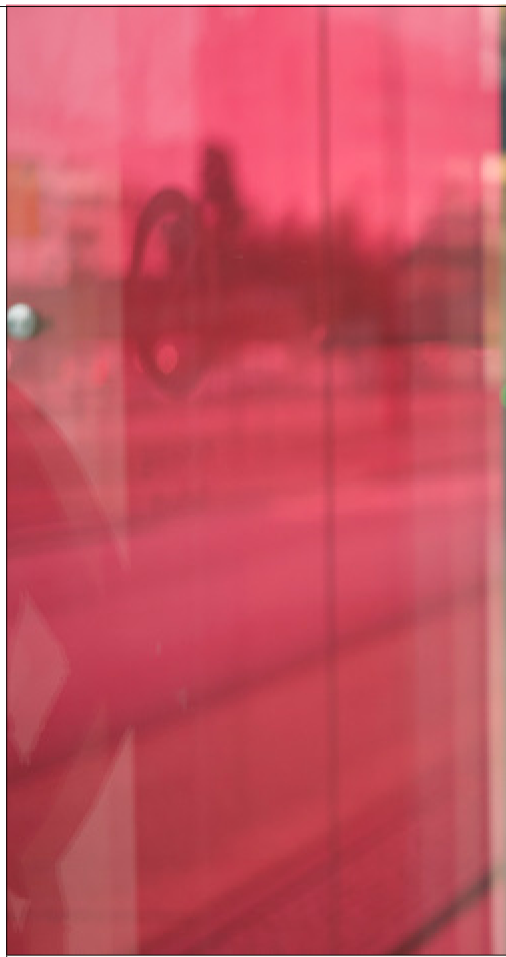
Several of the portfolio companies exposed to digital payments have performed well in 2023. One example is MercadoLibre, a Latin American e-commerce provider and fintech business, was among the best performing companies of the fund in 2023. MercadoLibre has had a first-mover advantage in Latin America and have been able to stay ahead of regional and overseas challengers.

How do you view growth opportunities in digital payment solutions?

The increasing use of digital payment methods globally has created opportunities, especially in emerging markets where access to financial institutions is challenging. The financial services market in the African continent, for example, is expected to grow by 10 per cent annually until 2025. This creates growth opportunities for companies like Visa, which recently announced a USD 1 billion investment in Africa over the next five years.

The fund focuses on addressing societal inequalities by providing better access to digital, financial, and health-related services. Can you tell us more about the last-mentioned investment theme?

Access to health services is prominently featured in the SDGs, and several are potential investment cases. The covid-19 pandemic has magnified existing weaknesses and gaps in health care systems around the world, particularly in developing countries. And this is really a gender issue as well because women's symptoms and health problems are under-researched, leading to many women not receiving the appropriate treatment.



We strongly believe that companies contributing positively to society can also generate financial returns.

The increasing use of digital payment methods globally has created opportunities, especially in emerging markets where access to financial institutions is challenging.

The discussion of women's health became even more relevant after the repeal of the law protecting women's right to abortion in the United States. The increase in research and growth in the number of companies in the women's health sector, have sparked increased interest from investors.

One example of the impacts for women's health, is the recent breakthrough when Australian researchers made a significant step forward that could change the treatment of endometriosis, thereby improving the health of women living with this painful disease. Globally, up to 10 per cent of women are affected by Endometriosis.

Finally, the fund focuses on addressing societal inequalities while the world grapples with a far-from-peaceful existence. Globally, we are facing a super election year, with almost half of the world's population in over 40 countries going to the polls. What do you think we will see at the end of 2024?
I wish I had a confidently positive answer to that question. At the end of 2024, I hope we see governments that prioritize investments in peace, climate transition, and addressing significant inequalities. And not least in countries going to the polls that are also some of the economically weakest, like South Sudan and Mozambique. Some elections are free, others more or less predetermined. In total, the countries going to the polls this year represent over 40% of the world's GDP. But there is no doubt that it is a year filled with uncertainty. Regardless of the outcome, there will always be forces working for positive values, whether they come from politics or the business sector.

Note

This is marketing material for professional investors only, in countries where we have marketing permission for the fund. Investment involves risk.

Return since inception (2021-11-29): -4.83 as of 2024-01-17. Benchmark index MSCI ACWI for the same period: 16.66.

The 900-Tonne Impact

How Storebrand Real Estate is transforming the sector's outlook and practices, brick by brick

Andreas Henriksen Lerø
Portfolio Manager

Unn Hofstad
Nordic Head of Sustainability, Storebrand Real Estate

Upgrading old buildings is crucial for Storebrand **Real Estate** – and for the entire property sector – on order to succeed moving forward. If we only construct new buildings, we will fall into a trap and make it more difficult for ourselves, when it comes to meeting our sustainability commitments.

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.

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).

Customer interest in environmental and social issues has increased significantly.

Why are such surveys and rankings important for Storebrand Real Estate?

Primarily, it validates our existence as managers of property investments. The property sector accounts for significant energy and material consumption and plays a key role in reducing emissions and achieving the world's sustainability goals. One of the most important of these goals is the 1.5°C global warming target set in the Paris Agreement, which calls for countries to take concerted climate action to reduce greenhouse gas emissions. At Storebrand, our view is that the real estate sector has a pivotal role in meeting these global sustainability goals.

Increasingly, investors are inquiring about how their capital impacts the environment and social conditions in society, and property investments are no exception. Our clients want to know exactly what we are doing, how we are evolving, and how we compare to our competitors. This can be decisive in where they invest their assets.

GRESB is a survey that emphasises concrete results, thus providing valuable information. For us at Storebrand, this survey result is an important affirmation of how we succeed in our work. That independent third parties scrutinise us, is an added incentive and helps spur us on.

Utilising the Full Spectrum

But what is Storebrand Real Estate doing differently now, compared to before?

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.

When we upgrade a building, we should not consume more material resources and nature than necessary. Therefore, our view is that must be conscious of the choices we make: 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.

New Times at Grev Wedels Plass

A specific example is 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 percent 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 percent. 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.

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.

Great Responsibility for the Largest Players

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.

↓ Caption

Index-aware funds

A vital pillar of the sustainable investment universe, even after 15 years

Fifteen years ago, many doubted the viability of index-aware funds, but today several fund companies offer them, and the demand is significant. **Kristian Håkansson**, Product Manager at Storebrand Fonder in Sweden, has first-hand experience of the launching of the first index-aware fund. He shares what index-aware funds entail and why they still serve a crucial function in the market.

Can you briefly tell us what an index-aware fund is?
In short, it is a product for private savers and institutional investors who want a more sustainable index fund. To elaborate, an index-aware fund replicates an index with the exception of excluding certain companies. These are replaced by companies with a similar return pattern. For example, a tobacco company could be replaced by a consumer goods company selling everyday products like toothpaste. This is done to reduce risk and generate a good risk-adjusted return. Companies can be excluded based on product criteria such as tobacco, commercial gambling, or fossil fuels, or norm-based criteria like human rights, corruption, or serious environmental damage.

When did the first index-aware funds emerge?
Sixteen years ago, when Storebrand acquired Storebrand Fonder in Sweden (then SPP Fonder) from Handelsbanken, Storebrand wanted to exclude certain companies from index funds due to high sustainability requirements. The Financial Supervisory Authority in Sweden rejected calling the funds index funds, and two years later, in 2010, we introduced Storebrand Fonder's first index-aware fund. It had to become its own category.

How popular are index-aware funds?
We could never have anticipated how large they would become. It started with almost explosive inflows into regular index funds. Since 2010, the proportion of index funds in the total equity fund assets has increased from 6 percent to over 20 percent at the end of 2022. When we look

at index-aware funds compared to the traditional index funds, they now constitute the majority of the market in Sweden. Internationally, we still see a binary trend, meaning major fund companies offer either 'true active' or traditional index funds. However, we observe growing demand beyond borders.

What function do index-aware funds serve today?
Beyond meeting the demand from private savers and large institutional investors with ambitious sustainability goals, such as the UN Agenda for 2030, index-aware funds demonstrate how to channel capital more broadly and not just work with sustainable investments in narrower niche funds. Today, index-aware funds form a cornerstone in many investors' portfolios. Through sustainability criteria, we believe we significantly raise the baseline, instead of simply buying a broad index outright.

We also believe that index-aware funds support the overall sustainable investment strategy. The sustainable investment strategy is based on three methods to achieve global sustainability goals. These involve excluding, including, and influencing. One method does not solve everything, and we believe in combined efforts for lasting change. Index-aware funds are carrying their own weight in the sustainable investment universe by deploying exclusions.

Can index-aware funds exercise active ownership?
Contrary to the very common misconception, they can indeed. Both index funds and index-aware funds can exercise active ownership. We use our position as significant owners to influence companies for improvement by voting at meetings and engaging in dialogues, whether the holdings are in an index-aware fund or an actively managed fund. Dialogues also build relationships and create mutual trust, a prerequisite for information sharing. Even if certain companies are excluded from our investment universe, we can continue our relationship with them by further challenging them.

There are ready-made sustainability indices to follow, so why does Storebrand depart from 'regular indices' and handpick excluded companies?
That's a good question and a highly relevant one! The main reason is that our fund managers can make discretionary choices and quickly adjust the portfolio's composition. If we deem a holding controversial, our fund managers can exclude it the next day. The big advantage is simply flexibility. Our customers buy our proprietary analysis. We also think it's relevant to compare our funds to a standardized market index. Adding another product with a purchased sustainability index would not add market value. The shortcomings in ready-made indices vary, but I can provide an example. The EU-defined Paris Aligned Benchmark (PAB) has, for instance, a 7% requirement to reduce carbon dioxide emissions annually. Many want to show continuous improvement year after year, but our Swedish funds are already fossil-free, making it challenging to demonstrate such significant reductions in carbon dioxide emissions. We would be forced to buy fossil companies only to sell them at the rate dictated by the index—which makes so little sense!

Another reason is that sustainability and customized indices are more expensive to purchase, and they are paid per fund. Storebrand Fonders' signature is sustainable funds with low fees. With purchased indices, it would be impossible for us to maintain the low fees we have today.

If you could wish for any change in the fund industry, what would it be?
I want the passion for sustainable investments to return! Lately, there has been a lot about implementing regulations, which is good and necessary. But I also see that it has created many blind spots, and it seems like we've lost our excitement along the path. The term 'sustainability' has become inflated, and many are afraid of 'greenwashing.' It has contributed to 'hushwashing' instead, where many are afraid to even mention the word. But now is when we must talk even more about what we actually do, which impact dialogues have been effective, which risks we have managed to avoid. Not the least, to gain respect when we highlight the risks we want to avoid in the future.

If I may add one more thing to the wish list, it's that the Swedish Fondtorgsnämnd (Fund Marketplace Board in English) allows index-aware funds to participate in the procurement of funds on the new premium pension platform. It is one of Sweden's largest procurements; by 2040, the assets are estimated to be worth around SEK 4 trillion! It has been a bit uncertain whether index-aware funds should qualify, as returns may fluctuate due to exclusions compared to their benchmark. But here, we need to tolerate some flexibility and look at the product properties rather than the index overlapping. Otherwise, we risk going back to where we started this journey 15 years ago. Now more than ever, we must ensure that broad capital is moved towards sustainability goals!

Storebrand Fonder's signature is sustainable funds with low fees. With purchased indices, it would be impossible for us to maintain the low fees we have today.


Photo: Arnaud Cierget

↑ Solar panels mounted on a tracking system.

Enhancing sunlight — and our portfolios

By countering the fickle nature of sunlight, solar tracking technologies make solar power production more efficient

Nader Hakimi Fard
Portfolio Manager

Solar energy is the most abundant and accessible energy resource on planet earth and vital to transitioning our economic systems. The way solar energy works is by harnessing the sun's power to generate electricity. One of the components that can contribute to a more efficient process is a solar tracker. In this blog post, I will go over the benefits of solar trackers and showcase areas for promising growth. But first, let us start with some basics.

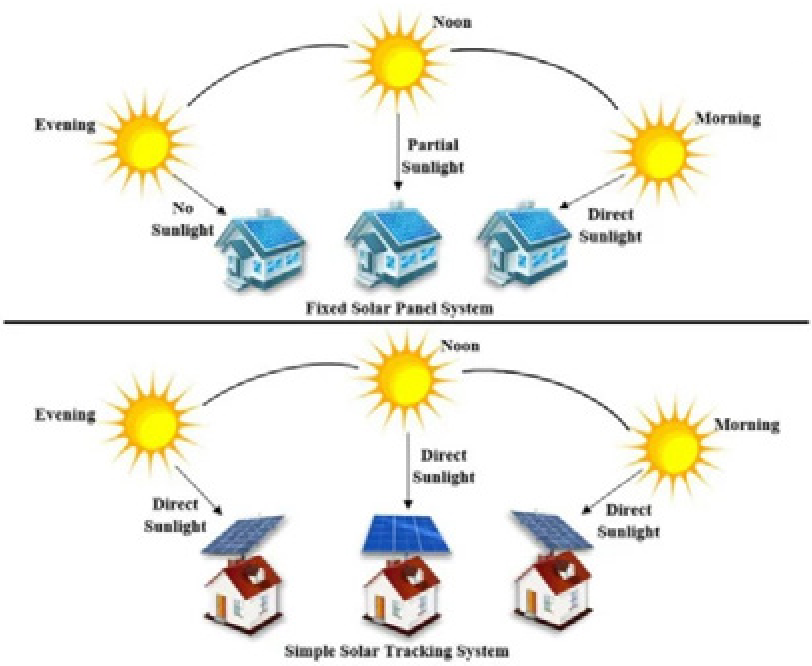


Photo: Abdulwaheed Musa and co-authors

Solar photovoltaic (PV) uses electronic devices, also called solar cells, to convert sunlight directly into electricity. The cells are connected to larger power generating units called modules or panels. The modules or panels are only one of many building blocks in a PV system. Several other technologies are needed for the electricity generated by the modules to be suitable for users. These technologies can be grouped into modules, mounting structures, inverters and storage which together form a PV system. In this spotlight we are going to focus on mounting structures and more specifically on utility-scale solar trackers.

