In Focus

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Mitigating conflict risk

How should investors respond to the growing risk of involvement in conflict-related harms?

Human progress is something that we may all have taken for granted over the years, but recent developments remind us that isn't always the case: the data shows that severe, violent conflict is on the rise around the world. This trend in the global landscape means that investors must rethink how they manage the risk of being involved in, or contributing to, these harms.

Other developments add to the challenge that investors face. The rise in conflict has in turn stimulated growth in national military spending in Europe; and that in turn has boosted both revenues and investor interest in the arms sector and in companies positioned to benefit from this structural shift in national expenditures.

Furthermore, the military sector is being revolutionised, drawing into the military-industrial sector a wide range of companies from the technology sector and beyond.

These changes have had the effect of dramatically increasing the exposure of businesses to involvement in violations of human rights in conflict afflicted and high-risk areas (CAHRA).

All of this begs the question: what are the risks of businesses contributing to, or profiting from, harms in this new landscape. Are businesses managing these risks correctly? Does the investment sector have the tools to meet its own obligations on human rights?

We are not alone here: we find that many investors are seeking guidance on how to manage portfolio exposure to CAHRA.

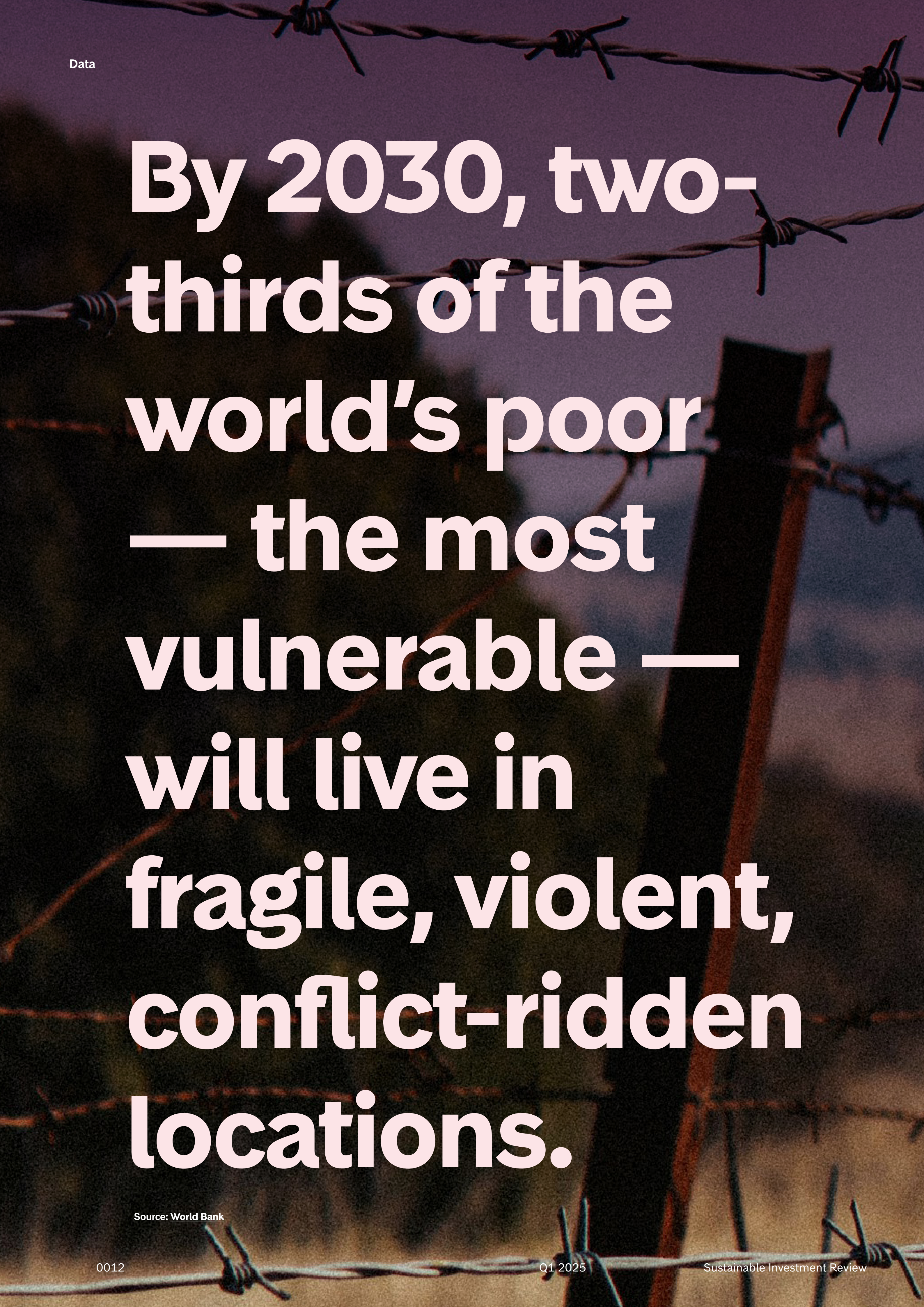
With this in mind, we review this area: to provide an overview of the scope and scale of the risks; to detail some of our work in managing and mitigating them; and to show how we are leading and contributing to efforts to improve how the investment sector handles these challenges.

40% increase 2020–2023

Violent conflict, which tends to be linked to incidences of violations of human rights, is rising around the world. Just how much are businesses — and their investors — exposed to risks of being involved in violations of human rights, and what are the impacts? There was a 40% increase in conflict between 2020 and 2023, with over 147,000 conflict events and at least 167,800 fatalities taking place in 2023.

Source: ACLED Conflict Index

Photo: Unsplash



By 2030, two-thirds of the world's poor — the most vulnerable — will live in fragile, violent, conflict-ridden locations.

Source: World Bank

Photo: Unsplash

15%

GDP Loss

Severe conflicts are estimated to lower GDP per capita by about 15% after five years.

