Sustainable Investment Review

Q2 2022

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Cybersecurity: enabling digital citizenship

As companies and governments increasingly shift to digital solutions, digital citizenship – mass access to connectivity and identity management – becomes critical. This, alongside an increasingly volatile geopolitical landscape, is driving a growing need for cybersecurity.

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A message from our head of sustainable investments

Like many others around the northern hemisphere, we return from the traditional midyear vacation period, refreshed and eager to carry on our work. The summer has been a great time for relaxation, but also one for reflection on our mission.

Around the world, this summer offered a few more wake-up calls on the scale and breadth of the sustainability challenges we face. We saw in Sri Lanka a mass uprising, highlighting the potential for social and political instability driven by macro-economic shifts. In Europe we have seen record heat waves and droughts. Returning to visit my home country of Canada, I personally experienced climate extremes up close, as more heat waves and wildfires followed last year's record-breaking summer temperatures.

These signals highlight the need for just transition, as we have been emphasising in our work. Our potential to successfully transition to frameworks will depend on solving dilemmas about how to contribute to sustainable solutions while avoiding negative impacts. As we note later in this report, increasingly this requires more focus on issues like protection of rights and social stability as part of investment assessments.

From an investor perspective, this requires us to, more than ever before, influence change on many levels. At the shareholder level, this means ensuring that our portfolio companies are on the right course. Our individual engagement is a key factor, but as we note later in this report, in some cases collaborations such as long-term investor alliances are needed to tackle governance issues at some of the world's biggest companies. Furthermore, we have been evolving, and plan to continue to, our use of various tools for escalating issues, such as voting and shareholder resolution.

We are also leading and contributing to efforts to build a critical mass of knowledge, and tools, for integrating biodiversity and deforestation sustainability impacts into investment decision making processes. And at the civil level, we are also working to positively influence policies at national and international levels.

Looking ahead for the rest of the year, we also expect to invest a significant amount of effort on policy efforts. Many recognize the importance of the COP27 climate change conference in Egypt this November – but December's COP-15 biodiversity conference in Montreal will be equally important, as biodiversity is central to the climate equation. We hope you'll dive in and learn more about this critical issue in our new case study, which was recently selected for publication by the UN PRI.

Leading the Investors Policy Dialogue on Deforestation

"This summer offered a few more wake-up calls on the scale and breadth of the sustainability challenges we face"

Kamil Zabielski,
Head of Sustainable Investment

In brief

Storebrand Asset Management sustainability-related news and events

Selected SAM sustainability news, highlights and events during the quarter

Storebrand at Climate Investment Summit

Storebrand was privileged to contribute to the Climate Action Week this June, with CEO Jan Erik Saugestad participating in panels to share our perspectives in several areas, such as tackling deforestation and transforming financial commitments into actionable transition plans.

Storebrand Asset Management CEO Jan Erik Saugestad in a panel session and the 2022 Climate Investment Summit in London.
Photo: Climate Investment Summit

Storebrand at Oslo Tropical Forest Forum

Panel on finance and COP26 commitments at this year's Oslo Tropical Forest Forum
Photo: Rafael Forsetto

This June, Storebrand Asset Management contributed insights at the Oslo Tropical Forest Forum, a global conference hosted by NORAD, the Norwegian Development Cooperation Agency, on behalf of the Norwegian International Climate and Forest Initiative (NICFI).

The event gathered government, civil society and businesses, to share ideas and develop input into policies and practices aimed at reducing and reversing tropical deforestation. At the forum, our Head of Climate and Environment Emine Isciel shared insights at a panel: "From Glasgow to Sharm El-Sheikh: How the Finance Sector Implements COP26 Commitments". In the session, leading practitioners shared observations and insights on advancing this agenda.

For many years Storebrand has been leading efforts to halt and reverse deforestation, given how central the issue is to the agenda of reducing emissions. Recently there has been a significant evolution in best practices for eliminating commodity-driven deforestation. More companies are engaging beyond their supply chains, corporate investment in jurisdictional REDD+ has risen, and over 30 financial institutions publicly committed to actively tackle commodity driven deforestation in their portfolios by 2025.

Learn more about the conference and view a partial archive of streamed videos at the event web page,

New Principal Adverse Impact Statement Published

As of June 2022, the Storebrand Asset Management Group has issued a new Principal Adverse Impact (PAI) Statement that applies for Storebrand Asset Management and its subsidiaries: Delphi Funds, Storebrand Fonder, SKAGEN Funds and Cubera.