PV mounting systems or a solar racking system are used to fix solar panels to various surfaces such as roofs, building facades or the ground. The orientation of a solar panel is important in order to maximize power output. Mounting systems can be fixed tilt or tracking. Fixed tilt systems are static where the panels are installed at a set angle. Fixed tilt systems have lower maintenance costs but generate less energy (kWh) per unit power (kW) of capacity than tracking systems.

Solar tracking systems change position throughout the day to maximize the angle at which sun rays are received by solar panels. Consequently, they are much more efficient than fixed solar panel systems. The image is representative of the working principle of solar trackers; solar trackers are not usually used on top of residential buildings.

The angle at which the sun's rays meet the surface of the solar panel (known as the "angle of incidence") determines how well the panel can convert the incoming light into electricity. The narrower the angle of incidence, the more energy a photovoltaic panel can produce. Solar trackers help to minimize this angle by working to orient panels so that light strikes them at an angle as close to 90 degrees as possible. Solar trackers are typically used for ground-mounted solar panels and large, free-standing solar installations like solar trees — they're not used in most residential solar projects.

Tracking systems can be single-axis or dual-axis. Single-axis trackers rotate around one axis moving from east to west tracking the sun. Dual-axis trackers rotate around two axes, east to west but also north to south, maximizing power output throughout the year tracking seasonal variations in the height of the sun in addition to normal daily movements. According to National Renewable Energy Laboratory (NREL) single-axis trackers can increase energy output 25 per cent or more with dual-axis tracking, potentially increasing output up to 35 per cent or more. Consequently, the increased energy output comes with increased maintenance and equipment costs.

In the US single-axis tracking has exceeded fixed-tilt installations since 2015 and in 2021 90 per cent of all new capacity added used tracking. Tracking systems have historically been more expensive. However as shown in a sample of projects in the U.S.A. presented by Lawrence Berkeley National Laboratory the price difference has diminished over time. In the sample tracking systems continued to exhibit some premium over fixed-tilt plants in 2020. Still, as mentioned in the report, trackers can sustain some amount of higher upfront costs as they deliver more kwh per kW.

Market potential for solar trackers

Most of the market uses single axis horizontal trackers and dual axis trackers. According to BNEF data on PV tracker shipments, in 2020 thirteen suppliers accounted for 89 per cent of the market. Two suppliers that stood out were Nextracker Inc and Array Technologies with 27 per cent and 18 per cent of the shipments respectively. The same data showed that the U.S.A. was by far the biggest market for trackers (49 per cent) followed by China (15 per cent). As stated in the report, in general, the tracking systems are more useful in sunny countries and are seldom deployed in northern European markets or even most of China because the capacity factor increase does not justify the cost increase. Tracking systems also use more land than fixed-axis systems, which makes up another reason preventing their mass scale deployment. (BloombergNEF, 2021/06/10, "Booming Solar Tracker Market Innovates to Watch the Wind")

All factors considered, we believe that the development and the attractive economics in single-axis tracking technologies makes it an interesting area of investment. Although not suitable for all areas, we still believe that there is room for the tracking market to grow going forward. Through our funds Storebrand Global Solutions and Storebrand Renewable Energy, we have taken a position in two companies within the space, namely Nextracker Inc and Array Technologies. The two companies are primary competitors in the tracking space, and both offer compelling products and have different value propositions. In this phase of the market, we still see ample room for both companies to grow.

→ Researcher Haley Knudson at her defense of the Ph.D. dissertation "Multilevel Considerations for Sustainability Management"

New research can help us navigate volatile, unpredictable and complex macroeconomic contexts

Black swans and wild horses

Learning from academia to improve financial practice

As a portfolio manager, I find it useful to follow academic research in the realm of finance and sustainability as it makes me more attuned to what is taking place in the world and adapt my investment decisions accordingly. As part of my endeavours to keep in touch with academia, I recently travelled to the Norwegian University of Science and Technology (NTNU) in Ålesund to attend a doctoral defence by my former colleague and dear friend, Haley Knudson.

Knudson's PhD dissertation, titled **"Multilevel Considerations for Sustainability Management,"** looks at how sustainability can be embedded into business models across value chains and multiple layers of society. She finds that replacing the firm-oriented focus with a multilevel understanding of stakeholder management can help firms attain long-term sustainability.

In the discussion that followed Knudson's dissertation defence, the catchy phrase "black swans and wild horses" emerged. Black swan is already a well-known term indicating isolated yet unpredictable events with severe consequences. The term "wild horses" can be used to describe several major events of extreme rarity, with adverse implications for financial stability which could have been obvious in hindsight. If you reflect on the Covid-19 pandemic, supply chain issues, war in the Ukraine, climate change catastrophes, battling inflation and most recently the war in Gaza, one can see that these events have been brewing for a while. Of course, hindsight is 20/20. But what emerged in that discussion was the emphasized need to find sound frameworks to systematise the chaos that could have been foreseen and to bring back stability.

In our line of work, I find it helpful to apply frameworks from academic research, such the ones presented in Ålesund. Having been informed about the models coming from academia, one airtight strategy is to seek out good quality companies. The ones that have thematic exposure, as well as the ability to manage their sustainability efforts relative to the context in which they operate, in a multilevel society and across their value chain alongside other industry actors.

Sunniva Bratt Slette
Portfolio manager

Icelandic Investment Seminar

A well-attended event in November gathered the local investment community for insights and debate

Storebrand Asset Management together with our friends at Íslandsbanki & Íslandssjóðir hf. successfully hosted our fourth Investment Seminar in Iceland this past November. Our aim was to bring together local investors to learn on the latest developments in certain areas, as well as to share thoughts on them.

The agenda at the event included a global and Icelandic market outlook by Bergþóra Baldursdottir, Economist, Íslandsbanki. Kamil Zabielski, Head of Sustainability, Storebrand Asset Management also presented Storebrand's sustainability outlook and current trends that we consider important. Finally, Geir Magne Bøe & Lars Qvigstad Sørensen, Portfolio Managers Global Equities, Storebrand Asset Management took us through key considerations that portfolio managers need to take into account when integrating sustainability into index tracking strategies. The presentations were followed by informal discussions and a healthy debate.

Storebrand has been present in Iceland since 2018 and hosting this event since 2019. During that time, we have seen a steady increase in interest in sustainability as a topic. Our "Nordic" approach and themes seem to match well with local expectations and requirements. Since our first discussions and meetings on the topic, a lot has happened: local institutions now have clear sustainability policies, often specialist professionals, have signed up to the Climate Investment Coalition (CIC) and other initiatives and are active with Iceland's Sustainable Investment Forum, IcelandSIF.

We were especially proud to see so many familiar faces from the Icelandic investment community devoting some of their valuable time, to take in our presentations on several important topics. With four successful seminars held in Iceland so far, we aim to continue to contribute to a healthy local debate on investment-related issues, and remain committed to the financial community in the country.

Spiros Alan Stathacopoulos
Head of International Distribution

ACTI

Active Ownership / Engaging to influence companies

Engage to change

Observations from Martin Norman, Australasian Centre for Corporate Responsibility

Martin Norman
Director Global Investment Stewardship, Australasian Centre for Corporate Responsibility

Climate reality

The planet and the global economic system are facing challenges of historical magnitude. Planetary boundaries are being exceeded or pushed, and the willingness to take real action is lacking. "Too little, too late" could be the legacy we leave for future generations. Or not.

2024 will be a critical year for investors navigating the needed transition. Long term value creation depends on sustainable development in economic, environmental and social terms. 2023 was the hottest year on record, and the latest climate science tells us clearly why this must be a year of robust and forceful engagement:

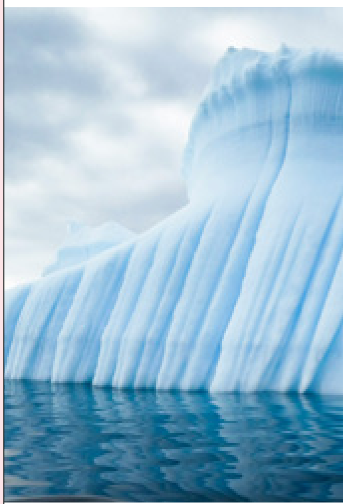
- **at best, the remaining carbon budget for a 50 per cent chance of limiting global warming to 1.5C is just six years' worth of emissions at current rates, a mere 250 Gt CO_2.**
- **irreversible changes to our planetary systems are already occurring, with tipping points a real and immediate threat.**
- **whatever emissions reductions we commit to, scientists say melting of the West Antarctic ice sheet could already be irreversible. Total collapse will lead to a five-metre rise in sea levels, over the next centuries.**
- **parts of the Amazon are now turning into a carbon source — rather than a carbon sink. This could be a first sign of the Amazon tipping point.**

Our work with global asset owners and managers is showing us that institutional capital is increasingly understanding the urgency of rapid decarbonisation — and the value to portfolios when companies align with, rather than fight, the energy transition. But in order to make the changes we need, in the timeframe demanded by science, we all need to be pushing harder.

Engagement vs divestment

One way of dealing with a problematic company, sector or jurisdiction is to divest. Divestment is easy to understand at face value. Selling a stock that is disagreeable to your values seems like

At ACCR we are convinced that science-based, strategic and forceful stewardship is the way forward.



↑ Scientists say melting of the West Antarctic ice sheet could already be irreversible.

Note: **This is an opinion by an external contributor, providing an expression of views held by them and the organisation they represent**

a common-sense approach. And sometimes it is — not all companies or sectors are worth the time and effort to try to change them. But divesting does not solve the underlying problem, and the biggest argument against divestment is that selling the company will have little to no impact on reducing societal or planetary harm.

Engagement, on the other hand, gives investors a range of tools:

- **meetings with the company**
- **strategic voting at a company's AGM**
- **filing resolutions, changing or adding to the board of directors**
- **filing lawsuits and engaging with regulators.**

Done properly, investment stewardship can lead to real world change and actual CO_2 emission cuts.

Storebrand in Japan — a success story

Storebrand has long been a global leader in sustainability. Starting screening for sustainability factors in its investments back in the 1990s, it now has a deep experience few, if any, can match. Engaging with companies on controversial and difficult topics is part of the Storebrand sustainability team's DNA.

In recent years, Storebrand and ACCR, together with a few other universal owners, have strategically engaged with parts of the Japanese steel sector. This is a key sector for Japan's successful decarbonization and globally significant due to its size and total greenhouse gas emissions. A direct consequence of our engagement is a strategy shift at one of the largest steel makers in Japan, with millions of tonnes of CO_2 emission being avoided, as a result from the company switching one of their blast furnaces to an electric arc furnace.

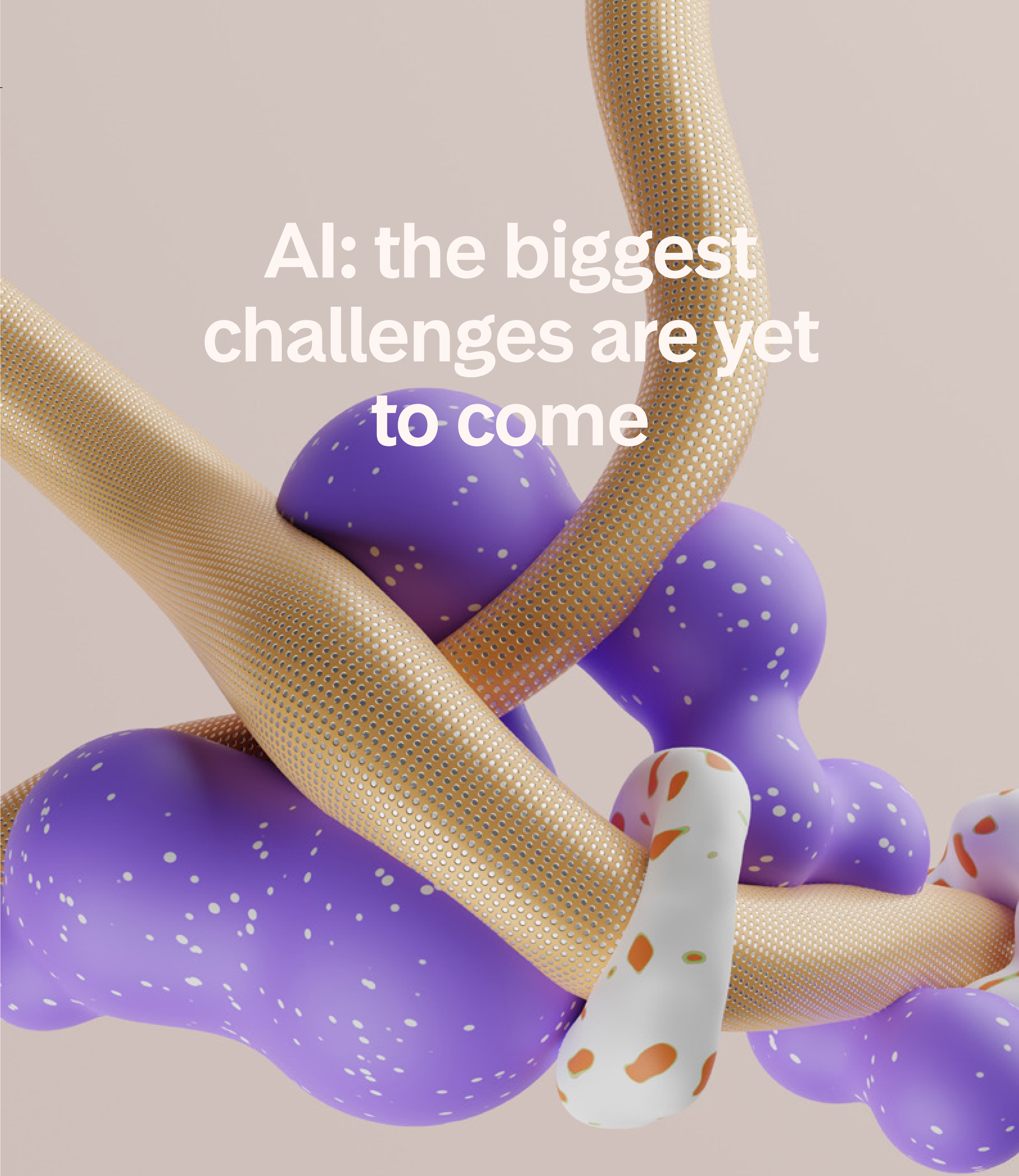
The way forward

At ACCR we are convinced that science-based, strategic and forceful stewardship is the way forward. Looking globally, we see an increasing number of financial institutions using more of their stewardship tools than before. It is very welcome, but it is still not enough. We need:

