

Our progress on nature and climate

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Jan Erik Saugestad
CEO Storebrand Asset
Management

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Foreword

Turning commitments into action

When I joined Storebrand Asset Management in 1999, we were an early mover on sustainable investment. We established the first sustainability team in 1995 and became a founding signatory of the Principles for Responsible Investment in 2006. In 2020, we co-created the Investor Policy Dialogue on Deforestation involving 90 investors with more than USD 10 trillion in assets under management. Last year, we represented Finance for Biodiversity in the negotiations at CBD COP 15 in Montreal. We have been at the vanguard of a movement that is now redefining the practice of investing. Sustainable investments used to be a space for NGOs and investors like us with strong commitments and long term perspectives, but we have experienced a growing commitment to sustainable investments over the past years despite some setbacks.

We are committed to helping our clients achieve strong risk-adjusted returns and we believe integration of sustainability data and perspectives will help us do so. Through this, as a responsible shareholder and investor, we will also contribute to a better world and a more sustainable future. More than ever, we are determined to play our role in transition: decarbonizing the economy, protecting biodiversity and supporting inclusive growth. These strong convictions permeate our strategic plan for the coming years and will allow us to pursue our objective of generating long-term sustainable investment returns for our clients.

Commitments must equate to action. The effects and continued support of our work may be limited if we cannot track progress. Our clients deserve transparency and clarity about how their capital is invested and what we achieve. For this reason, we have developed this Progress Report on Climate and Nature to document our progress against our commitments. And while we are proud of the progress we have made in delivering more sustainable investment, we are aware that there is still a long way to go.

Jan Erik Saugestad,
CEO Storebrand Asset Management

Key commitments

Net-zero commitment: we are committed to achieve net zero greenhouse gas emissions across all our assets under management by 2050, at the latest. Our long-term ambition is backed up by short-term strategies and we have set 1) a sub-portfolio target, 2) a financing target and 3) an engagement target for 2025.

Science based targets: to ensure a science-based approach, Storebrand Asset Management has also committed to aligning 42% of its listed equity and corporate bond portfolio with SBTi-validated targets by 2027.

Deforestation commitment: Storebrand's ambition is to have an investment portfolio that does not contribute to deforestation by 2025. Storebrand will not knowingly finance operations that are illegal, fail to protect high conservation value forests/land or violate the rights of workers and local people. As shareholders, we commit to applying both our influence and the formal tools at our disposal to induce our portfolio companies to meet our expectations and to operate in line with

good international practices. This policy applies to all relevant companies in our portfolio, that are involved in production, trade, use or financing of forest-risk commodities, particularly palm oil, soy, timber, cattle products, rubber and cacao. The policy covers both upstream and downstream companies linked to forest-risk commodities through their operations and supply chains.

Nature commitment: as a signatory to the Finance for Biodiversity Pledge, we have also committed to collaborating and sharing knowledge, engaging with companies, assessing impact, setting targets and reporting publicly on biodiversity, all before 2025. With our investment activities, we aim to contribute to biodiversity protection. We will achieve this through increasing our positive impacts and reducing our negative impacts on nature, by strengthening and enhancing nature-related risk assessments in financial decision making.

Key commitments							
Dimension	Commitment	2023	2025	2027	2030	2040	2050
1 Solutions	15% of AUM in solution		●				
2 Emissions	Reduce portfolio emissions by 32%		●				
	Net Zero emissions						●
3 Science-based targets	42% of portfolio aligned with SBTi			●			
	100% of portfolio aligned with SBTi					●	
4 Biodiversity	Assess nature risk and set biodiversity targets		●				
5 Deforestation	Zero commodity-driven deforestation		●				

Governance Structure

To support the implementation of these commitments, an internal taskforce to coordinate and drive the implementation of nature and climate policy has been set up. The taskforce is led by both Chief Investment Officers, supported by the Risk and Ownership team. The internal taskforce consists of members from investment teams and is responsible for supporting the implementation of Storebrand's work on nature and climate. The CIOs are responsible for reporting regularly to the management and the board on progress made.