In our PAI statement, we document our policies and approach to identifying and mitigating principal adverse impacts in our portfolios, and detail the indicators that we will monitor and report on.

Documenting principal adverse impacts is a new requirement of the EU Sustainable Finance Disclosure Regulation (SFDR), which defines PAIs as "impacts of investment decisions and advice that result in negative effects on sustainability factors". The regulation is intended to improve transparency and accountability for sustainable investment products.

Read our full PAI Statement on the Storebrand website.

Storebrand contributes to sustainable finance textbook

Storebrand has been honoured to contribute a chapter to a new book on sustainable finance. The book, "Extinction Governance, Finance and Accounting: Implementing a Species Protection Action Plan for the Financial Markets", was released by the publisher Routledge this May. It features a case study co-authored by Emine Isciel, Head of Climate, Storebrand Asset Management, which details how Storebrand developed a collaborative approach to investor-government dialogue on deforestation.

Book details

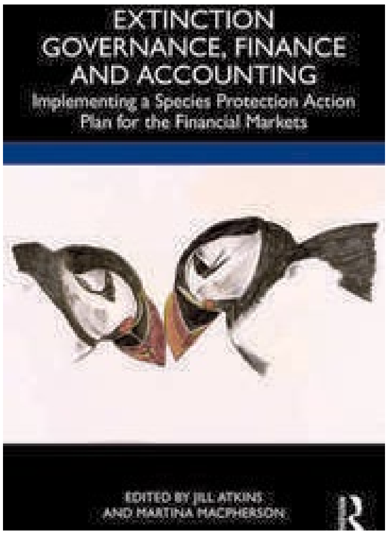
Extinction Governance, Finance and Accounting: Implementing a Species Protection Action Plan for the Financial Markets, Edition 1, Copyright (2022)

Edited By: Jill Atkins, Martina Macpherson

ISBN 9780367492977, eBook ISBN 9781003045557, DOI https://doi.org/10.4324/9781003045557

Chapter 19, The Investors' Policy Dialogue on Deforestation (IPDD) Case Study

A Collaborative Engagement Initiative with Governments to Mitigate Investment Impacts Resulting from Deforestation, By My-Linh Ngo, Magdalena Kettis, Emine Isciel, Danielle Carreira



Cover, Extinction Governance, Finance and Accounting, Edition. 1, Atkins & Macpherson, Copyright (2022) by Origin UK.

Credit: Photo: Image reproduced by permission of Taylor & Francis Group.

1 Update
Solutions

How we direct capital towards building long term value within sustainable investments

Decarbonising British railway infrastructure

Storebrand invests in London regional electric train fleet

Through an infrastructure partnership with AIP, Storebrand Asset Management has this May closed a joint minority investment in Cross London Trains (XLT). The investment aims to deliver stable long-term returns, while contributing to the sustainable energy transition by decarbonising Britain's rail stock.

XLT consists of a fully electric train fleet of 115 Siemens Desiro City Class 700 trains running on the Thameslink corridor in London, UK. The fleet, delivered by Siemens in 2018, benefits from a long-term government-backed lease structure, which provides availability-based lease payments for an initial duration of 20 years, and a long-term maintenance agreement with Siemens.

One of the largest single rolling stock fleets in the UK, XLT is part of a GBP 7 billion UK rolling stock programme to upgrade services and meet increasing passenger demand on key rail corridors in London. The fleet contributes towards the decarbonisation of the UK rolling stock sector, as the trains are fully electrified.

"This investment enables us to further contribute to the green transition in an excellent way, while securing good and stable returns for our clients. Smart and sustainable transport is key in achieving healthy and resilient urban areas and has a particularly important role towards achieving the Paris Agreement," says Dagfin Norum, Chief Investment Officer, Storebrand Asset Management.

XLT's electric train fleet operates on London's Thameslink railway.
Photo: Govia Thameslink Railway

Cybersecurity: enabling digital citizenship

As companies and governments increasingly shift to digital solutions, digital citizenship – mass access to connectivity and identity management – becomes critical. This, alongside an increasingly volatile geopolitical landscape, is driving a growing need for cybersecurity.