- **investors thinking strategically about how they prioritise their resources and which companies and sectors they engage with**
- **financial institutions properly resourcing stewardship — impactful work is resource-intensive**
- **smart collaborations and better coordination amongst investors**
- **escalation in stewardship that matches the urgency required by science.**

This year and the coming years are going to be absolutely crucial if we are to limit global temperature increases and secure value for investors. I am optimistic, and we are looking forward to continuing to work with Storebrand and other leading institutional investors to achieve these goals.

AI: the biggest challenges are yet to come



An interview with **Tulia Machado-Helland** on the risks and responsible governance of AI technology.

While artificial intelligence (AI) technology has existed for a while, it reached a tipping point last year when the technology company OpenAI launched its GPT-4 artificial intelligence powered tool.

As AI technologies are deployed more broadly, they are also of more relevance to investors. Here, Storebrand Head of Human Rights and Senior Sustainability Analyst Tulia Machado-Helland, provides some perspectives of how AI risks and governance are relevant for investors, and what to look out for in the next year or so.


Photo: Storebrand

Tulia Machado-Helland, Storebrand's head of human rights

What are some of the key risks that exist for investors, and the companies they invest in, when it comes to responsible governance of Artificial Intelligence?

To begin with, AI systems have huge environmental footprints, which makes up a risk for companies that use them. Yet, this is a critical point that is overlooked in most AI discussions at the moment. AI systems use huge amounts of computing power and data to train their systems, which in turn requires processing and data storage resources that have massive carbon emissions. With the exponential growth rates we are seeing for AI, it means that these footprints are literally growing by the second. For instance, according to recent MIT Technology Review by Karen Hao, training a single AI model can emit more carbon dioxide than the total lifetime emissions of an average automobile.*[1] What this adds up to, is that the use of AI by companies actually poses a huge risk that they suddenly might not be able to achieve their climate goals and commitments, in addition to relying on operational platforms that lack resiliency to the effects of climate and nature.

In terms of social issues, as the UN and human rights organisations warned, AI increases the ability for companies to, easily and on a massive scale, take actions that potentially violate human rights, treat individuals unfairly, and worsen existing social inequalities and power imbalances. This can happen on countless dimensions, but some examples include automating discriminatory policing of visible minorities, mistakenly attributing fraud to social welfare recipients, enabling of worker surveillance, putting refugees at risk by relying on AI-generated translation services or the systematic automatization of many processes at work putting at risk human employment. Such actions can not only disproportionately affect marginalized people and communities, but they can also amplify negative societal effects.

On the governance dimension, the risks of AI include the potential for bias or discrimination in decision-making, as well as the threat of data breaches due to inadequate security measures. A lack of technology skills in both senior management ranks and the general workforce can leave firms vulnerable to grave mistakes. AI technology also enables the generation of content almost instantaneously, which can lead to rapid dissemination of disinformation, either intentionally or accidentally. This is significant given that the World Economic Forum Global Risks Report 2024, published this month, revealed that risk specialists rank AI-generated misinformation and disinformation as the risk most likely to trigger a global crisis in the next couple of years. From this perspective, AI can pose systemic risks to societies and democratic systems.

The risks are heighted by the fact that AI systems use closed algorithms that block public and regulatory transparency of the decision-making processes that could lead to such outcomes.

In general, are AI-driven companies good at following the regulatory directives?

The history of the tech industry so far, shows that there are differences in how well this is managed by companies in different subsectors. The companies involved in AI software tend to have weak business ethics systems and poor product governance. This makes them less robust in terms of regulatory compliance, than for example the semiconductor sector, which has had stronger systems on both dimensions, as we can see from the information provided by our sustainability data providers.

There are examples of companies fighting regulation, such as Meta pushing back against a U.S. Federal Court decision allowing the U.S. Federal Trade Commission (FTC), which has accused Meta of violating children's privacy, to seek to impose new limits on its use of facial recognition and on the amount of money that the platform can make from its users who are underage.

> These developments will also make the AI issue more concrete, which in turn will increase the leverage we investors have in terms of influencing companies in the right direction.

The consequences and costs of data breaches, which have been increasing dramatically in the last few years, are also a concern. Furthermore, under the EU AI Act, companies that violate the data governance provision could face fines of up to EUR 35 million (USD 38 million) or 7 per cent of their company's global revenue.

How can investors ensure that their investee companies adequately address their AI-related risks?

Investors need to continue engaging with companies to ensure responsible corporate behaviour to avoid financial and reputational risk and prepare them to navigate all the new regulation coming. The financial cost is too high if the companies don't behave responsibly.

At Storebrand, we participate in several investor engagement initiatives focused on these topics, where we have been asking companies to conduct ongoing human rights impact assessments. These should be undertaken by businesses - both AI providers that produce the AI tools and software and AI users that include these external systems into their business models—at all stages of the product and service cycle.

When we say all stages, we mean from design to deployment to end-use, taking into account potential contexts for use or misuse and potential unintended harms. This is to ensure the ongoing protection of and accountability to stakeholders and rightsholders in the value chain.

How will the recently agreed EU AI Act impact AI companies and investors? Are there any other upcoming regulations that will have a significant impact?

The European Union's institutions have reached an agreement on the EU AI Act entering into force next year when finally ratified. However, the new rules will be subject to further technical discussions, to hammer out the details. The devil is in the details, i.e., how the individual EU states interpret the directive and incorporate it into their national laws.

This regulation aims to ensure that fundamental rights, democracy, the rule of law and environmental sustainability are protected from high-risk AI, while boosting innovation and making Europe a leader in the field. It establishes obligations for AI based on its potential risks and level of impact. Certain applications of AI are banned, such as AI systems that manipulate human behaviour to circumvent their free will or AI used to exploit the vulnerabilities of people (due to their age, disability, social or economic situation) and will have consequences for businesses currently using them guiding investors and strengthening arguments for companies to respect human rights due to the regulatory risk.

Another relevant European-wide regulation, the CSDDD (Corporate Sustainability Due Diligence Directive), passed late last year and therefore serves as guidance regarding respect for human rights — for companies themselves, as well as for investors regarding what they should expect from the companies.

Within Norway, the country's recent Transparency Act, which is already being enforced, requires human rights due diligence for companies in all sectors. So, the impact there is immediate.

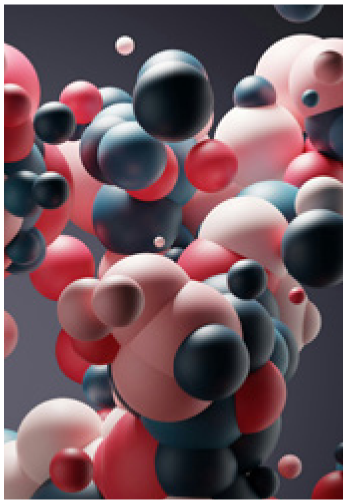
Are there any other gaps in the responsible governance of AI? And how should investors be pushing companies and regulators to address these gaps?

Key gaps in the responsible governance of AI include issues around poor oversight of low-risk AI applications, and around unevenness of global regulatory standards (i.e., EU vs. U.S.). Digital rights experts and civil society organisations contend that the act does not go far enough to protect against discriminatory AI systems and mass surveillance. For example, instilling a partial ban on live facial recognition in public spaces with the exceptions around prevention of crime and terrorism or ensuring national security might still pave the way for the use of biometric mass surveillance, which is incompatible with fundamental rights.

Investors need to continue engaging with companies on these topics based on new regulation in addition to the UN Guiding principles, OECD Guidelines and Principles on AI as well as the work of UN B-Tech group on Advancing Responsible Development and Deployment of Generative AI. Investors should push for more robust and harmonized global regulations. This is why Storebrand, together with other investors at the Investor Alliance for human rights, has been requesting EU regulators to adopt a robust EU AI act that is respectful of human rights.

How much bigger will AI get in 2024 for investors?

Looking ahead, the use of AI technology



will require a significant focus on the part of all investors in 2024. The macro context for this is that while 2023 has been a year where AI was introduced, AI developments in 2024 are likely to be all about finding out how and where to use the technology and to define strategies, regulations, and appliances.

Companies will most likely start to develop prototypes and pilots and the most advanced will start incorporating AI into their business and operational processes.

Institutional clients are also asking questions to investors about how we are managing AI risks. The adoption of new regulation makes these risks more concrete and provide some guidance as to how they are to be managed. This will be the main focus for investors, who are not already deep into these issues; these developments will also make the AI issue more concrete, which in turn will increase the leverage we investors have in terms of influencing companies in the right direction.

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[1] Training a single AI model can emit as much carbon as five cars in their lifetimes | MIT Technology Review.

Continued gap in living wages

Roundup of our work with the Platform Living Wages Financials initiative showed continued urgent issues that need to be solved though collaboration

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

This November, Storebrand participated in the 2023 annual conference of the Platform Living Wages Financials (PLWF) in Utrecht, at which members of the collaboration assembled to cap the work done during the year with knowledge sharing and presentation of results.

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.

What are living wages?

The Global Living Wage Coalition defines a living wage as "the renumeration received for a standard workweek by a worker in a particular place, sufficient to afford a decent standard of living for the worker and their family."

Ideally, this renumeration should comfortably cover food, water, housing, education, healthcare, transportation, clothing, and other essential needs including provision for unexpected events.

Put simply, workers should be able to cover their most essential needs for a decent standard of living through their primary employment.

The conference keynote speaker, Sally Smith of the Anker research Institute explained how a gender perspective is incorporated when estimating a living wage using the Anker methodology and provided guidance on investigating how living costs vary for lone parent households. The aim is to raise awareness of how gender issues can affect living costs (and therefore a living wage) and to draw attention to the possible need to develop targeted policies and strategies to support lone parent households in study locations where these types of households are common and are particularly vulnerable to poverty. Storebrand's Tulia Machado-Helland presented the results of the engagement and assessment by the food and agriculture working group.

More critical than ever

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.

The urgency of achieving living wages has grown in recent years, with rises in price inflation increasing the cost of living for most workers. The same Oxfam report estimated that more than 800 million workers worldwide saw their wages fail to keep up with inflation. With the gap to living wages widening in many sectors, this adds up to a setback in both the drive to reach living wages, and the drive to achieve many of the UN Sustainable Development Goals (SDGs).

Findings from our assessments of companies

Overall, the companies we had assessed showed improvement in 2023, on dimensions such as developing living wage and living income policies and practices – and they are integrating these topics within their responsible purchasing practices. The challenges identified in all three focus sectors, garment, food & agriculture, and food retail, remain the disclosure of data on actual incomes and income gaps in the supply chain. In addition, the initiatives on living wages and living incomes are still mostly small-scale and so it is time to upscale initiatives and implement programmes in day-to-day operations. Last but not least, complaint mechanisms and access to remedy are important, in order to ensure good practices "on the ground". However, the assessment shows that most companies still fall short on actually implementing these mechanisms.

At the PLWF 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 assessment and engagement processes.

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.

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.

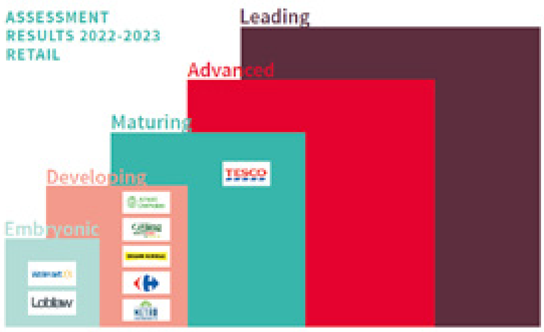
The Food Retail sector lags behind the Food & Agri sector, and has yet to recognize that ensuring living wages is salient issue: one which the sector needs to address, and update its practices to routinely include. Our assessment finds that only a few retailers have identified living wages as salient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

We therefore are calling 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

We therefore are calling for retailers to collaborate in order to progress — by joining industry initiatives on specific commodities that are relevant for their own brands

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



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.