Dagfin Norum
Chief Investment Officer,
Fixed Income

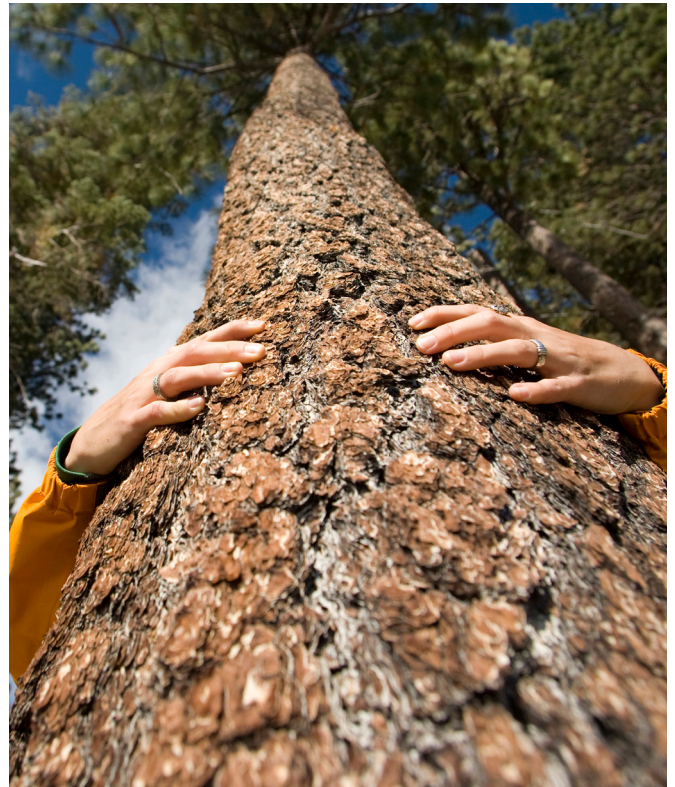


Bård Bringedal
Chief Investment Officer,
Equities

Storebrand Board's Oversight of Climate-related Risks and Opportunities

In line with the recommendations from Task Force on Climate-related Financial Disclosures (TCFD) and Task Force on Nature-related Financial Disclosures (TNFD), Storebrand Asset Management has established a taskforce to ensure nature and climate work is prioritized at the top management level. Storebrand's nature and climate policies will be overseen by Group Management. Responsibility for implementation and assessment of nature and climate-related risks and opportunities lies with portfolio managers and sustainability teams. They will report regularly on specific indicators, and will explain how the company is managing the investment-related risks and opportunities associated with these indicators. The following indicators will be reported take out on here to the board twice a year:

- Progress on reduced emissions, based on the short-term targets that the company has set.
- Progress on investments in capital flows towards low-carbon, climate-resilient and transition companies.
- Progress on nature-related commitments
- Progress on engagement with sectors that contribute heavily to climate change and/or nature loss.



Our progress on climate targets

Engagement with top emitters

In Storebrand's view, one of the best ways to effect change is to be an active owner and to engage with portfolio companies. Storebrand's sustainable investments department is in dialogue with a large number of companies each year, and in this way, we help to influence them to move towards a more sustainable position. By investigating company practices and achievements regarding sustainability, we challenge them to be more proactive in addressing these issues. Through our efforts in platforms, including the Climate Action 100+, IIGCC, and FSDA, we have collaborated with other investors on several issues to exert a positive influence on companies, and we have seen some very good results from this work. A few examples of our collaborative engagement efforts during 2022 include:

Targeted engagement with top emitters: 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 is also an important part of these company dialogues.

The Climate Action 100+, an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. 171 focus companies have been selected for engagement, including the Norwegian company Equinor for which Storebrand is the CA100+ lead investor. Together, we have communicated expectations that Equinor should implement climate change risk oversight and accountability into their governance framework; reduce GHG

emissions across their value chain in line with the 1.5C target of the Paris Agreement on climate change; as well as to transparently disclose and implement transition plans that involve robust targets.

Institutional Investor Group on Climate Change (IIGCC) is collaborative initiative aimed at ensuring that banks carry out their critical role in driving capital flows towards supporting the global transition to a 1.5°C decarbonisation pathway, Storebrand participates in the working group on banks which engages collaboratively with 27 global banks to accelerate progress towards a net zero economy.