Source: World Bank


Photo: Unsplash

Background

Managing CAHRA risk

How Storebrand approaches human rights risks in conflict areas.

At Storebrand, we manage risk related to conflict areas through continuous due diligence on human rights in all our portfolios.

Our approach is mainly based on our standards on international human rights and humanitarian law, as well as application of ESG risk data (including country risk, industry risk and company risk ratings). In addition, we align our investment policies with the **UN Guiding Principles for Business and Human Rights**, the OECD Guidelines for Responsible Business Conduct for Multinational Enterprises and for Institutional Investors; and human rights due diligence as outlined in the Norwegian Transparency Act.

About CAHRA

Conflict affected and high risk areas (CAHRA) are areas characterized by the presence of armed conflict, widespread violence or other risks of harm to people; and/or non-existing governance and security, and widespread and systematic violations of international law, including human rights abuses.

These areas are of the highest priority for managing risk, because they tend to be most often correlated with the violation of the human rights of the most vulnerable people.

Photo: commons.wikimedia.org/Siim Sepp

↑ Naval mines pose a risk to civilian populations and commercial vessels.

Tech boom in 2025

- Artificial intelligence
- Advanced air mobility
- Unmanned systems

Analysis by Deloitte projects that 2025 will see further extensive operationalization of new technologies into defense products, such as artificial intelligence, and advanced air mobility (AAM), and unmanned systems.

Source: Deloitte Aerospace and Defense Industry Outlook 2025

Data

Revenue and risk growth in the arms sector

Rising in parallel with the growth in violent conflict, is global growth in spending on weapons. According to data from the Stockholm International Peace Research Institute (SIPRI), which has measured conflict, disarmament, and weapons for many decades, global military spending reached a highest-recorded figure of US$2.7 trillion in 2024.

Defense sector boom

The military spending growth is, in turn, driving a boom in the military-related industries. This trend is strong in Europe, fuelling the revenues and valuations of European defense sector companies.

A significant percentage of arms produced by the defense industries are exported, potentially into territories where there is a high risk that the weapons could be used to carry out violations of human rights. While in theory this risk is mitigated by national export licensing regimes, in practice, gaps and loopholes are apparent.

Arms export controls inadequate

The scale and severity of these risks can be better understood through a quick look at recent data from United States, which is by far the leading exporter of arms globally. According to a recent fact sheet published by the Stockholm International Peace Research Institute (SIPRI), the US had a 43% share of global arms exports in the period 2020-24, more than four times as much as the second place country France, which had a 9.6 % share of global arms exports in the same period.

However recent investigative journalism by The Intercept revealed that, in 2022, the United States government exported weapons to 57 percent of the world's authoritarian regimes. Equally alarming, is a new assessment, published in April 2025, by the US government's official auditing institution, the Government Accountability Office (GAO). The new GAO report, titled "Human Rights: State Can Improve Response to Allegations of Civilians Harmed by U.S. Arms Transfers", notes severe gaps in the human rights due diligence process that governs exports of arms from the US.

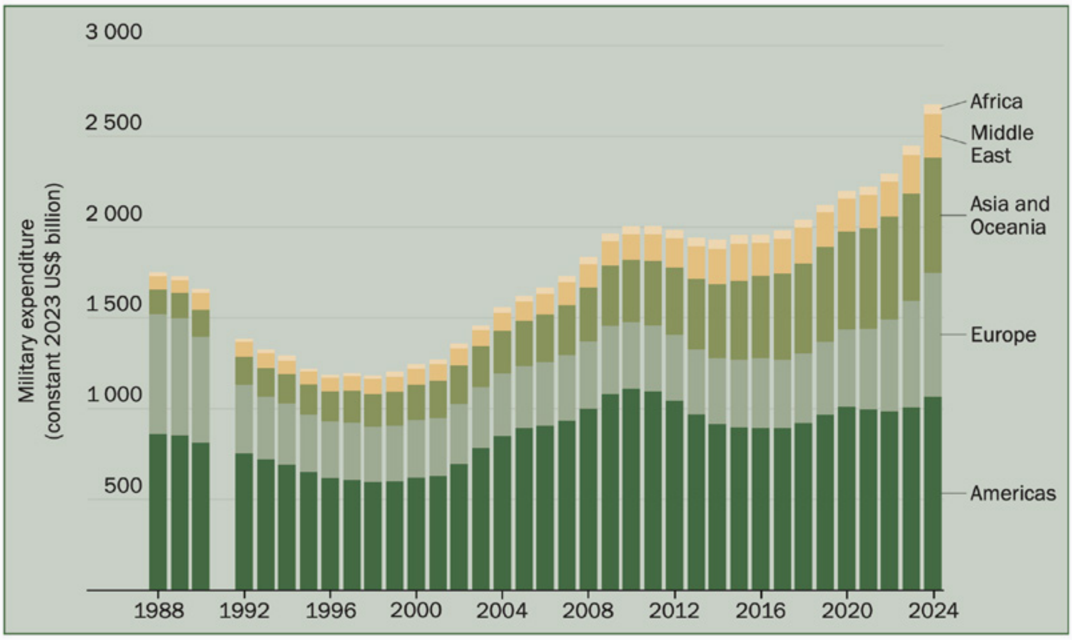
Of particular concern, are the report's assessments that "Agency Processes May Not Fully Address Risk That Transferred U.S. Defense Articles May Be Involved in Human Rights Violations" and that "State lacks the information and resources to assess civilian harm incidents involving transferred U.S. defense articles". The GAO report also notes that the US State Department Civilian Harm Incident Response Guidance (CHIRG) body does not have a mechanism for non-US government parties to report civilian harm incidents to it, which severely impairs the ability of the agency to receive relevant data in a timely manner.