(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. More information about these standards is available in the PLWF report.

Summary and next steps

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 organising the annual conference.

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

U.S. Living wages call

Storebrand signs Investor Statement in Support of a Living Wage

This November, Storebrand was part of a group of investors that jointly called on companies in the United States to move to paying a living wage, as a key step towards addressing systemic societal and economic risks.

Organized by the Interfaith Center on Corporate Responsibility and the Investor Alliance of Human Rights, the **Investor Statement in Support of a Living Wage**, was backed by 136 investors, representing US$ 4.5 trillion in assets. The breadth and scale of investor support for this issue demonstrates how strongly global investors view wage inequities as significant business risks, and that they view paying living wages as an important way to mitigate these risks.

In the statement, we together called on U.S. companies to take steps towards the payment of a living wage to direct and contract workers, in line with international human rights standards. Among the sectors particularly noted where the retail, restaurant, hospitality and so-called "gig" sector of self-employed or short-term labour that supports many business ecosystems.

While social responsibility is a good rationale for paying a living wage, we also underlined a broader body of evidence of a business case for paying living wages. Among these issues are that paying a sub-living wage to workers exposes companies to significant financial and reputation risks. Wage increases for the lowest earners can also aid in addressing broader systemic risks such as income inequality and gender and ethical disparities that can have long-term societal and economic impacts.

Beyond risk, there are gains to be had by companies paying living wages. Long-term investments in the workforce are good for business, helping companies attract and retain talented employees, increase job satisfaction, and improve worker performance.

→ Read the press release and full statement here.

Financial sector accountability

Storebrand Asset Management supports investor calls for inclusion of the financial sector in CSDDD

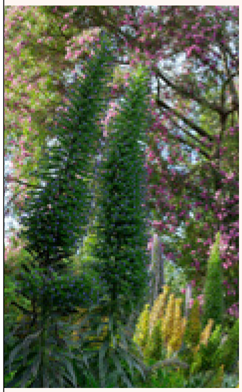
During November we added our support to calls to include the financial sector in EU regulations on sustainability called CSDDD (Corporate Sustainability Due Diligence Directive). Storebrand was among a small number of financial sector companies that supported the inclusion of the financial sector in the CSDDD.

The context for these calls was trilogue negotiations, in which the European Commission, the European Parliament and the European Union member states must agree on a final version of the directive.

Following our support to a letter from Danish investors supporting the inclusion of the financial sector in the CSDDD, we also made the same request to the Swedish government. We asked Swedish government to take a proactive role in the trilogue negotiations and advocate that the proposals should include the financial sector in the CSDDD, rather than exempt it.

At Storebrand, we believe that due diligence is an important tool and that the directive can create a more level playing field and stronger incentives for companies and financial institutions to take into account the impact on environmental and social factors in their value chains. We perceive the Due Diligence Directive as part of a broader regulatory ecosystem and an important complement to existing regulations such as SFDR, CSRD and the taxonomy.

In December, the European Parliament, Council and Commission reached a provisional agreement on the Corporate Sustainability Due Diligence Directive (CSDDD). The financial sector is excluded from due diligence requirements, except for their own operations upstream. This is a significant missed opportunity to create a clear and harmonised legislative framework. However, the EU institutions have agreed to a review clause on the inclusion of the finance sector, and we will continue to call for an outcome that takes financial sector into account.



Nature Stewardship

At the PRI In Person conference in Tokyo, an investor initiative on nature was launched, with Storebrand Asset Management among the backers.

Together, the investors emphasized the need for urgent action to halt and reverse the loss of biodiversity and nature.

Collectively the group stated expectation for companies, in line with the newly established Global Biodiversity Framework. The expectations cover business operations, strategy and risk management; and supply chain management. They stated their support for ambitious collaborative investor action towards ensuring that the expectations are met by companies.

Disappointment on NY State Deforestation Bill

Public and investor-supported bill passed legislative vote but was then vetoed by state governor

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.

It is disappointing to see the New York Tropical Deforestation-Free Procurement Bill being vetoed, as it would have been 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 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).

← Protecting forests is essential to be able to meet global climate and biodiversity goals.

Dollar General

Escalation following shareholder resolution on health and safety risks

During the third quarter, Storebrand has taken 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.

A "severe violator"

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.

Investor response

Investors have reacted strongly to these risks. In May, at the Dollar General Annual Meeting, Storebrand was among the 67.7% 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, Storebrand has given 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 to with public statements declaring its intention to conduct an audit before its 2024 annual shareholder meeting.

Storebrand's action in this issue shows our commitment to these issues, as well as how we engage collectively with other shareholders to continue to escalate engagement when companies are not responsive to initial methods of engagement.

Swedish tech rights engagement

Storebrand in new AP Funds Council-led collaboration to address human rights risks in tech

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

Storebrand joined the initiative during the third quarter of 2023 and began enga-ging 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.

Focused effort

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 inter-ference 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.

Perspectives from Japan

Update and insights from working trip to engage selected Japanese companies and participate at the Tokyo PRI in Person conference

Source: Storebrand

↑ Japanese Prime Minister Fumio Kishida announcing policy reforms focused on sustainable finance

Storebrand Asset Management participated in this year's PRI in Person conference, which took place in October in Tokyo, Japan. This year's theme was focused on moving from commitments to tangible action. With 1300 delegates present at the sessions, the conference revolved around what investors and policymakers can do to finally make tangible progress towards achieving the Paris Agreement climate goals and the United Nations Sustainable Development Goals (SDGs).

New biodiversity stewardship initiative launched

During the opening session, the PRI also unveiled Spring, its new stewardship initiative aiming to halt and reverse biodiversity loss by 2030. Storebrand is serving on the Spring advisory committee. As aligned with the Kunming-Montreal Global Biodiversity Framework, the initial focus will be on igniting policy change to address forest loss and land degradation. Companies' political engagement activities will be pivotal to achieve widespread policy change, and therefore they will be the target for the participants of Spring.

In the rest of the conference, our colleagues from Storebrand Asset Management participated in sessions focused on ESG training, pathways to attaining 1.5 degree goals, gender diversity, human rights violations in value chains, among others, and took stock of the sectoral positioning and participated in information sharing.

During the rest of the week, we also met with our portfolio companies in Japan to learn more about their workings and challenges and share our perspectives on sustainability.

Source: Storebrand

↑ Victoria Liden, Senior sustainability analyst, and Ellen Andersen, Team Solutions portfolio manager, together with an ESG analyst from Daiwa Securities in Tokyo.

Positive signs

Overall, our working trip to Japan for the PRI conference was promising. We appreciate that the investment community is shifting into gear on climate action, and it is also encouraging to see shifts in the Japanese policy landscape aimed at encouraging ESG-aligned investment. While we find it valuable that the sectoral consensus is moving towards transforming commitments into tangible, real-world action, we are also aware that we still have a long way to go—and even a shorter timeframe to achieve our sustainability goals.

Navigating Japan's transition towards net zero 2050

Our meeting with a solar company in the midst of the transition

Ellen Grieg Andersen
Portfolio Manager

The Japanese government has set a target to reach net zero by 2050, and reduce greenhouse gas emissions (GHG) by 46% compared with 2013 levels. These targets can be ambitious to achieve given the country's energy history, its reliance on imports, current energy mix and its lack of access to natural resources.[1]

Japan, like many relied on coal until the 1950s/60s and after that became reliant on oil. During the oil crisis in the 1970s the country started investing in nuclear energy and thus became heavily reliant on nuclear energy as an energy source. By 2011 one third of the country's energy was supplied from nuclear. However, after the Fukushima Daiichi nuclear disaster, when a massive tsunami in 2011 triggered a series of meltdowns at the Fukushima Daiichi Nuclear Power Plant, public sentiment turned strongly against nuclear power and Japan suspended all of the country's nuclear reactors. Today many of these are still inactive, but Japan is gradually restarting some of these reactors.[2] This is in part due to not wanting to rely solely on energy imports, as the country had a meagre 12.1% primary energy self-sufficiency ratio[3]. It is also in order to meet its commitments to reduce greenhouse gas emissions in line with its Net Zero ambitions.[4]

Source: Japan 2021 - Energy Policy Review (windows.net)

After the Fukushima accident in 2011, Japan's policies on energy and power mix changed drastically, as the country started to move away from nuclear energy and instead focused on increasing the supply of renewable energy sources to meet its GHG emissions targets. During the period from 2012 to 2019 renewable electricity generation grew by 70% and solar power accounted for 90% of this growth.[5]

In October 2023, Storebrand Asset Management met with West Holdings, in Hiroshima, Japan. West Holdings, a solution company providing solar energy solutions, is a portfolio company in Storebrand Renewable Energy and Storebrand Global Solutions. Our delegation, comprised of myself and Storebrand's senior sustainability analyst Victoria Liden, met with the Chairman, CFO, and Operations & Maintenance Manager of the company in Hiroshima. They showed us several of their solar power plants as well as their control room at their headquarters in Hiroshima.

It was a great opportunity for us to learn more about the company and discuss the outlook for West Holdings and renewable energy in Japan in general. Going forward, the company aims to meet the regulatory changes and navigate the regulatory landscape by focusing on two main areas: construction of low-voltage solar power plants and installing panels for on-site consumption at factories. West Holdings is considered a relatively small company in Japan with around 400 employees, in fact we were the first international investor to visit their headquarters in Hiroshima. Being relatively small, they had the advantage of little to no competition in remote areas in Japan, because they are an established player in the market.

According to some analysts, short-term investments in renewable energy in 2024 are anticipated to decrease due to perceived lack of support for near-term targets. Despite this, Japan is expected to keep its 2030 decarbonisation targets but shift its focus to 2035. [6] As Japan adapts to meet its long-term objectives, the trajectory of its renewable energy sector remains an area we as investors will follow closely in the years ahead. We are positive that there are significant drivers that will push Japan towards meeting its ambition, and that the renewable energy in Japan will grow as a result.

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[2] Japan 2021 — Energy Policy Review

[3] 2021 — Understanding the current energy situation in Japan (Part 1)

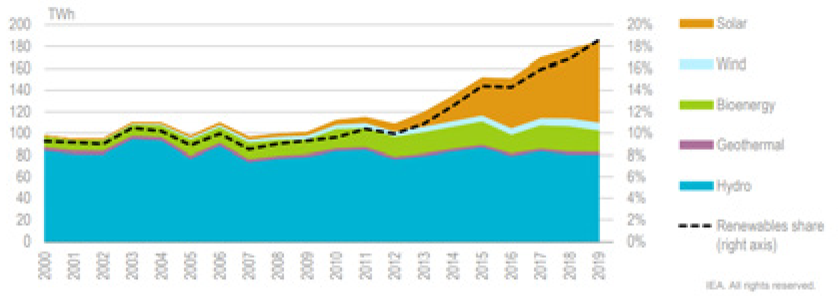
[4] Japan 2021 — Energy Policy Review

[5] Japan 2021 — Energy Policy Review

[6] Japan: Things to Watch in 2024

Being relatively small, they had the advantage of little to no competition in remote areas in Japan, because they are an established player in the market

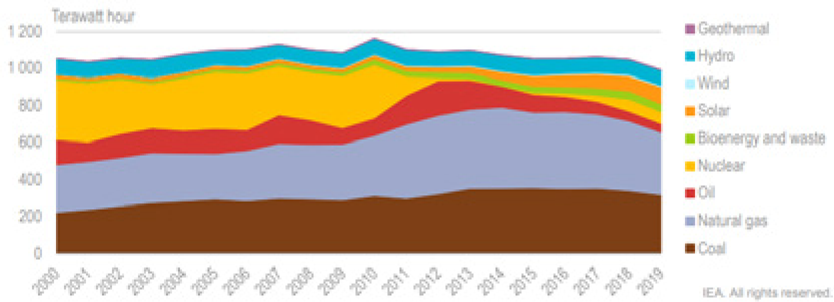
Figure 5.5 Renewable energy in electricity generation, Japan, 2000-19



Solar power has increased tenfold in the last seven years and contributed to a rapid growth in renewable electricity, which accounted for 19% of total electricity generation in 2019.

* *Bioenergy* includes solid primary biofuels, liquid biofuels and biogases.
Note: TWh = terawatt hour.
Source: IEA (2020a), *IEA World Energy Statistics and Balances* (database), www.iea.org/statistics.

Figure 7.1 Electricity generation by source in Japan, 2000-19



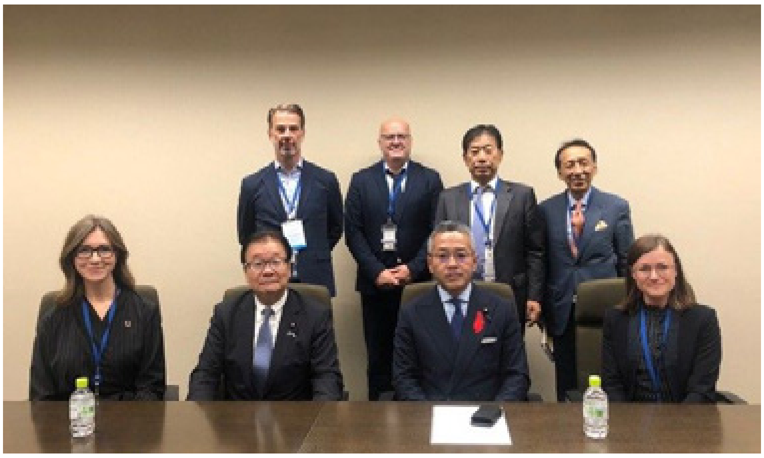
Fossil fuels filled the gap from reduced nuclear generation since 2011, although the share of solar power increased noticeably since then.