Proxy voting: Storebrand generally votes in favor of proposals that seek to promote a just transition to net zero, while enhancing long-term shareholder and stakeholder value. Between July 1st 2022 and June 30th 2023, Storebrand voted on 59 climate-related proposals, of which 51 were votes against management.

Reduction in GHG – Scope 1 and 2

Timeframe: 2018-2025

Target: 32 % reduction from baseline

Definition: The GHG intensity target describes a reduction of the impact of all corporate investments in (i) Equity and Fixed income instruments for scope 1 and 2 managed by SAM Group from the established baseline and (ii) Real estate.

Calculation:

- (i) For Equity and Fixed income: Reduction in GHG intensity is calculated based on a market value-adjusted baseline for portfolios in scope from the end of 2018 against an equivalent updated market-adjusted GHG intensity. All positions are valued in NOK on valuation day.



- (ii) For Real estate: Annual CO₂ emissions from direct real estate investments under operational control, per square meter of heated area. Includes direct and indirect emissions (Scope 1-3), including the tenant's energy and water consumption as well as waste production. The carbon footprint is calculated by Cemsys AS in accordance with the GHG protocol (The Greenhouse Gas Protocol), based on metered energy, waste and water volumes on sites. The Nordic mix emission factor is the basis for calculating the location-based emissions from electricity.

Status:

- (i) For Equity and Fixed income: -36.7%
(ii) For Real Estate: -43 %

Allocation in Solutions

Timeframe: 2018-2025

Target: 15 % of AuM

Definition: The definition of Solutions includes investments in solution companies as defined by SAM in the Alvis database with a relevant solution weight. These chosen companies are expected to have a significant contribution to meet the UN's sustainability goals. Furthermore, investments in sustainable debt instruments (like for example green bonds), Infrastructure, certified Real Estate and Private Equity impact investments are included in the KPI.

Calculation: Allocation to Solutions is calculated based on the market value of all Solution positions against the total asset under management for the SAM Group. All positions are valued in NOK on valuation day.

Status: 13.2%

SBTi validated targets

Timeframe: 2027

Target: 42% of listed equity and corporate bond portfolio by invested value setting SBTi validated targets

Definition: The Science Based Targets initiative (SBTi) drives ambitious climate action in the private sector by enabling organizations to set science-based emissions reduction targets. The KPI measures the investments in companies with a set and validated target.

Calculation: The market weighted value of investments in corporate issuer with a set and validated SBTi target among equity or bond investments.

Status: 27.2%

Our progress on deforestation

Storebrand's ambition is to have an investment portfolio that does not contribute to commodity-driven deforestation, conversion of natural ecosystems or associated human rights abuses by 2025. We first made this commitment in 2021, and reinforced it that year, by signing the Financial Sector Commitment Letter on Eliminating Commodity-Driven Deforestation.

Our main lines of action to implement our deforestation policy are the following:

1. Portfolio screening of deforestation risk

We annually assess our investment portfolio for deforestation risk exposure, based on best available data. We developed a screening methodology in 2020, based on the datasets Forest 500 and Trase. Storebrand is actively supporting initiatives to improve data quality on deforestation, such as through the Forest IQ initiative, which is expected to launch in October 2023. We will update and improve our screening methodology by the end of 2023.

In our most recent screening (2022) of the 350 companies and 150 financial institutions included in Forest 500, Storebrand had equity or bond investments in 109 companies and 149 financial institutions, most of which had indirect exposure to deforestation through supply chains or financial relationships. Using Forest 500 company rankings, and other data sources like Trase, we group companies into high, medium, and low risk, based on their exposure to and management of risk. 23 companies and 95 financial institutions were classed as high risk, defined as scoring below 20% in the Forest 500 ranking of deforestation commitments and reporting.

2. Active ownership and stakeholder engagement

Engagement with companies: Alone or in collaboration with other financial institutions, we engage the companies in our holdings that have the highest risk exposure and/or the greatest opportunity to contribute to ending deforestation. Storebrand Asset Management is part of the collaborative engagement platform Finance Sector Deforestation Action (FSDA). This group of 35 investors with US\$9 trillion AUM has identified 80 companies to engage, divided up responsibilities for leading engagements, and created a set of expectations for how companies should eliminate commodity-driven deforestation from their operations, supply chains and financing by 2025. In the first half of 2023, Storebrand was actively involved in 95 ongoing engagements with 79 companies on the subject of deforestation.