Increased due diligence burden for investors

Given the intrinsically elevated risk of defense sector products contributing to violations of human rights in high-risk territories, along with the glaring inadequacies of export control mechanisms, the growth of this sector also creates challenges for investors, in terms of due diligence.

Highest-ever military spending

World military expenditure rose by 9.4 per cent in real terms to $2718 billion in 2024, the highest global total ever recorded by SIPRI and the 10th year of consecutive increases.



Source: Stockholm International Peace Research Institute (SIPRI) Fact Sheet on World Military Expenditures 2024

57%

of autocracies

Analysis of official arms sales data for 2022 shows that in that year, the United States government approved the export of weapons to at least 57 percent of countries in the world that were classified as autocracies.

Source: The Intercept analysis

European Defense stock returns

39.78% (3 Yr)

As of April 30, 2025, while the MSCI Europe index showed an annualized return of 8.11% over the preceeding 3 year period, the MSCI Europe Aerospace and Defence index recorded a figure of 39.78% in the same period.

Source: MSCI

61,353

civilian casualties of explosive weapons

Analysis by the monitoring group Action on Armed Violence (AOAV) shows that in 2024, at least 61,353 non-combatants were killed or wounded by explosive weapons, an increase of 67% on the year before. According to the AOAV, this is the largest number of casualties documented since it began its assessments 15 years ago.

Source: Action on Armed Violence (AOAV)

Background

Our approach

How Storebrand approaches military-related investments

Storebrand has in place a structured set of policies and procedures that govern how we relate to investments in what is known as the defense sector: a broad grouping of companies, mainly in the weapons, aerospace and technology industries, that are wholly or partly involved in the production of arms, and military-related technologies and services.

No investment in controversial weapons

In principle, we do not have an overall policy of divestment from this sector. Our view, based in international law and conventions, is that conventional weapons can be relevant for legitimate purposes of national defense.

We screen companies in this sector according to our Sustainable Investment Policy, which guides our investment in companies from all sectors. The policy is based on a clear set of principles and sets strict guidelines with regards to the various aspects of sustainability, including overall standards of conduct, the nature of the products, and the specific business practices of the company.

Consequently, we automatically rule out investment in any companies involved in the production of controversial weapons that breach international human rights law by intrinsically causing a risk of indiscriminate and disproportional harm to civilians. Some examples of such controversial weapons include nuclear, chemical and biological weapons; depleted uranium; anti-personnel mines and cluster munitions; white phosphorus; and Lethal Autonomous Weapons Systems (LAWS). As of the end of 2024, we had excluded a total of 41 companies on this basis of involvement in such controversial weapons.

The full details of how we assess and screen for these issues are detailed in our Exclusion Policy and our Human Rights Policy.

Client choice of exclusion from, or possible investment in, conventional weapons

With regards to investment in conventional weapons, we offer our clients, across all geographies and domiciles where we are present, two approaches.

In the first approach, some of our funds are open to weapons investments, and could do so based on the specific investment mandate and the strategies of the portfolio manager. Any defense companies that pass the screening detailed in our Sustainable Investment Policy, are in theory investable by our portfolio managers. However, given the nature of these products, if we invest in any companies in this sector, they are also subject to our ongoing due diligence procedures, to mitigate risk.

The second approach caters to clients who do not wish to invest in these categories of products and services. For this approach, we offer our clients the ability to invest funds that explicitly screen out companies involved in defense contracts and conventional weapons. We define such involvement as: companies that derive more than 5% of their revenue from the production or distribution of conventional weapons, military contracting and defense.

Firmwide exclusion criteria: Storebrand Exclusion

Conduct-based	Product-based Subject to turnover threshold		Business practices/activities Subject to individual assessment by the R&O team
Corruption and financial crime	Controversial weapons	= 0%	Lobbying against climate and nature
Climate and environmental damage	Coal & Oil Sands	>=5%	Forest risk commodities: Palm oil, soy, timber, cattle, cocoa, coffee, rubber, minerals
International law and human rights	Tobacco cultivation/production Tobacco distribution	= 0% >=5%	Activities: Deep sea mining, marine tailings disposal, arctic drilling & ecologically sensitive areas
	Cannabis	>=5%	Government bonds/state-owned companies

Update

Investor CAHRA guide launched

Storebrand engaged in Investor Alliance-backed project to help investors manage exposure to conflict-affected and high-risk areas

The Investor Alliance for Human Rights initiative, which Storebrand AM is engaged in, has recently released a new report that functions as guide to managing risk related to conflict-affected and high-risk areas (CAHRA).

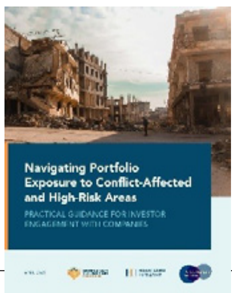
Developed in partnership with the Heartland Initiative and PeaceNexus Foundation, the report is the output of a project, **Investor Engagement on Conflict-Affected and High-Risk Areas**, which the organisations began working on in October 2023. The 18-month project sought to build the capacity of institutional investors to engage portfolio companies in the tech and renewable energy sectors, on how to address CAHRA-related risks in their operations and value chain relationships.

Titled **"Navigating Portfolio Exposure to Conflict-Affected and High-Risk Areas: Practical Guidance for Investor Engagement with Companies"**, the report is a practical, rights-based contribution to the limited guidance currently available for investors seeking to take a systemic approach to managing CAHRA risks across their portfolios and to those companies pursuing better policies, practices, and governance measures in response to today's volatile geopolitical landscape.