Source: IEA (2020a), *IEA World Energy Statistics and Balances* (database), www.iea.org/statistics.

Source: Japan 2021 — Energy Policy Review

Following up steel engagements

Meeting members of Japanese parliament in connection with our 2-year-long steel engagement



Source: Storebrand

↑ Victoria Lidén and Storebrand's engagement partners in meeting with members of the Japanese Parliament.

As part of Storebrand Asset Management's trip to Japan, combining our participation in the PRI in Person conference with meetings with our portfolio companies, we conducted several in-person meetings following up on our ongoing engagements with Japanese steel producers. The steel engagements make up an important step in our drive to decarbonize the steel industry, which is highest carbon emitting sector in our portfolio.

The meetings matter in the context of Storebrand's objective to achieve real-world emission reductions as well as to fulfil our own climate commitments and targets. We believe in engaging with the top emitters in our portfolio to drive impactful change.

During this trip, in October, Victoria Lidén, Storebrand's senior sustainability analyst, met with Nippon Steel and JFE Holdings in Tokyo. The meetings marked the next step in our two-year long engagement with the two companies. Our main collaboration partners, Australasian Centre for Corporate Responsibility (ACCR) and Corporate Action Japan (CAJ) were also present in these multi-stakeholder meetings.

The following day, Lidén and representatives from our collaboration partners met members of the Japanese Parliament, to discuss the transition and decarbonization of Japan's steel industry. We highly appreciated this opportunity to engage with legislators and share the investor perspective on steel decarbonization with the parliament members.

Before our working trip to Japan, both Nippon Steel and JFE Holdings announced that they would convert their blast furnaces into electric arc furnaces in the next couple of years, a promising development given that at the beginning of 2022, when Storebrand started its engagement with companies, there were no such plans. The conversion will significantly cut down the production-related carbon emissions.

We plan to continue our engagement with the companies, as they work towards financial growth and transition goals.

Source: Storebrand

↑ JFE Holdings Headquarters in Tokyo, Japan

↑ Nippon Steel Headquarters in Tokyo, Japan

Keeping up with hazardous chemicals

Meeting with partners at a PRI conference side event in Japan to evaluate ongoing PFAS engagement

→ Victoria Lidén, Storebrand's senior sustainability analyst talking about Storebrand's engagement work regarding PFAS, also known as forever chemicals

Source: Storebrand

On October 5, representatives from ChemSec, BNP Paribas Asset Management, and Storebrand Asset Management came together to take stock of their two-year-long engagement under the umbrella of Investor Initiative on Hazardous Chemicals on the issue of PFAS, also known as forever chemicals. The panel was part of the PRI in Person's programming.

In her talk during the panel, Victoria Lidén, Storebrand's senior sustainability analyst, emphasized the interconnection between forever chemicals and climate change and biodiversity loss, and voiced appreciation for the structured and action-oriented engagement style of the Investor Initiative on Hazardous 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. Their biggest gain so far is 3M's decision to discontinue PFAS. More and more companies are responding positively to the initiative's engagement.

ChemSec also 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. This year's 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.

FAIRR Progress

Storebrand begins two collaborative engagements on biodiversity in food production

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 organized by the FAIRR Initiative (FAIRR).

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 is FAIRR's new engagement 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 World Wide 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.

Investors can help civil society make a better case for eliminating hazardous chemicals

Writing a better equation for the chemicals sector

ChemSec's Patrik Witkowsky shares his views on how non-profits and investors can collaborate better to ensure safer use of chemicals, and improve their chances of achieving their sustainability goals.

Let's begin with some basics. What's ChemSec and what do you do?

Also known as the International Chemical Secretariat, ChemSec is an independent non-profit organization based in Sweden, and we have existed since 2002. We advocate for the substitution of hazardous chemicals to safer alternatives. Perhaps the most well-known of these hazardous chemicals is PFAS—a group of several thousand persistent chemicals. These chemicals, found in everything from makeup and clothing to computer chips, accumulate in our bodies and the environment.

We estimate that the social costs of PFAS (remediation of water and soil, plus increased healthcare costs) are a staggering $16 trillion annually. Asset owners and managers that are approximating universal owners have an incentive to address this.

PFAS pose a risk because many of these chemicals have been proven to be hazardous to human health and wildlife, and since they break down extremely slowly these risks can compound.

We use independent research, cross-border collaboration, and various practical tools to push legislative authorities and businesses in the right direction: to induce them to transition to using non-toxic alternatives rather than continuing to use PFAS and other hazardous chemicals.

Have you experienced any promising developments so far?
The huge litigation cases in the United States, regarding PFAS, have highlighted the financial importance of addressing this issue. The universal PFAS restriction, which is on the table in the EU, is also forcing companies, both in Europe and abroad, to develop alternatives. In addition, partly thanks to investor pressure, 3M decided to exit PFAS manufacturing by the end of 2025.

On the more local scale, yet still important in terms of setting a precedent, is the Swedish Supreme Court's decision in favour of the residents of Ronneby (a Swedish town about 500 kilometres to the south of Stockholm) who have been affected by PFAS-contaminated drinking water.

What are some important tools or initiatives in your advocacy work?
ChemScore is our information tool that ranks the world's top 50 chemical producers on their work to reduce their chemical footprint—and it is free to use by anyone who wants to. Investors draw from ChemScore data in their conversations with their portfolio companies: Having access to better information about their portfolio companies' chemical management strategies, investors can identify viable goals and more successfully push for changes in company operations. The scorecard is released every autumn and considers how chemical companies are managing their chemical production and risks stemming from that.

We also coordinate the IIHC, the investor-led collaborative engagement initiative which brings together more than 50 institutional investors with over USD 10 trillion in assets under management or advice. The initiative aims to capitalize on the power of numbers when it comes to engaging with publicly listed chemical companies and push them to replace hazardous chemicals with non-toxic alternatives. The IIHC asks companies to establish clearly defined and time-bound plans to exit their PFAS production and transition to safer alternatives, as well as to increase transparency around their portfolio of hazardous chemicals. Our coordination work around this initiative is well-received by our investor partners, who benefit from our research and work in arranging the logistics of major undertakings such as these.

What do you need from your investor partners?
First, just like our investor partners, we too operate on a limited capacity to do research on all relevant fronts. And while we have topical expertise on toxic chemicals and identify pointers for policymakers and companies, we are in some instances, especially when regulations are weak, lacking a clear financial rationale (or as it is often described, a **"business case"**) for individual companies to exit toxic chemicals. ChemSec's expertise is not primarily focused on why it makes financial and business sense to discontinue hazardous chemicals—it is a task better suited for our investor partners. Coming from inside the business and finance world, they can present fine-tuned perspectives on why this is good for business. Tangible resources, like whitepapers or case studies, would be much appreciated, as we can see what the thinking of the business world is.

Secondly, and similarly, investors can be better actors at demonstrating hazardous chemicals as a systemic risk and acting on the issue as such. If a company contaminates an area with PFAS, for example, often the costs linked to that will be paid by others. We estimate that the social costs of PFAS (remediation of water and soil, plus increased healthcare costs) are a staggering $16 trillion annually. Asset owners and managers that are approximating universal owners have an incentive to address this — if an investor owns stakes in 100 companies that operate in a PFAS-contaminated region, it's in their interest to get the PFAS-producing company to shift behaviour, even if that one company is doing great manufacturing PFAS.

All in all, ChemSec hopes to further rely on strengths that particularly belong to investors, such as the ease at making a business case around the discontinuation of hazardous chemicals and tapping into their commitment and power as universal owners.

What do you expect to see in this realm in 2024?
Hazardous chemicals will continue to be a topic of discussion in 2024: We have been running the IIHC for about a year now, and we had the first round of company calls from January 2023 to June 2023. Now we've just started a new set of company calls, so it'll be very interesting to see if the dialogues can develop and if any companies want to position themselves as a real frontrunner.

We also hope that more companies will increase their transparency around their chemicals portfolio, so that we can better see what they are producing. This would help us improve ChemScore rankings, and present better data to investors to be used in their dialogues with companies. The CSRD looks pretty good when it comes to disclosure about chemicals, so they'll have to move in that direction anyway.

I also hope that the issue of toxic chemicals will become an even more important parliamentary discussion at the EU level, given the upcoming elections.

Note: This is an opinion by an external contributor, providing an expression of views held by them and the organisation they represent

2023 Deforestation Action Tracker findings released

Storebrand Asset Management ranked among leading investors

Storebrand Asset Management was recognized for its strong commitment to taking action on deforestation, in major new analysis of financial institutions around the world.

The **Deforestation Action Tracker 2023 report**, launched on 27 November 2023, assessed the policies and implementation of 719 financial institutions in relation to cattle products, timber products, soy, and palm oil.

The report found that the financial sector is largely failing to act. Among the findings are that 75 per cent (536) of the financial institutions assessed still do not have a public deforestation policy, and just 10 per cent (69) have a deforestation policy in place for all highest risk commodities.

On a more positive note, the Tracker found that nearly half (44 per cent) (317) of the financial institutions are involved in a collaborative sector initiative on deforestation or involved in advocating for legislation focused on deforestation, conversion or associated human rights abuses. Some frontrunning financial institutions are going further, including by setting ambitious 2025 targets and working together towards eliminating agricultural commodity-driven deforestation. Storebrand Asset Management is ranked by the assessment as being among this leading group of investors, based on specific actions we have taken: having a deforestation policy with a 2025 target date in place; and taking a leading role in the collaborative initiatives Investor Policy Dialogue on Deforestation (IPDD) and Finance Sector Deforestation Action (FSDA).

The Global Canopy's Deforestation Action Tracker monitors financial institutions with significant climate commitments including those in Race to Zero and Glasgow Financial Alliance for Net Zero (GFANZ), to track their action on deforestation, conversion and associated human rights abuses.

Forest IQ project

Improving portfolio screening for deforestation risk

Forest IQ, launched on November 1, 2023, is an innovative data platform designed for financial institutions. It represents a collaborative effort between Global Canopy, Neural Alpha, the Stockholm Environment Institute, and The Zoological Society of London (ZSL). The platform is unique in its approach as it consolidates aligned, high-quality, and actionable data on how over 2,000 major companies are addressing their links to deforestation.

The primary goal of Forest IQ is to enable investors and financial institutions to better understand and manage their exposure to companies driving tropical deforestation. The platform covers key agricultural commodities that are the main drivers of deforestation, like cattle, soy, palm oil, timber, pulp and paper, coffee, and cocoa, as well as rubber, coal and gold.

Forest IQ achieves this by bringing together data from various sources like Global Canopy's Forest 500, Trase, ZSL's SPOTT, FAO, and certification schemes such as RSPO. This data is then used to generate core metrics for each company regarding deforestation exposure, materiality, and policy commitments, alongside their implementation. These metrics allow investors to compare companies throughout the value chain using a standard set of indicators.

In addition to benchmarking, Forest IQ can support activities like engagement and stewardship, due diligence, policy development and implementation, and exclusion screening. This comprehensive approach is reflective of the growing recognition of the substantial business risks posed by deforestation, conversion of natural ecosystems, and associated human rights issues. The platform's launch is timely, given the increasing regulatory focus on deforestation in major importer markets like the EU, UK, and USA.

Storebrand Asset Management contributed actively to Forest IQ's development through participation in a working group of 10 financial institutions, aiming to ensure that the platform meets the needs and processes of the finance sector. Going forward, Storebrand will use Forest IQ to improve our portfolio screening for deforestation risk.

Enabling the transition to net zero

Recognizing the financial risk presented by climate change and future regulatory risks posed by the failure of companies to prepare for economic transition, Storebrand Asset Management has committed to work towards aligning portfolios with net zero emissions through engagement and initiatives such as the Climate Action 100+ and Net Zero Engagement Initiative. To deliver on these commitments, we encourage companies to make a commitment to net-zero and lay out how they intend to navigate the transition to being a net zero company and seek to engage where these appear lacking or not sufficiently robust. To deliver upon our own net zero commitment, we are now engaging with a broad pool of companies which we have identified as climate laggards. Several were pulled into a climate transition assessment, including the Transition Pathway Initiative (TPI) management quality score data and information from our ESG data provider. Storebrand is now in dialogue with the identified companies, expecting them to have set the following:

1. **Comprehensive net zero commitment**
   Make a comprehensive commitment to reducing emissions to net zero by 2050 or sooner, covering all relevant business areas and all material greenhouse gas (GHG) emissions scopes (1, 2 and 3)

2. **Aligned GHG targets**
   Set short, medium and long-term GHG targets aligned with the relevant emission pathway and consistent with limiting the global temperature increase to 1.5 degrees Celsius

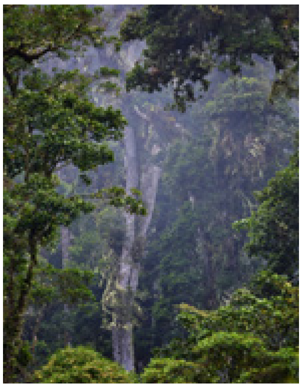
3. **Emissions performance disclosure**
   Disclose GHG emissions specifying scopes 1, 2 and 3

4. **Credible decarbonization strategy**
   Disclose and quantify the principal actions that you will take to deliver the GHG emissions targets (see point 2) including setting out capital expenditure plans and investment in climate solutions where relevant.