Engagement with policymakers- Investor Policy Dialogue on Deforestation:

Storebrand Asset Management Investor is co-founder and co-chair of the Investor Policy Dialogue on Deforestation (IPDD), a collaborative investor-led initiative to engage with public authorities and industry associations in Brazil and Indonesia and in import markets like the EU, UK and the US. The IPDD continues to secure support from new investor members, further confirmation of the growing importance of government engagement on deforestation matters. As of July 2023, IPDD is supported by 78 global institutional investors, from 20 countries. The coalition now represents approximately USD 10 trillion of AUM. Members of IPDD recognize that deforestation remains a complex issue and addressing it requires steady and sustained engagement with the government and policy level over time, given the many different stakeholders, concerns and interests involved. Since its inception in 2020, members of IPDD have had numerous meetings with central stakeholders at executive, legislative and regional level. Representatives have also travelled to Brazil and Indonesia for a series of in-person engagements and meetings with private and public sector actors.

Proxy voting: Where engagements have not been successful, we have used shareholder proposals to drive improvements at investee companies. In 2021, we co-filed a shareholder proposal at Bunge calling on the company to eliminate deforestation in its supply chain. The resolution received 98.8% of the votes cast

at the company's annual meeting. To ensure that we use our voting rights as shareholders to promote forest protection and company management of deforestation risk, all 204 companies identified by our deforestation risk screening of equity holdings are added to our automated proxy voting list.

3. Reducing risk exposure: For companies directly involved in deforestation, conversion or associated human rights abuses, that are unwilling to engage or to meet our expectations, we will consider exclusion from our investment universe. Storebrand's exclusion criterion on deforestation includes unsustainable production of palm oil, soy, cattle, timber, pulp and paper, cocoa, coffee, rubber and minerals. As of 30 June 2023, 14 companies are excluded from our investment universe because of deforestation, and two companies are on Storebrand's Observation list.

4. Disclosure: We report annually on our portfolio exposure to deforestation risk and our main actions to implement this policy. We will cooperate with other financial institutions to promote standards for measuring, monitoring and reporting on direct and indirect deforestation risk exposure. In the past year, we have contributed to include disclosure on deforestation in the Net Zero Standard for Banks; participated in the FSDA work stream engaging with ESG data providers to improve data products on deforestation; and collaborated in the Forest IQ investor advisory group.



Our progress on nature

Around the world, biodiversity is diminishing and ecosystems are vanishing at an unprecedented rate and scale, with already catastrophic implications. The air we breathe, the water we drink, and the food we eat all rely on healthy natural ecosystems. Not only is this an environmental disaster, but it can also lead to financial ruin; \$44 trillion of economic value is moderately or highly dependent on nature and its related services. Between \$235 billion and \$577 billion of global crop outputs are at risk annually from pollinator loss alone, which is an operational risk for companies that source agricultural commodities. Despite evident rising risks posed by biodiversity loss, most companies are failing to address the issue rapidly enough. Many businesses lack a thorough understanding of their impacts and dependencies on ecosystems, in particular through their supply chains, and how to manage both risks and opportunities.

In December 2022, we launched a Nature Policy which will guide our investment decisions. It reinforces our commitment as a signatory to the Finance for Biodiversity Pledge, namely, to collaborate and share knowledge, engage with companies, assess impact, set targets and report publicly on biodiversity before 2025. In addition, the application of the precautionary principle has been further strengthened in investment decisions. In June 2023, in an evaluation of the members of Finance for Biodiversity (FFB) regarding compliance with the commitments of the FfB Pledge, Storebrand ranked in the top four.

Risk assessment and disclosure: We are currently assessing our impact, using the best available tools and will set further targets in line with international agreements such as the Global Biodiversity Framework under the Convention on Biological Diversity. As a first initial step, we conducted a high-level screening of direct nature-related impacts and dependencies for our portfolio of equity and bonds, using the measurement tool ENCORE. The results provide a preliminary picture of potential risks and dependencies associated with Storebrand's portfolio. Further analysis will be conducted in the future, to understand these risks and dependencies in greater detail. We will furthermore disclose our biodiversity footprint and align this reporting with the TNFD recommendations, once this is available in September 2023.