Specifically, the report offers three sets of learnings:

- practical guidance on how investors can identify, assess, and prioritize CAHRA risks in their portfolios, including by addressing the intersections between salient human rights impacts and material financial risks
- practical guidance to enhance investor-company interactions on CAHRA-related risks
- promising practice and lessons learned from a series of corporate dialogues with tech and renewable energy companies, highlighting emerging policies, practices, and governance measures to address CAHRA-related risks and associated gaps and challenges

The report was launched in April at an event that included a presentation of the report's findings, a panel discussion with investors who participated in the Pilot Project, and an open Q&A with the audience. Tulia Machado-Helland, Storebrand AM's Head of Human Rights and Senior Sustainability Analyst, was a featured member of the panel, along with Camille Bisconte de St Julien, Human Rights and Social Lead, La Banque Postale Asset Management and Therese Sandmark, Senior ESG Analyst, Skandia.



Update

Israel-Palestine conflict

Status of our work to manage risk of involvement in potential human rights violations

Given recent developments in Palestine, and the severity of the ongoing humanitarian crisis, we provide here an update on the status of our investments with regard to involvement in the conflict.

The conflict-ridden occupied territory of Palestine has long been classified as a high-risk area for conflict-related violations of human rights (CAHRA) and we address portfolio risks based on best practices for such areas. Taking into account the official judgements and pronouncements of the United Nations, the European Union and the International Court of Justice (ICJ), these institutions all concur that the Israeli occupation of Palestine and its settlements there are illegal under international humanitarian law.

Recent developments

The escalation of the conflict in 2023 entailed an increased risk of human rights violations in the two main territories of Palestine: Gaza and the West Bank. As such, we have increased our focus on human rights risk that could be driven by the use of military-related technology and advanced surveillance, among other things. A major challenge in this regard is that the major ESG data providers have reduced their data collection services for occupied territories in recent years, following pressure they have faced in the US.

However, Storebrand has, for over a decade, carried out its own, comprehensive due diligence assessments related to the occupied territories, and this work has been strengthened in recent years as the major ESG providers have withdrawn. However, it is not always easy to determine which companies could be in violation our criteria.

Approach to engagement

Storebrand has been working with the consequences of Israel's long-term occupation of Palestinian territories since 2009. Ever since then, the occupation has had consequences for the companies we invest in.

Every year, we screen our investments to identify companies that have activities related to the occupied Palestinian territories, and other occupied territories such as Western Sahara, and we follow clear guidelines for what kind of activities we should prioritise, so that our work has the greatest possible impact on the situation on the ground.

As in all other cases of active ownership, exclusion is not a goal when companies come under our scrutiny. Ideally, we want the dialogue we have with the companies to lead to a change in their actions, and that we can thus continue to be invested.

Where concerns appear regarding human rights, we always begin by seeking to enter into dialogue with companies that contribute to violations of humanitarian law, in order to influence them. If the dialogue does not succeed, we exclude these companies.

As of the first quarter of 2025, we had excluded 23 companies as a result of their products or services contributing to the Israeli authorities being able to continue their occupation of Palestine.

Event

Finsif seminar

A keen examination on responsible investment amid the growing militarization of Europe

With Europe experiencing steadily rising international tensions and a shift towards militarization, the Finnish Sustainable Investment Forum **Finsif** hosted an event in April that examined the role and responsibilities of institutional investors in the arms sector. Storebrand Head of Sustainable Investment Kamil Zabielski was a featured speaker at the seminar, titled "Going deeper — Defence industry and responsible investment".

The event, attended by over a hundred participants from the Finnish financial sector, including banks, asset managers, and pension funds, aimed to explore several issues, including: what are the key ESG risks that investors should consider when making investment decisions related to the arms industry?

Rising tensions and militarization

For a long time, the weapons industry was excluded from many investment portfolios, on terms similar to sectors such as alcohol, gambling, and tobacco. However, amid rising international tensions and an ongoing war on the European continent, European governments have committed to significant GDP-linked increases in national military expenditure.

Participants' interest in the topic was further boosted just before the conference when the Finnish government announced it would be dropping its longstanding commitment to the Ottawa Treaty, a critical global agreement that bans the production and stockpiling of anti-personnel mines. This raised the interest in the topic and helped boost attendance at the event.

At the seminar the stage was set by **Carl Haglund**, the CEO of Veritas Pension Insurance and a former defense of Finland, who contended that investors who chose not to invest in weapons weren't responsible. Haglund's remarks echoed those of several senior political figures in Europe who have publicly challenged financial institutions to invest in the military sector.

Yet the risk of the sector remains high when it comes to potential harms to human rights. Many national governments are removing certain safeguards that prevent potential violations of human rights by the sector's products. The Finnish government announcement on withdrawing from the anti-landmine treaty was actually one of **several such announcements** by countries around the Baltic region. These weapons, which are one of several types of weapons that Storebrand and some other institutions systematically exclude from investment, are considered to be controversial, as they are proven to result in indiscriminate harm to civilians. It was one of **several such changes** in the Baltic region over the past few months.

Navigating responsibilities

Kamil Zabielski, Head of Sustainable Investment at Storebrand AM, followed. Zabielski began by emphasising that recent developments are a reality check for the industry: on a certain level, each country has its own context, that necessarily inform the stances taken there.

He noted that the risk landscape is growing more complex, requiring heighted due diligence from investors on several arenas: controversial weapons, definition of weapons, and operations in locations with high levels of conflict.

Regarding controversial weapons, he pointed out that these intrinsically beach with International Humanitarian Law principles, such as the principles of proportionality and distinction. There is solid evidence that civilians disproportionately end up as victims from their usage. There are therefore sound reasons for adhering to the well-established international conventions and treaties that ban their use. Storebrand, along with many other investment institutions, do not invest in companies that produce such weapons.

The evolution of the defense sector was another due diligence challenge examined by Zabielski. He observed the emergence of controversial military technologies that don't fit into current classifications for weaponry, yet are contributing to military activity and potential violations of human rights. In addition, the weapons industry's transnational supply chains and cross-border collaborations, pulverise responsibility among companies. Furthermore, a significant volume of weapons are being exported by western countries to national regimes that are known to be authoritarian and therefore consequently high-risk for violations of human rights. As a result, compliance with national laws and weapons export licencing regimes is no longer sufficient to mitigate the risk that companies could be involved in supplying weapons that contribute to harms.