An important component of Storebrand's climate change work is to invest in companies that have credible targets and strategies to make the transition to net zero happen. We are also in the view that engagement and voting go hand-in-hand. This means that depending on the outcome of the engagement and any improvements, voting can be used as an escalation tool.

IPDD efforts yield positive impact

Deforestation in Brazil's Amazon down by 50 per cent to five-year low in 2023



Storebrand also continues to engage with policymakers in selected countries on deforestation through the Investor Policy Dialogue on Deforestation (IPDD) collaborative initiative. 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. Storebrand and the investor group had in person meetings with the new administration in 2023, and we are encouraged to see that illegal logging and deforestation in Brazil's Amazon rainforest 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.

Update on top emitters in portfolio

Ongoing targeted engagement continued in Q4 2023

As part of our engagement work, we have identified the top emitters in our portfolio. Storebrand Asset Management's senior management has engaged with CEOs of these companies to which we have significant exposure, to encourage adoption of science-based targets and plans for emissions reductions, board oversight of climate strategies and TCFD-aligned disclosure of emissions. Biodiversity impacts are also an important part of these company dialogues.

Top emitters

1. Norsk Hydro
2. Yara
3. Elkem
4. Nippon Steel Corporation
5. JFE Steel Corporation
6. Haci Omer Sabanci Holding
7. Vår Energi
8. Wallenius Wilhelmsen
9. Odfjell
10. DFDS
11. SFL Corporation
12. Equinor
13. UPM
14. ADM
15. Bunge
16. Maersk
17. Holmen
18. Stora Enso
19. Aker BP
20. Sandvik

Takeaways from COP 28

A quick overview of what happened and what it could mean for investors

This year's global climate conference COP28, recently held in Dubai, United Arab Emirates, assembled government officials from around the world to negotiate national commitments to climate frameworks. The event was also notable as it was held at the halfway point between the 2015 Paris Agreement and 2030, the first substantial interim waypoint on the road to net-zero in 2050.

Here's our take on the event and what it could mean for investors going forward.

The future is renewable

A deal which signals the "beginning of the end" for fossil fuels has been agreed at COP28 this week. Whilst the final agreement does not go far enough in committing to the phase out of fossil fuels that so many had called for, it does show significant progress as the first global commitment to transition away from fossil fuels. It is the first time that a UN climate summit has concluded with a call to address the main cause of the climate crisis.

From an investment standpoint, there are some very notable aspects of the COP28 pact, such as a promise to triple the use of renewables by 2030 and double energy efficiency levels. The economics are well in favour now of clean energy and a very positive confirmation for Storebrand's investment strategy which has made a commitment to lock 15% of total AUM to solution companies. The business case is becoming clearer for companies to better mitigate and seize the opportunities presented by the climate transition, something we continue to emphasize through our dialogue with our investees.

The need to escalate funding for nature-based solutions

COP28 also presented an opportunity for countries to discuss the progress made since COP15 and focus on integrating nature into to climate change. Many have pledged funding, such as Norway which announced to increase its contribution to both Indonesia and Brazil to promote forest conservation, but there remains large funding gap for nature-based solutions.

Storebrand Asset Management has been championing for this through our own commitments as well as through partnership with the Investors Policy Dialogue on Deforestation. Most countries do have some measures in place to combat deforestation, while providing favourable conditions for business and investments. However, escalating deforestation in recent years in countries rich in such natural resources, combined with concerns about weakening environmental and human rights policies as well as lack of effective enforcement, are creating widespread uncertainty about the conditions for investing in or providing financial services to these countries.

In whose best interest?

The international nature of COP, with representatives from all corners of the world and segments, including from the private sector, also highlights the importance of this for our own sector. COP 28 importantly recognized that policymakers need to create a better enabling environment to support finance flows, acknowledging the critical role of the private sector and stressed the need to enhance policy guidance, incentives, regulations and enabling conditions to attract the necessary investments for a global transition towards low greenhouse gas emissions and climate-resilient development.

Separately, business has a significant role to play in reducing both climate and nature impact, but this role comes with huge responsibility. The NGO Global Witness reported that a record 2,456 fossil fuel lobbyists were at COP28 – which if they were a nation, would have made them the third-biggest delegation at the conference. Investors are now increasingly vocal about corporate lobbying practices and at Storebrand, there is now a common red line through all our engagements, and that is climate lobbying. Figures published by think tank InfluenceMap indicate that corporate lobbying has been a major driver of the growing political pushback against responsible investment practices, with large companies helping to table laws banning ESG in several jurisdictions.

Engagement data
Q4 2023

YTD as of 31st December 2023

875 Ongoing engagements
222 Completed engagements

All engagement data presented here, represents unreviewed, unaudited year-to-date totals of engagements conducted, during the period from the beginning of the year until the end of the quarter being reported in. We use these rolling summaries of year-to-date data, because the nature of engagement activity involves engagement points that are not always predictable. Therefore, our engagement activity would not be properly represented presenting isolated snapshots of data within each quarter of the year.

As of year-end 2023, we have had 875 ongoing engagements in total, with 729 unique companies. It should be noted that a significant share of these engagements, approx. 80 per cent, are collaborative engagements, where we mainly have a supporting role.

In total, we have registered 572 activities/interactions with companies during the year, through meetings, e-mails and letters. 294 of these activities were linked to an ongoing engagement with a company. This contact included enquiries to obtain information, as well as direct dialogue about portfolio companies' sustainability efforts.

Among notable trends, 80 per cent of our engagements in 2023 were conducted collaboratively in structured alliances with other stakeholders, compared to 77 per cent in 2022. This reflects our strategy to join forces with other investors and stakeholders to maximize impact, where appropriate. Several of the most significant collaborative engagements were related to climate, nature and biodiversity, labour rights and working conditions.

Among the new engagements initiated in 2023, 34 per cent focus on social issues, including labour rights as well as human rights in conflict zones.

During the year, we concluded 222 engagements.

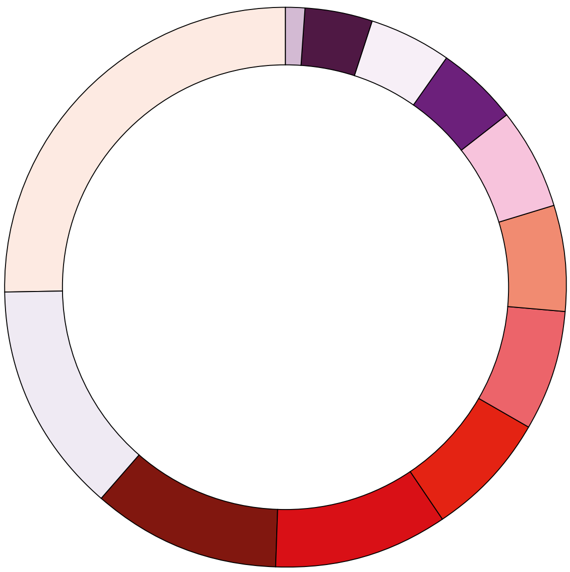
Where we engaged

Top countries engaged in

Country	Number of engagements	
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 %

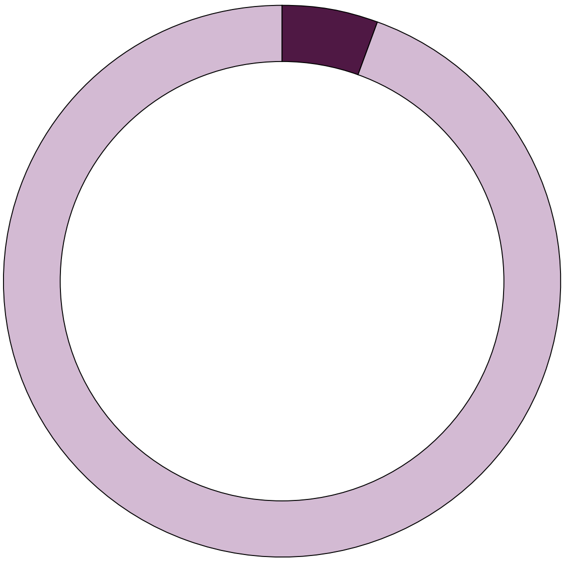
Sectors engaged in

- **1.28 %** Real Estate
- **3.92 %** Information Technology
- **4.56 %** Healthcare
- **4.74 %** Utilities
- **5.83 %** Financial
- **6.20 %** Communication Services
- **7.02 %** Energy
- **7.11 %** Consumer Discretionary
- **10.12 %** Industrials
- **10.85 %** Other
- **13.22 %** Consumer Staples
- **25.16 %** Materials



Why and how we engaged

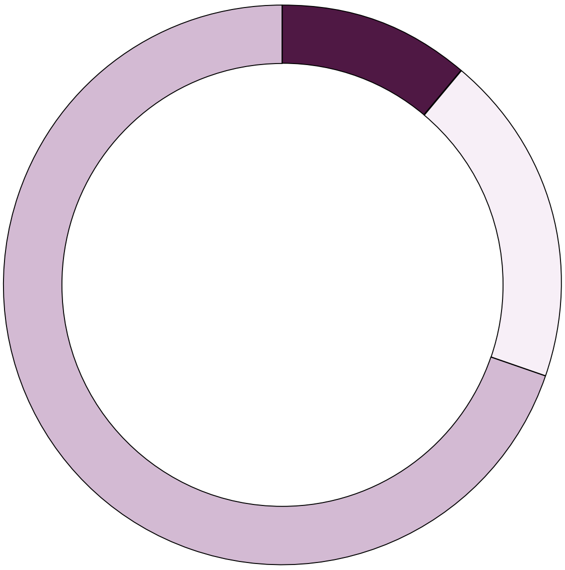
Reasons for engagements



5.73 % Reactive

94.27 % Proactive

Format of engagements



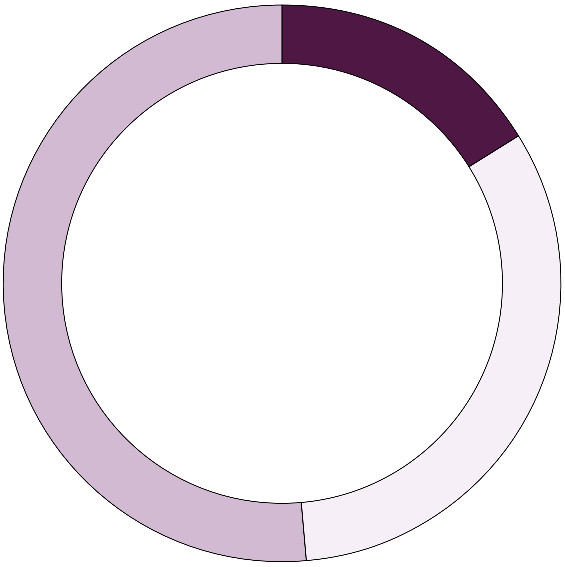
11.37 % Collaborative (leading role)

19.16 % Internal

69.48 % Collaborative (non-leading role)