Reducing risk exposure in our own portfolios: From 2022, we strengthened the application of the precautionary principle. Although we will assess each individual situation separately, there are certain practices we will avoid as we regard them harmful to biodiversity. We introduced therefore the following new exclusion criteria:



Mining operations that conduct direct marine or riverine tailings disposal: With the aim to protecting coastal and marine environments from mining waste and to reduce marine pollution, from land-based activities, Storebrand will not invest in mining operations that conduct marine or riverine tailings disposal.

- **Companies that operate in ecologically sensitive areas:** Companies that derive more than 5 % of their revenues from Arctic drilling will be put on our observation list and closely monitored and engaged with based on our existing ownership.
- **Deep-sea mining:** Storebrand will not invest in companies involved in deep-sea mining until we have more scientific knowledge on the impacts of these activities. Significant challenges must be overcome before the sector can be recognized as environmentally and economically sustainable.
- **Lobbying:** We will not invest in companies that lobby against international agreements which promote sustainable use of biodiversity, such as the Convention on Biological Diversity.
- **Deforestation or conversion of native ecosystems:** Through our Deforestation Policy from 2019, we have made the commitment to not invest in companies with unsustainable production of soft commodities like palm oil, soy, cattle products, and timber. This commitment will be expanded to include deforestation or conversion for production of cocoa, rubber, coffee, and mining.

As a result of the introduction of these criteria in our new Nature policy, we have so far excluded one company under the deep-sea mining criterion, and three companies under the marine or riverine tailings disposal criterion.

Engagement with relevant stakeholders: Storebrand engages with both companies and policymakers on four specific themes, where nature carries a special weight. We will continue to engage with the companies in portfolios to ensure that these companies mitigate their potential negative impacts. In our dialogue with our investees, we have highlighted as a minimum requirement, that we expect them to report on a four-pillar approach, structured around how organizations operate: 1. Governance 2. Strategy 3. Risk Management and 4. Metrics and Targets. In addition, companies should also incorporate the principle of “double materiality.” This means companies should disclose not just how nature may impact the organization, but also how the organization impacts nature.

Nature Action 100 - Storebrand and partners form a new platform for investors to collaboratively engage on nature:

At the 15th Conference of the Parties to the United Nations Convention on Biological Diversity (COP15), a group of institutional investors, including Storebrand Asset Management announced the formation of Nature Action 100, an initiative to engage with companies which we consider to be systemically important for halting biodiversity loss by 2030, a critical threshold which scientists say is necessary to avoid more catastrophic climate change. Nature Action 100 aims to support and complement ongoing important efforts such as the Task Force on Nature-related Disclosures (TNFD) and Science-Based Targets for Nature (SBTN) which will create globally consistent and scalable methodology that investors can use to inform its actions on how to manage risks and opportunities related to nature loss.



Engagement with policymakers - COP15 was a turning point for nature and finance:

In December 2022, we hit a major milestone in how our economy treats nature. At the 15th Conference of the Parties to the United Nations Convention on Biological Diversity (COP15), national governments finally agreed on the Global Biodiversity Framework (GBF) in Montreal that will be implemented over the next decade. COP15 is the global summit of nations to negotiate the Global Biodiversity Framework – in essence, the world’s most important tool to protect nature. The Framework has 23 targets that are the roadmap for protecting Earth’s life support systems. Over the past year and a half, Storebrand has been honoured to co-chair the Public Policy Advocacy working group of the Finance for Biodiversity Foundation. Within this working group, we have advocated for an ambitious and effective outcome of the GBF and called for governments to address alignment of all financial flows, both private and public, with the GBF. The increase in public funding for nature cannot be effective if other financial flows remain on trajectories that destroy biodiversity.

We are pleased to see that the Parties recognize the important role that private finance can play to protect nature which is recognized in Goal D and Target 14 and Target 19. Target 15 was another positive outcome. We are also encouraged to see that governments will ensure that large and transnational companies will have to regularly disclose their impacts and dependencies on nature in a transparent manner. As investors, we need company data to guide our investment decisions. While “mandatory” is out, the current text implies that governments will need to ensure disclosure for large companies, along their operations, supply and value chains and portfolios.



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