Furthermore, Zabielski noted, the risk of conflict-related harms by companies in this sector was not merely about weapons production, but about the totality of risk related to each company's activities. While the former can be somewhat clearer, and can to some extent be verified, while the latter risks are far more complex, as they be driven by legitimate operations and require more detailed and extensive levels of due diligence.

The challenges of this due diligence are made all the more difficult with ESG data providers having recently withdrawn from providing their data services for conflict areas. Many of the data providers are US-based and face legal pressure at national and state government levels regarding their policies. As a result, investors now need to find risk-related information from a variety of sources, Including media and civil organizations, but also bespoke expertise and external consultants, in order to conduct in-house assessments on conflict-related risks.

Zabielski explained how, compared to many investors, Storebrand has in place a very clear set of principles that govern investment in weapons, anchored in commitments by senior management, and implemented through continuous due diligence processes. This, he said, was the key to ensuring consistent, principled investment policy over time, and to mitigating the dangers of taking rushed or emotionally-driven decisions, in response to sudden events or a backlash. However, Zabielski noted, even this approach does not mean we can be sure of having all the answers.

Ultimately, the confluence of growing pressure to invest in weapons and the heightened risk of involvement in conflict-related violations of human rights poses a significant challenge for investors, and requires a great deal of caution.

↑ Kamil Zabielski, Head of Sustainable Investment at Storebrand AM, delivering his presentation at the Finsif Seminar.

"...compliance with national laws and weapons export licencing regimes is no longer sufficient to mitigate the risk that companies could be involved in supplying weapons that contribute to harms."

From Iraq to investor roundtables

Heartland Initiative's Sam Jones on the human rights challenges investors face, with rising conflict, weakened international institutions and the emergence of new technologies

With geopolitical conflict and fragility on the rise around the world, investors have been forced to react to a growing array of human rights and material risks posed by this trend.

For several decades, Storebrand AM has used an integrated process for managing portfolio risks related to human rights in conflict-affected and high-risk areas (CAHRA). Along the way, we have evolved a partnership with the Heartland Initiative, which specializes in this area.

Storebrand AM recently sat down with Heartland Initiative President and co-founder Sam Jones to examine this topic, and the road ahead for investor responsibilities on human rights in an increasingly violent and volatile global context.

How did you get involved in working on human rights?
Before co-founding Heartland, I spent about 15 years in international humanitarian aid, development, and human rights. That included time on the ground working with nonprofit development organizations, including Counterpart International, in the Occupied Palestinian Territory (OPT), Israel, Jordan, and Iraq from 1999 to 2008. It also included deployment missions to Lebanon, Afghanistan, and the OPT.

In 2008, I began working at The Carter Center, an organization founded by former US President Jimmy Carter and First Lady Rosalynn Carter, as an associate director of the Human Rights Program, working on the Middle East and Democratic Republic of Congo, the latter of which focused on the intersection of corporate transparency, human rights, and industrial extractive activities.

The benefit of this experience was that I was able to see firsthand the impacts of corporate activity in those environments—for the benefit of and in coordination with local stakeholders or in ways that did more harm than good (or something in between.. This work gave me a healthy respect for the work of local civil society organisations in terms of the specific risks they would take to gather data, analyse it, and publish it. It also depended on identifying opportunities to work in coordination with policymakers and companies, when such coordination would have a positive social impact.

Building on this experience in my current role, while we go through multiple verification processes around what data we're going to use, we still place a heavy emphasis on rights information as reported by rights holders. That approach has been, and will remain, critically important.

What exactly is your organization: the Heartland Initiative?
Heartland is a nonprofit investor advisory based in the United States. Our primary mission is to assist institutional investors in the prevention and mitigation of human rights risk across portfolios, with an emphasis on business activities in CAHRA.

We choose that contextual due diligence lens based on a framework that we refer to as the "saliency materiality nexus." This is founded in the theory that it is in CAHRA, where salient human rights risks to individuals and communities most often translate to financially material risk for companies and their shareholders.

What motivated you to create this organization and how does the way you approach this work stand out?
When we founded the Heartland Initiative, a little over eleven years ago, we felt like at that time, in the United States, that institutional investors were often neglected as potential agents of change. We found that nonprofits were very good at either naming and shaming companies or engaging them privately, but that investors weren't included in those spaces, with obvious exceptions like the Interfaith Center on Corporate

Note: This interview has been condensed and/or edited for brevity and clarity.

Responsibility. I know that's very different in the Nordic countries. In the European context, frankly, there's just a better grasp of violations of international law. It's more infused into media reporting, civil society, and investment decisions. But overall, we believed that working directly with investors, educating them around CAHRA-related risks, was a critical, missing link in the advocacy landscape.

We cultivate close and tailored partnerships with leading institutional investors on human rights risk prevention and mitigation. And that's certainly the case with Storebrand. We had worked together informally several years before developing a formal partnership.

This framework guides investors on how to address risks related to human rights and conflict-affected areas?

Yes. On the human rights side, we know that high conflict and high fragility result in a higher prevalence of gross human rights abuses. On the material side, which is less reported from an analytical lens, there's a higher prevalence of regulatory enforcement in these areas, like sanctions regimes and trade controls. We refer to this as the "saliency-materiality nexus." There's also a growing use of strategic litigation on behalf of impacted rights holders, as has been the case with Holcim in Syria, Chiquita in Colombia, and Lundin Energy in Sudan.

There's also a higher prevalence of operational risk in conflict areas, which can mean expropriation of assets as in Russia or loss of social license to operation due to conflicts with local communities. The final type of risk is higher prevalence of reputational risks: advocacy campaigns, investigations, and divestment decisions by investors in these areas.