What we engaged in

ESG categorization of engagements



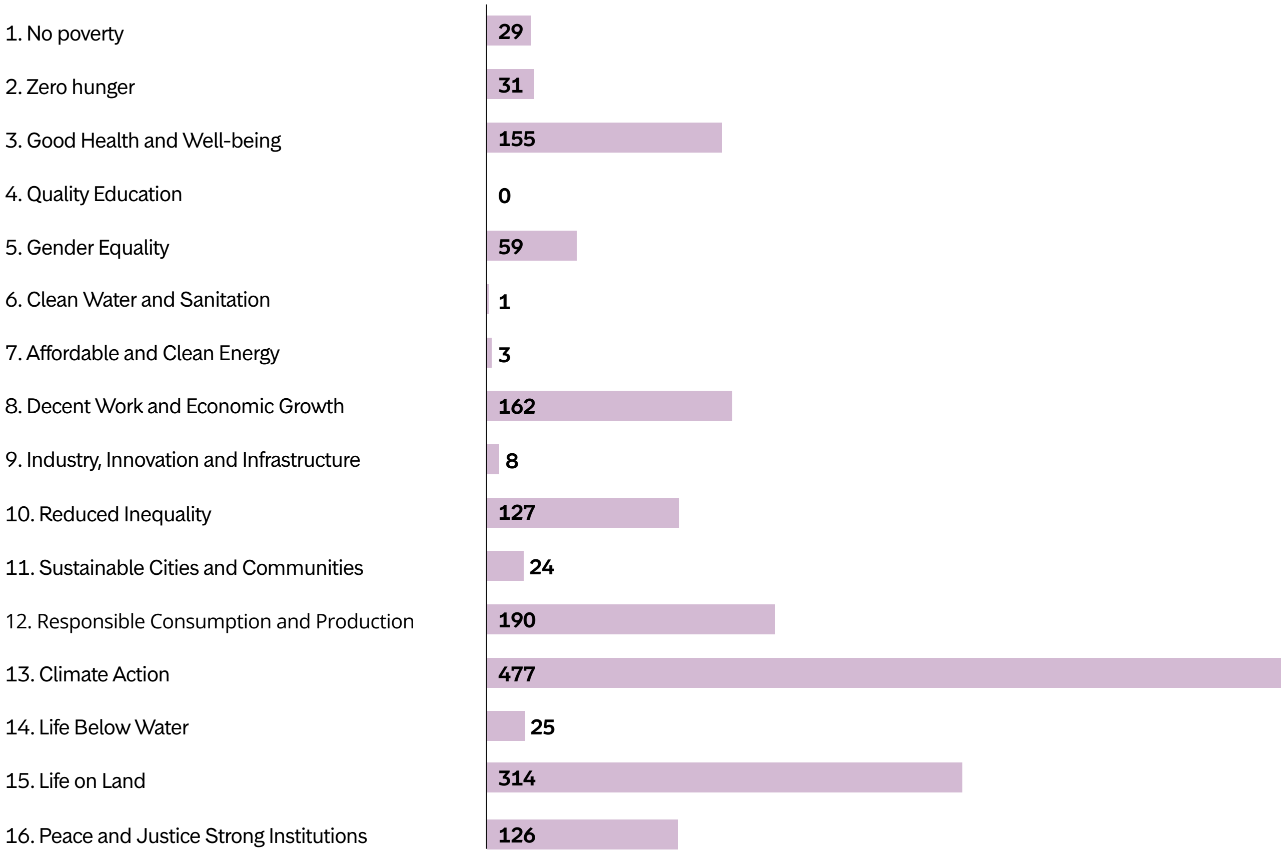
16.30 % Governance

32.41 % Social

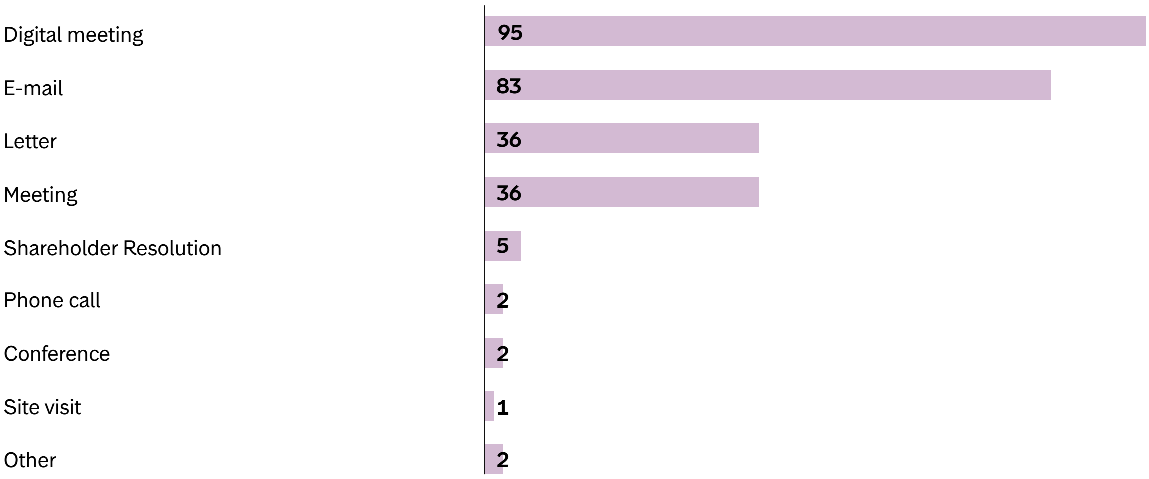
51.29 % Environmental

What we engaged on

SDGs impacted by engagements

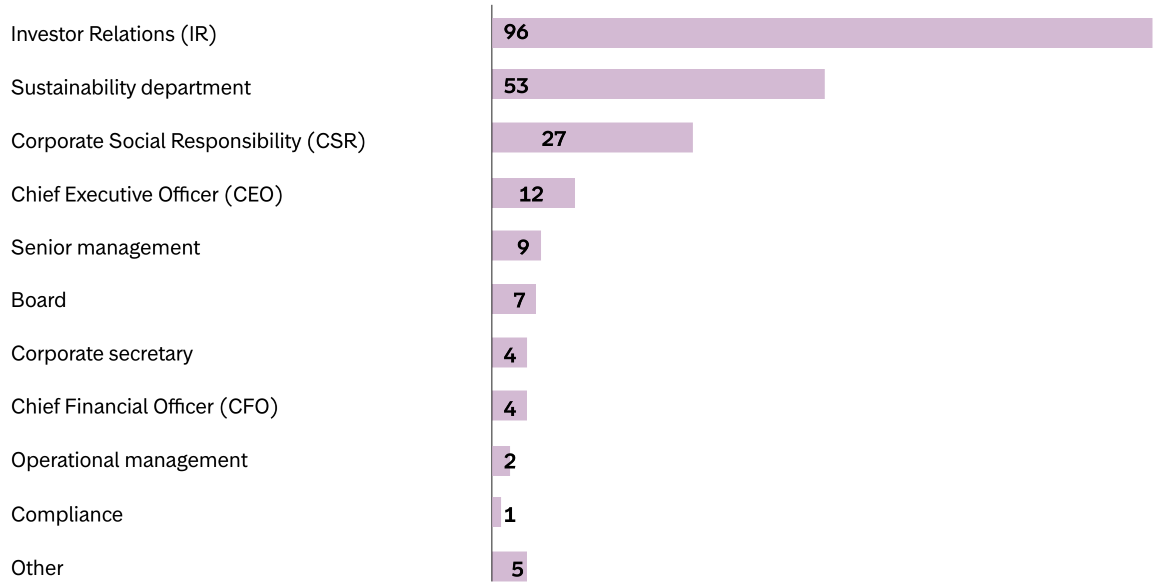


Engagement activity type: How did we contact companies?



We take the viewpoint that all our engagement activities contribute to SDG 17, meaningful partnerships for goals.

Engagement contacts: Who did we contact at companies?



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

Voting summary Q4 2023

In the last quarter of the year, we met our target for the year of voting at approximately 2000 company meetings, representing just above 90% of our assets invested in public equity. At the beginning of the year, we predetermine most of the companies at the meetings of which we intend to vote, based on the following factors: Our 1000 largest global holdings, our 100 largest holdings in Norway and Sweden, respectively, all companies that we are engaged in ESG-related dialogue with, and all meetings with environmental or social shareholder proposals on the agenda. Our voting numbers for each quarter will therefore vary according to when the meetings of the priority companies take place.

In Q4 we observed a continuation of the recent trend of shareholder proposals being used to oppose company management of environmental (E) and social (S) risks. Of 19 shareholder proposals related to E and S, we identified five anti-ES shareholder proposals this quarter, and we voted against these.

Of shareholder proposals aimed at strengthening companies' management of ESG risks, we supported four climate-related proposals (Cintas Corp, Campbell Soup Company, Microsoft Corp and Westpac Banking Corp), two proposals on animal welfare (Sysco Corp and Campbell Soup Company), one proposal on reducing plastic use (Coty Inc.), and two proposals on diversity, equity and inclusion (Oracle Corp and Cintas Corp). At the AGM of Microsoft Corp, we supported shareholder proposals asking for reporting on risks of weapons development, risks of AI-generated misinformation and disinformation, and on tax transparency.

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

Voting key figures Q4 2023 only

General voting data

	Voted	Votable	Percentage voted
Number of general meetings voted	166	561	29.59 %
Number of items voted	1598	2953	54.11 %
Number of votes on shareholder proposals	43	92	46.74 %

Top countries voted in

	Voted meetings	Votable meetings	Percentage voted
USA	35	51	68.63 %
Australia	31	51	60.78 %
China	22	177	12.43 %
Norway	15	18	83.33 %
India	12	48	25.00 %
Bermuda	7	17	41.18 %
South Africa	4	17	23.53 %
Brazil	3	12	25.00 %
Hong Kong	3	10	30.00 %
United Kingdom	3	8	37.50 %
Cayman Islands	2	29	6.90 %
Japan	2	10	20.00 %
South Korea	2	13	15.38 %
Indonesia	1	8	12.50 %
Sweden	1	32	3.13 %

Percentages rounded off to nearest decimal

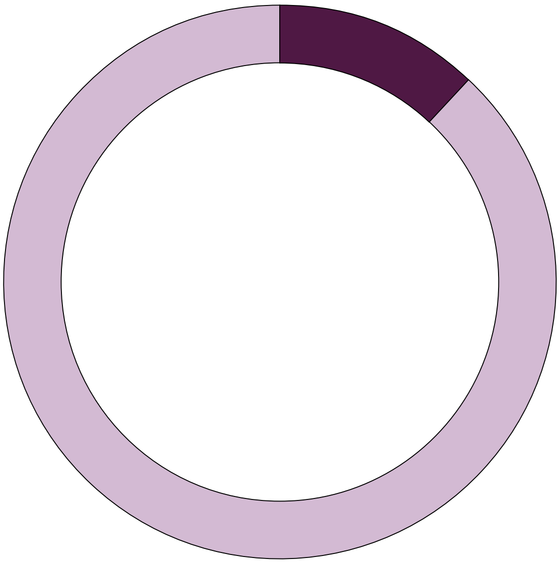
All voting data presented here represents quarterly totals, documenting the voting activity we conducted during Q4 2023 (the period 01/10/2023 to 31/12/2023).

Shareholder proposals overview

	Number of proposals	With management	% with management	With ISS Sustainability policy	% with Policy	ESG Flag
Audit Related	65	65	100.00 %	65	100 %	G
Capitalization	88	79	89.77 %	88	100 %	G
Company Articles	36	30	83.33 %	36	100 %	G
Compensation	229	189	82.53 %	189	82.53 %	G
Corporate Governance	0	0	N/A %	0	N/A	G
Director Election	628	558	88.85 %	626	99.68 %	G
Director Related	37	32	86.49 %	37	100 %	G
E&S Blended	4	4	100.00 %	4	100 %	ES
Environmental	7	1	14.29 %	7	100 %	E
Miscellaneous	12	11	91.67 %	11	91.67 %	G
Non-Routine Business	13	11	84.62 %	13	100 %	G
Routine Business	103	99	96.12 %	103	100 %	G
Social	17	9	52.94 %	17	100 %	S
Strategic Transactions	27	24	88.89 %	27	100 %	G
Takeover Related	17	16	94.12 %	17	100 %	G

Alignment with management recommendations

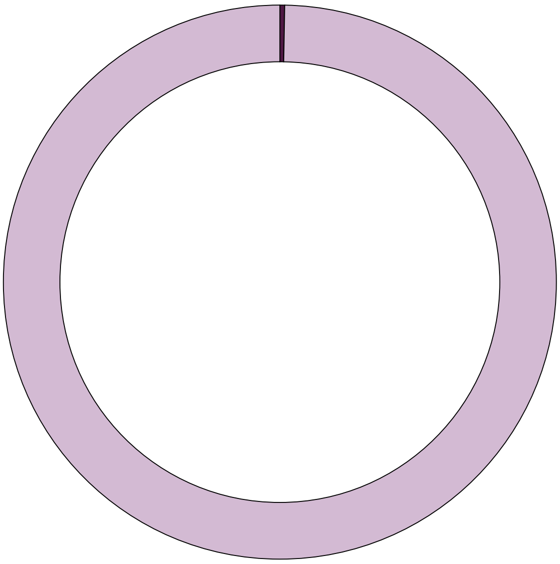
Voting choices compared to management recommendations



12.1 % Votes against management

87.9 % Votes with management

Voting choices compared to ISS recommendations



0,02 % Votes against ISS Sustainability Policy

99,98% Votes with ISS Sustainability Policy

EXCL

Exclusions / Screening and eliminating investments

Exclusions / Screening and eliminating investments **Exclusions** / Screening and eliminating investments

Exclusion key figures

Companies excluded by Storebrand, as of 31st December 2023

Companies excluded under the Storebrand Standard

Category	Newly excluded	Total excluded
Environment	0	20
Corruption and financial	0	9
Human rights	1	57
Tobacco	0	28
Cannabis	0	0
Controversial weapons	4	40
Coal	4	117
Oil sands	0	5
Lobbying	1	4
Arctic drilling	0	0
Marine/riverine tailings	1	4
Deep-sea mining	0	1
Deforestation	0	14
Cannabis	0	0
State-controlled companies	0	15
Total	12	310*
(Observation list)	0	4

Companies excluded under all standards

Category	Newly excluded	Total excluded
Serious environmental	0	33
Corruption and financial crime	1	12
Human rights	1	95
Controversial weapons	0	40
Fossil fuels	13	517
Tobacco	0	28
Alcohol	2	88
Weapons/arms	0	63
Gambling	0	38
Cannabis	0	0
Adult entertainment	0	0
Total	17	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.

Update on annual screening process and outcomes

We annually screen and assess companies linked to the occupation of Palestinian territories (OPT). This process is a continuation of enhanced human rights due diligence that we have conducted on this issue since 2009. Based on these ongoing processes, we have been engaging and divesting from many companies.