To help investors understand this framework, we co-published a white paper focused on the saliency-materiality nexus last year with Schroders and Wespath Benefits & Investments. Essentially, we make the business case for why investors should prioritise conflict-affected and high-risk areas as a contextual due diligence lens that identifies the most severe and systemic human rights and material risks in their portfolios. This approach helps investors prioritize risks, maximize limited resources, and advance long-term financial performance.

How has your organization been received so far, and how did that evolve, over time?

There is, perhaps unsurprisingly, a growing demand for our work as conflict and authoritarianism grow, especially in the last three to four years with conflicts and crises in Israel-Palestine, Russia-Ukraine, DRC, Sudan, Myanmar, and Xinjiang, China. There's an increasing appreciation of the systemic risks posed by this trend, most recently reflected in a Thinking Ahead Institute survey that found that 26 of the world's largest asset managers identified geopolitical confrontation as a top three systemic risk.

And at a broader level, investor understanding of the human rights and material risk posed by conflict and fragility has increased. We are increasingly doing large, collaborative engagements that bring many institutional investors together across different industries but with a contextual focus on CAHRA.

How well do investors and the financial sector understand the relevance of this work, and what are the major misconceptions?

In many ways we serve as the connective tissue between institutional investors and civil society. Because a lot of our work is based on inputs from civil society - anyone from a local to international NGO to a think tank, to a legal organisation, to academia. And those organisations have their own particular goals in mind, namely to protect the rights holders, which they represent or to draw attention to particular issues.

Institutional investors have human rights responsibilities under the UNGPs, their fiduciary duties to clients and fund mandates, and legal obligations under evolving mandatory due diligence legislation. You're

"Another challenge is the absence of fit for purpose data from ESG research providers, especially as it relates to the impact of these weapons systems on rights holders."

not trying to get an investor not to be an investor – they operate with the most influence, integrity, and effectiveness when they stay true to their own institutional ethical, legal, and fiduciary responsibilities. And civil society organizations must play their role, which is also absolutely critical. And where those interests intersect, often there are opportunities for opportunities to advance progress for the benefit of rights holders and shareholders.

Does the weapons and military services sector pose special challenges, in comparison to other investment sectors, when it comes to transparency, and understanding and managing human rights risks?

One of the biggest issues with engaging defence companies, is that they typically hide behind the confidentiality of government contracts and cite their compliance with sanctions regimes and export controls. For example, the Biden administration provided weapons to 57 percent of the world's authoritarian governments. There is also the issue of "paper compliance". Companies can have high ESG ratings scores that do not properly reflect their actual activity or risk levels.

It appears that investments in the weapons sector are attractive these days, with European governments making promised of GDP-linked growth in weapons spending. Is this throwing fuel on the bonfire in terms of risks of conflict and violations of human rights?

Absolutely. The defence industry unsurprisingly has responded to the increase in demand generated by rising conflict. And the problem is, including within my own country, the retreat from the post-World War II international legal order in which the rules of conflict are being eroded. This is not unique to the Trump administration, although it's certainly been accelerated in the relatively short amount of time since he's taken office.

But with the defence industry, there are a number of challenges. One is the reconsideration of what are considered controversial weapons: anti-personnel landmines, cluster munitions, nuclear, chemical, biological, white phosphorus, etc. It almost seems like international agreements and consensus are being relitigated when it comes to the appropriateness of these weapons, and their utility in conflict. For example, Finland and a host of the Eastern European countries have recently withdrawn from the Ottawa Treaty, which aims to ban anti-personnel landmines. The Biden administration was recently supplying cluster munitions and landmines to Ukraine. This clashes with the established history of specific rulings by the United Nations about the fundamental incompatibility of such weapons with international humanitarian law, or the laws of war.

There is a real risk of opening a Pandora's box of these weapons, when in fact the case has been sufficiently made about their fundamental incompatibility, because they can't distinguish between civilians and combatants. The idea of proportionality is not built into them by design, and the human suffering from the use of them has been extensive and continues to be so. So, the reintroduction of controversial weapons is one example of fuel on the bonfire.

The tech sector, which has driven investment growth for many years, seems to be increasingly involved in conflict though use of their products and services, such as data analysis, AI and robotics — does this mean the sector has a hidden, or underestimated risk, of being involved in violations of human rights? What is a weapons company anymore? Is Palantir a weapons company?

Another thing adding fuel to the fire is the ascendency of defence tech, where you have the defence industry and the technology industry blending and blurring. So, investors are left wondering what is a controversial weapon now? For example, are lethal autonomous weapons systems controversial weapons? Or how do you deal with a Microsoft or Alphabet or Amazon, which do not make weapons by design, but whose products and services are being weaponized or being militarized?

And the challenge of answering these questions is only compounded by the fact that the rate of development, deployment, and proliferation of these technologies is outpacing policymakers, regulators, and other stakeholders. Another challenge is the absence of fit for purpose data from ESG research providers, especially as it relates to the impact of these weapons systems on rights holders.

So, it's not just the growth and intensity of conflict, it's also the chaos of not knowing exactly how to respond.

Do international conventions, treaties or regulations, such as the Declaration of Human Rights, the Geneva Convention, the Ottawa Treaty that bans anti-personnel mines, matter anymore, as tools that can be realistically counted on to reduce the risk of violations of human rights? Are you saying these frameworks are becoming less significant? If so, how else can these risks be reduced?

We have to make them relevant. And they're only going to be made relevant if the key stakeholders within the political and financial ecosystems reference them, enforce them, and adapt them to the changing context.

It's not that institutional investors should become the policymakers of tomorrow, but institutional investors do have leverage at their disposal, especially when they act in unison, that can reinforce the fundamentals of international humanitarian law.

This is where the saliency-materiality nexus, which I've described before, becomes very important. There are attacks on ESG, primarily in the United States, but having a ripple effect on Europe, and there is the deterioration of respect for international humanitarian and human rights law. But: if you are able to tie corporate behaviour to human rights harms with material losses and to do it in a more systematic way, that helps you make the case that it's not just for an ESG or sustainability report, but it is a basic tenet of sound and rigorous social risk management.

Turning our gaze ahead, what are some of the rising human rights issues that you might expect to see in terms of over the next 1-3 years?

Land use has historically been an issue, but one that's going to continue to rise. We're going to be dealing with more issues related to transition and the renewable energy sector. The need to move towards zero emissions brings issues around the infrastructure of those projects into focus. Where are the projects taking place? How are they consulting with local stakeholders? It's not enough to just say that we're supporting the just transition: respecting the rights of stakeholders matters too.

Critical minerals and metals could also continue to be a major driver of conflict, given the way that the geopolitical landscape is evolving.

Clearly companies need to have **UN Guiding Principles on Business and Human Rights** (UNGPs) in focus: prioritising their risks, including risk to specific vulnerable populations, women, children, civilians in conflict, the disabled, LGBTQ+, and so on. The typical approach by ESG data providers is, "How does the context impact the business?". But what's frankly more important for us is how did the business impact the rights holders and within that community, how are you prioritising the most impacted rights holders?

In this future, what are the greatest barriers that you believe must be overcome to enable a significant reduction in harms to human rights?

Transparency is a huge barrier to be overcome in the defence industry, as well as the emerging defence tech industry. With the defence industry, one of the historic problems with engagement is that there is a high degree of opacity around their contracts with governments. Defence companies cite that "We are export control-compliant, we are sanctions-compliant." But: that is the floor, not the ceiling, when it comes to the UNGPs and **OECD Guidelines for Multinational Enterprises on Responsible Business Conduct** (OECD Guidelines).

And we're already seeing symptoms of this in the tech companies. The more that they get involved in the military space, the less transparent they will likely become. For example, there's currently still quite a bit of receptivity to talking about the human rights risks of artificial intelligence, as it relates to health care, education, which are some of the more innocuous-seeming industries. But: there is a much higher degree of reluctance by the tech companies to talk about those risks when discussing military-related issues. There, the regular refrain from tech companies is "We're not a military company". So that's a major challenge ahead.

ESG data provider and ratings ecosystem are also an issue. There are a relatively small number of major firms that the vast majority of institutional investors are relying on, and yet, those data provision and ratings firms have surrendered a lot of ground when it comes to human rights and conflict. Most of these firms take a controversy-based approach, which is reactive. But it's critical to increase the adoption of more proactive approaches, and to apply a global set of standards by which every conflict affected and high risk-area, and the corporate behaviour in those areas, is assessed.

How do you expect this landscape of managing human rights risk to evolve?

A proactive, systematic approach to CAHRA-related risks is the way forward, including so that investors aren't playing a game of "whack a mole" with every new conflict or crisis as it arises. This is where investors like Storebrand are leading, and we hope others will follow suit.

It's not just a matter of having a better policy for Israel-Palestine, Russia-Ukraine, Myanmar and so on. It is about looking at a company's CAHRA risk universe and encouraging the company to adopt policies, practices, and governance measures that deal with these as severe and systemic risks across the business model.

The moment investors try to be anything they are not, they lose credibility. That's true, but there are also responsibilities—ethical, legal, and fiduciary— that, when taken together, mean that investors must address those risks that present the most severe and severe harms to people, the planet, and their portfolios.

Ultimately ,it's not the role of the financial sector to replace states or policymaking bodies and institutions, but it is the role of the financial sector to help reinforce and support the norms, laws, and institutions that protect human rights, enforce the laws of war, and advance global economic stability that can help guard human rights.

↑ Jones was a humanitarian services operative for several years before co-founding the Heartland Initiative.

"It's not the role of the financial sector to replace states or policymaking bodies and institutions, but it is the role of the financial sector to help reinforce and support the norms, laws, and institutions that protect human rights, enforce the laws of war, and advance global economic stability that can help guard human rights..."

Event

Norwegian government seminar

Helping the business sector understand how to fulfil its responsibilities in conflict situations

↑ Machado-Helland in the panel discussion

Heightened human rights due diligence is becoming central for investors everywhere and Norway is no exception. This topic was the focus of a seminar held by the Norwegian government for Norwegian businesses and civil society this April, at which Storebrand was honoured to contribute insights.

Titled "Responsible business and armed conflict: what does heightened due diligence entail?", the event was hosted by the Norwegian Ministry of Foreign Affairs and Norwegian National Contact Point for Responsible Business Conduct. The seminar aimed to address due diligence expectations of companies and investors in situations of armed conflict; and to shed light on the risks and challenges that arise and how they could be addressed in practice.

Responsibilities in armed conflict

The initial framework was set by two important initial contributions. The first was opening remarks by **Andreas Kravik**, who is the State Secretary of the Norwegian Ministry of Foreign Affairs. Next was an overview of human rights impacts and responsibilities of business in armed conflict situations, which was delivered by **Nada Al Nashif**, Deputy High Commissioner for Human Rights, Office of the United Nations High Commissioner for Human Rights (OHCHR).

This was followed by a panel discussion on what due diligence in conflict-affected areas entails, moderated by **Liv Tørres**, Head of International Department of Confederation of Norwegian Trade Unions (LO) with Nada Al Nashif, Deputy High Commissioner for Human Rights and **Mark Taylor**, Nansen-program for Ukraine.