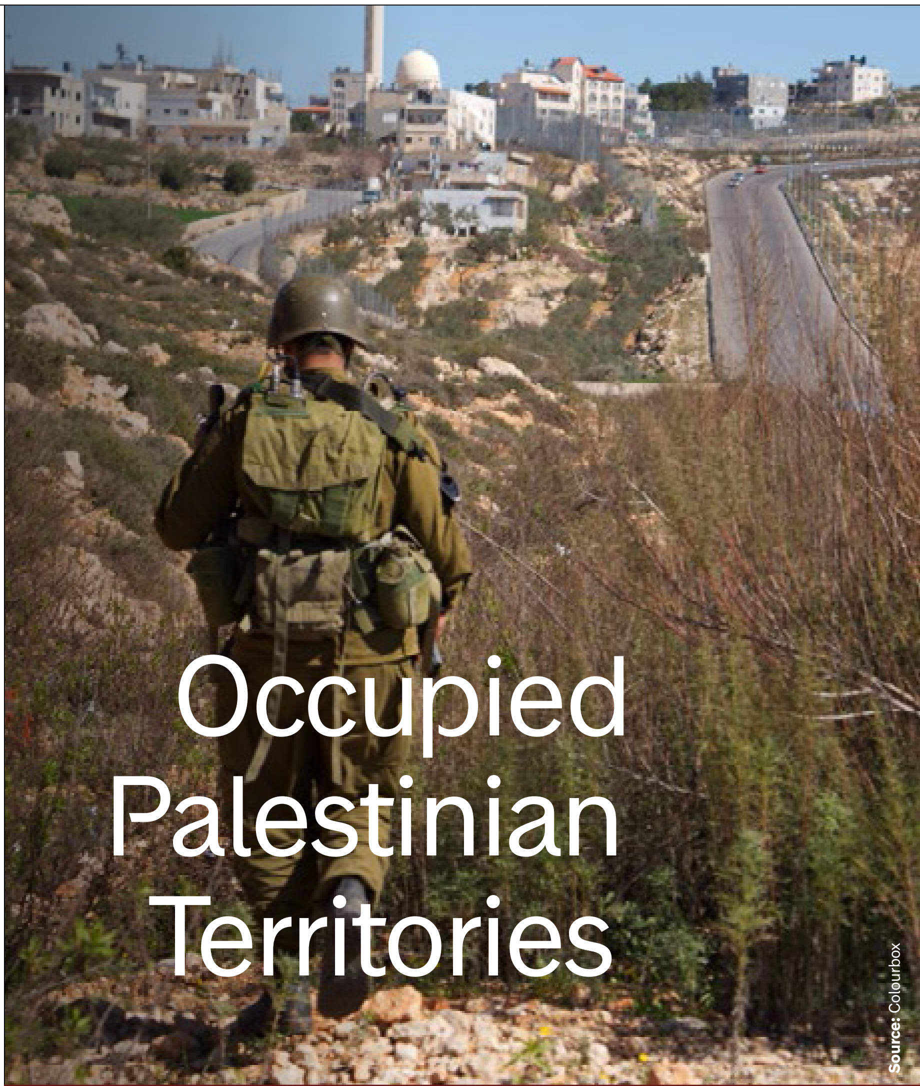
Storebrand does not have any direct lending activities or underwritings. However, we do carry out continuous human rights' due diligence of all our portfolios, mainly based on our standards on international human rights and humanitarian law, but also on ESG risk data (including country risk, industry risk and company risk ratings) in alignment with 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.

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.

All activities, services and goods can potentially contribute to the occupation and to sustaining the illegal settlements. However, some of these contribute more to sustaining the illegal situation than others. Our approach is to focus on those with a higher risk of contribution (as explained below for the first and second categories), to engage with these companies. Where it is not possible to influence them, we exclude them. Therefore, since 2009 we have used our own criteria to assess to what extent companies contribute to the regime resulting from Israel's 50+ years of occupation. The criteria cover companies that:

- **may be providing surveillance and identification equipment at checkpoints and therefore enabling the regime resulting from the occupation (most severe contribution)**
- **contribute to construction, maintenance and expansion of settlements and exploitation of natural resources, including infrastructure and direct financing (second-most severe contribution)**
- **buy goods or services from companies that have operations in Israeli-occupied territories.**

Companies falling within the first and second most severe categories are candidates for engagement and potential exclusion, if engagement fails.



Occupied Palestinian Territories

Source: Colourbox

As of 31st December 2023, the full list of companies excluded related to OPT 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 this issue. We plan to publish the results of that assessment during Q1 and Q2 of 2024.

First International Bank of Israel (FIBI)

Excluded for involvement in Occupied Palestinian Territories (OPT)

Storebrand first addressed the issue of direct financing of Israeli settlements in occupied Palestinian territories in 2014, which resulted in the exclusion of three banks. Although First International Bank of Israel (FIBI) was flagged at the time, it was not part of Storebrand's investment universe and thus not excluded at the time. However, the allegations are similar to those against the three banks excluded in 2014.

FIBI is an Israel-based full-service bank, with a wide customer base ranging from corporate clients to medium and small businesses and end-consumers. Its services include retail, capital market, investment consultancy, corporate, commercial and private banking services. The bank directly finances construction and infrastructure for the Israeli settlements, by granting loans to construction and infrastructure companies as well as the local settlement authorities. FIBI also offers loans to Israeli businesses in the settlements and has been involved in the financing of the Jerusalem light rail connecting large Israeli settlement blocs in occupied East Jerusalem with the western part of the city.

Through its direct financial activities, the company directly contributes and makes possible the establishment, expansion and maintenance of illegal Israeli settlements in occupied Palestinian territories and thus further Israel's illegal acquisition of territories. The establishment of Israeli settlements in the West Bank is illegal under international law. Storebrand has not succeeded in establishing a dialogue with the company.

→ White phosphorus munitions are weapons that use one of the common allotropes of the chemical element phosphorus. It is is used in smoke, illumination, and incendiary munitions.

Rheinmetall AG

Newly placed on observation list for involvement in controversial weapons

The German-based automotive and weapons manufacturer Rheinmetall AG was flagged under our controversial weapons screening, based on our exclusion criteria regarding involvement in the production of white phosphorus weapons. Although the company has a policy not to produce or distribute phosphorus weapons which applies also to its subsidiary companies, it however recently acquired a company that produces such items, which triggered the alert.

Storebrand has engaged with the company regarding the above concerns, and has received confirmation that the recently acquired company, Expal Systems, is to phase out the production and distribution of this product in the first half of 2024, in line with Rheinmetall AG's policy. The company has been therefore placed on our observation list, in which trading up in the company is frozen until the subsidiary phases out the production and distribution of this product.

We continue to follow up on the company, in the event that it does not carry out the actions that it explained, we will take a decision on exclusion of the company.

Rheinmetall, is the largest German military equipment supplier and the fifth largest in Europe. The company reported revenues of EUR 6,410 million in the 2022 financial year.


WORLD BUSINESS
B3

Roundup

In the media

CSDDD informal agreement: A mixed bag on financial sector requirements
Responsible Investor
14th December, 2023

A leading sustainable investment media outlet takes stock of the most recent agreement on EU's Corporate Sustainability Due Diligence Directive. Storebrand Asset Management's senior sustainability analyst Victoria Lidén is quoted regarding SAM's position on the directive.

https://www.responsible-investor.com/csddd-informal-agreement-a-mixed-bag-on-financial-sector-requirements/

Inkludera finanssektorn i EU:s lag om företagsansvar (In Swedish)
Altinget Sweden
13th December, 2023

The Swedish branch of political news media outlet surveys the reactions to the new agreement on the EU's Corporate Sustainability Due Diligence Directive. Storebrand Asset Management's open letter to the Swedish government urging the inclusion of the financial sector is mentioned.

https://www.altinget.se/artikel/inkludera-finanssektorn-i-eus-lag-om-foretagsansvar

Siste ord er ikke sagt om havbunnen (In Norwegian)
E24
8th December, 2023

In this op-ed, "The last words haven't yet been said about the seabed", Storebrand Asset Management CEO Jan Erik Saugestad underlines the lack of financial or environmental justification for seabed mining, a practice that the Norwegian government recently approved in a new law. He emphasises that when the government considers any concrete projects on the Norwegian continental shelf, Storebrand will vigorously oppose them.

https://e24.no/naeringsliv/i/Kn5k3y/siste-ord-er-ikke-sagt-om-havbunnen

ESG round-up: NGOs call on EU to mandate double materiality for ESG ratings
Responsible Investor
16th November, 2023

In the weekly ESG news summary by Responsible Investor, LGIM, Aviva Investors, and Storebrand Asset Management are mentioned as leading institutional investors in a call made to US companies to pay living wages. The initiative is led by the Interfaith Centre on Corporate Responsibility and targets US-based companies in traditionally low-wage sectors such as retail, restaurant, and hospitality.

https://www.responsible-investor.com/esg-round-up-ngos-call-on-eu-to-mandate-double-materiality-for-esg-ratings/

Highlights from the 2023 Investment Forum
Room 151
14th November, 2023

The investment conference at the London Stock Exchange, organized by the UK-based financial news outlet Room 151, gathered delegates from Local Government Pension Schemes in the country. Storebrand Asset Management UK Climate and Sustainability Lead Lauren Juliff took part in a discussion session on the 2024 outlook for equities.

https://www.room151.co.uk/local-government-pension-scheme-investment/in-pictures-highlights-from-the-2023-investment-forum/

IPDD investors begin outreach to US government agencies on deforestation
Responsible Investor
8th November, 2023

Responsible Investor reports on the engagement activities in the public policy track undertaken by the Investor Policy Dialogue on Deforestation. Storebrand Asset Management mentioned as one of the leading founding members, alongside Legal & General Investment Management and Robeco.

https://www.responsible-investor.com/ipdd-investors-begin-outreach-to-us-government-agencies-on-deforestation/

Eiendomskjemper lanserer nytt teknologiselskap — vil satse internasjonalt (In Norwegian)
Estate Nyheter
6th November, 2023

A Norwegian real estate industry sector news report on Storebrand Real Estate's groundbreaking decision to partner with several Norwegian competitors to establish a new shared digital platform that standardises building technical systems and enables better customer experiences, cost management and adoption of sustainable operational practices. Potential expansion in Norway and abroad is discussed.

https://www.estatenyheter.no/entra-storebrand-eiendom/eiendomskjemper-lanserer-nytt-teknologiselskap-vil-satse-internasjonalt/392258

Storebrand-topp fnyser av ESG-slakt (In Norwegian)
Finansavisen
3rd October, 2023

Storebrand Asset Management CEO Jan Erik Saugestad featured in a short interview, where he talks about the strengths of ESG investing, its impact over the world, and the use of new technologies, including AI, in gathering and understanding sustainability data.

https://www.finansavisen.no/finans/2023/10/03/8040217/

Events calendar

Looking ahead

Responsible Investment Forum: New York
20th–21st February, 2024

Co-hosted by Private Equity International and the PRI, the forum brings together private market investors to discuss PE investments' climate impact, the anti-ESG backlash in the United States, and the use of AI in ESG-related work among others.

Responsible Investment Forum 2024 | New York | February 20-21 (peievents.com)

OECD Forum on Due Diligence in the Garment and Footwear Sector
21st–22nd February, 2024

The forum brings together representatives from governments, civil society, business, and academia to discuss current challenges and risks related to global garment and footwear supply chains. The OECD's Garment Guidance from 2017 serves as a foundation for the forum and its discussions of due diligence in the sector.

OECD Forum on Due Diligence in the Garment and Footwear Sector (oecd-events.org)

Sixth Session of the United Nations Environment Assembly (UNEA-6)
26th February–1st March, 2024

The United Nations Environment Program will host the sixth session of the United Nations Environment Assembly, with the main theme focused on effective, inclusive, and sustainable multilateral actions to tackle climate change, biodiversity loss, and pollution. Water, minerals & metals, and climate technologies will make up important topics in discussions.

Sixth session of the United Nations Environment Assembly (UNEA-6) (unep.org)

Proxy season 2024: PRI tools and investor insights
27th February, 2024

The webinar will focus on the trends from 2023 proxy season, and their effects over investor priorities ahead of the 2024 AGM season. PRI signatories will share their own focus areas and approaches, while the PRI specialists introduce the specific PRI tools that can be of use to investors.

Proxy season 2024: PRI tools and investor insights | Event | PRI (unpri.org)

9th Annual Sustainability Week
4th–6th March, 2024

The conference organized by the Economist will focus on themes ranging from energy transition and decarbonization of industry to supply chains and their circularity to biodiversity and natural capital. The conference brings together participants from academia, policy-making, corporations, and asset owners and managers.

Sustainability Week (economist.com)

Transforming Transportation 2024: Mobilizing Finance for Climate Action
19th–20th March, 2024

Organized by the World Bank and the World Resources Institute, the 2024 edition of Transforming Transportation will focus on how finance can contribute to creating a greener, safer, and more resilient transport for all, including the low- and middle-income countries. Among others, the sessions will focus on scaling finance for low-carbon transport, resilient infrastructure, and inclusive and safe mobility.

Transforming Transportation

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

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

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

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

TEAM

Team / Risk and Ownership Team

Team / Risk and Ownership Team Team / Risk and Ownership Team Team / Risk and Ownership Team

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

Kamil Zabielski

Head of Sustainable Investment

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

Tulia Machado-Helland

Head of Human Rights and Senior Sustainability Analyst

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

Emine Isciel

Head of Climate and Environment

Isciel, who joined our sustainable investments team in 2018, leads our work on climate and environment and our company engagement. Previously, Isciel worked for the Norwegian Ministry of Climate and Environment, on multi-lateral 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 MA in Political Science from the University of Oslo and has studied at University of Cape Town, New York University and Harvard Extension School.

Vemund Olsen

Senior Sustainability Analyst

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

Victoria Lidén

Senior Sustainability Analyst

Lidén, who joined our sustainable investments team in 2021, is based in Stockholm and works with ESG analysis and active owner-ship, with a focus on the Swedish/Nordic market. On behalf of Storebrand Fonder AB, she is also a member of corporate board nomination committees. Prior to joining Storebrand, Victoria has 7 years of experience in sustainability within the financial industry. She holds a B.Sc. in Business Administration and Economics from Stockholm University, including studies at National University of Singapore. In addition, she has 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 a 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 1100 billion of assets for Nordic and international clients.

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