The event was rounded off with a practically oriented panel discussion on the challenges and best practices of conducting heightened due diligence. In this panel discussion, moderated by **Frode Elgesem**, Chair of the Norwegian OECD National Contact Point, **Siniša Milatović**, UNDP Business and Human Rights Specialist and co-author of the UNDP's Heightened Human Rights Due Diligence for Business in Conflict-Affected Contexts explained what hHRDD entails for investors and businesses; **Cira Holm**, Chief Compliance Officer at Yara spoke about Yara's challenges in conducting hHRDD and Ingrid Håvik, Sustainable Sourcing Manager of the hotel and travel conglomerate Strawberry, discussed best practices for conducting HRDD in procurement processes.

In the panel discussion, Storebrand's Head of Human Rights, **Tulia Machado-Helland** focused on how investors perform human rights due diligence in their portfolios; and the challenges they are facing. A major problem is the fact that companies often do not share information about the details of their involvement in Conflict Affected and High-Risk Areas (CAHRA), and that the ESG data providers have largely stopped providing information on this. This creates a huge gap of potentially hidden risk exposure. Regarding heightened Human Rights Due Diligence (hHRDD) performed by companies, Machado-Helland detailed the actions and disclosures that investors seek from companies. She also noted that so far, most companies are not conducting hHRDD, and explained the risk this entails for both companies and investors.

Concluding, Machado-Helland discussed new trends in which investors are joining forces in collaborative proactive engagements, to find best practices and jointly lift corporate standards for companies operating in CAHRA. She also discussed the importance of stakeholder engagement and the benefit form collaborations in initiatives between companies, investors, Civil Society Organisations (CSOs) and experts in conflicts and International Humanitarian Law, and provides some examples of cases in which Storebrand is collaborating with others on these issues.

Event

Festa Seminar

Human Rights Due Diligence at Iceland's Festa Seminar

Storebrand AM was privileged to have participated, this January, in Iceland's Festa Seminar, an annual conference organized by the Icelandic business sustainability network Festa. At the event, our Head of Sustainable Investment **Kamil Zabielski** delivered a digital seminar on human rights due diligence.

In his presentation Zabielski focused on Storebrand's approach to addressing human rights risks in investment portfolios, within the context of conflict areas and just transition. He noted the wide range of issues faced by various types of investors, which in turn require different approaches. As an asset manager, Storebrand has its own structured approach, which Zabielski outlined for the participants. Among the issues he touched upon were Storebrand's approach to exclusion, used as a last resort, but reversible if the company ceases the actions that caused concern. He also demonstrated Storebrand experience in applying the principles of Just Transition to address that the rights of indigenous people are protected in the transition to renewable energy, as well as our approach to the risk of forced labour in the polysilicon supply chain.

The feedback from the event organizers and attendants was positive, with appreciation expressed for the fact that Storebrand contributed "very relevant cases" and insight into how the company makes well-founded and "brave" decisions. Feedback also indicates that the presentation has sparked a lot of conversation in Iceland following the seminar.

↑ Zabielski delivering his presentation to the Festa Seminar.

Solutions

Exclusion key figures Q1 2025

Storebrand Exclusion List **Companies excluded by Storebrand, as of March 31, 2025**

This list details exclusions that apply to all our products, based on our extensive exclusion process that involves both internal and external data, and evaluations conducted by subject matter experts. Excluded companies are removed from Storebrand's investment universe, which is an investment ecosystem that consists of over 4000 companies.

Category	Total excluded
Environment	24
Corruption and Financial Crime	9
Human Rights and International Law	67
Tobacco	28
Controversial weapons	48
Climate – Coal	118
Climate - Oil sands	10
Climate – Lobbying	4
Arctic drilling	0
Deep-sea mining	1
Marine/riverine tailings disposal	4
Deforestation	14
Cannabis	–
State-controlled companies	23
Total	329*
Observation list	2

Storebrand exclusion list extra criteria

Storebrand's extra criteria build upon the Storebrand Standard for sustainable investments.
The extra criteria will only apply to selected funds and saving profiles. Get more information on the methodology behind these exclusions, on our website.

Category	Total excluded
Alcohol	77
Adult entertainment	–
Weapons	68
Gambling	38
Fossil fuels (oil, coal, gas)**, PAB-aligned	472
Total number companies excluded	644*

*Some companies are excluded on the basis of several criteria. Storebrand also does not invest in companies that have been excluded by Norges Bank (the central bank of Norway) from the Government Pension Fund — Global. We also exclude government bonds from 33 countries that are systematically corrupt, systematically suppress basic social and political rights, or that are subject to EU sanctions and United Nations Security Council sanctions.

**Exceptions can be made for so-called transition companies involved in the generation, transmission, and distribution of electricity (i.e., the electric utilities sector) with exposure to fossil fuels, provided that they have a clear and credible transition plan towards renewable energy. For coal-related revenue from exploration mining, extraction, distribution or refining, the threshold is 1 %.

Learn more about how we manage exclusions in the updated **Storebrand Exclusion Policy** on our website


Photo: Unsplash

Additional risk-based pre-screening completed

In the first quarter of 2025, we rated fourteen companies as uninvestable. This means that although we have no investments in the companies, our portfolio managers are pre-emptively made aware that the companies would not meet our sustainability standards.

The non-investable companies belong to the following sectors:

- **Extractives**
- **Construction**
- **Communication**
- **Information technologies**

This designation of the companies was based on a pre-screening that we conducted, at the end of 2024, on companies with a high human rights risk, in high risk countries within the Gulf region.

We conducted the analysis in-house, based on external data provided by data providers that specialize in Conflict Areas and High-Risk Areas (CAHRA). Our analysis identifies: first, high-risk geographies; second, companies with operations in these geographies that are open for investment and third companies' activities in the identified countries.

Based on this process, we pinpoint companies with poor management systems in high-risk sectors in high-risk countries. Consequently, we rate them as uninvestable, based on the high likelihood that they may be involved in severe human rights violations, considering the human rights context they operate in.

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.

A publication by Storebrand Asset Management

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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