Photo: Colourbox.com

Cybersecurity is a part of our Equal Opportunities solutions theme, which focuses on increased access to essential services, such as digital services. Through digital channels, companies and governments provide people with access to digital citizenship: services such as healthcare, education, the justice system, and so on. Cybersecurity is a critical enabler, ensuring that every individual in society has dependable, securely verifiable access to these services, while preserving their privacy.

First, on a basic level, as companies and societies increasingly rely on digital solutions and rates of digitalization grow, all organizations are more vulnerable to cyberthreats, making cybersecurity a growing necessity for them. This driver was already contributing to dependence on secure networks before the start of the COVID-19 pandemic, which itself boosted digitalization rates, and in turn the need for cybersecurity. What can we expect in the post-pandemic era? Here's one indicator that that the effect will be sustained: a new report published by the GSMA[1] n the mobile economy states that dependence on connectivity will remain even after the COVID-19 pandemic. Furthermore, we have moved into a tense new geopolitical climate, following the Russian invasion of Ukraine, creating a growing threat of cyberwarfare. This increases the relevance of cybersecurity solutions, for both government and private sector organizations. The Global Cybersecurity market is expected to grow, from USD 217.9 billion in 2021 to USD 345.4 billion by 2026[2]

1) GSMA, "The Mobile Economy 2022" https://www.gsma.com/mobileeconomy/wp-content/uploads/2022/02/280222-The-Mobile-Economy-2022.pdf
2) https://www.globenewswire.com/news-release/2022/04/05/2416799/0/en/Cybersecurity-Market-Expected-to-Be-Worth-345-4-billion-by-2026-Exclusive-Report-by-MarketsandMarkets.html

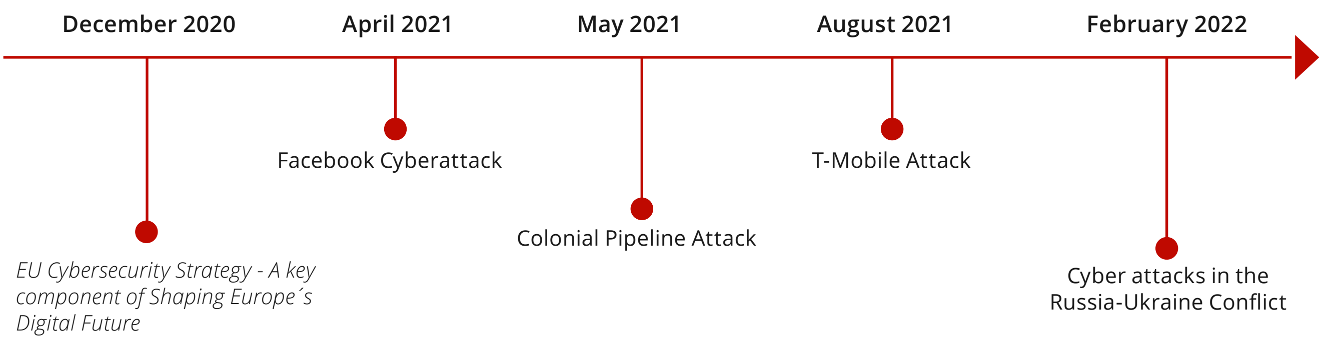
> The Global Cybersecurity market is expected to grow, from USD 217.9 billion in 2021 to USD 345.4 billion by 2026

Today, cyberattacks pose a significant threat to businesses of all sizes, government agencies, and individual internet users. In fact, it is the biggest risk factor for business according to Allianz Risk Indicator [3].And recent cyberattacks have advanced and usually comes from hacktivist groups, lone wolf hackers, and nation-states. Even though it has gotten more common, the first recorded internet attack dates back to 2002. But recent cyberattacks can affect vast numbers of people, meaning that a single attack can usually result in the capturing of data of hundreds of millions of people. Businesses and authorities are now stepping up their strategies to prevent such attacks [4].

Did you know?

The first-ever recorded cyberattack happened in 1988. It was the "Morris Worm", a worm program developed by the graduate student Robert Tappan Morris at Cornell University. The Morris Worm could crawl the web to count how many computers were connected to the internet. The program could force computers to crash, and ended up damaging approximately 6000 computers, which at that time comprised 10% of the internet. https://www.fortinet.com/resources/cyberglossary/recent-cyber-attacks

Recent well-known cyberattacks and attempts



Facebook Cyberattack:
In 2019 hackers obtained information, through scraping, on more than 530 million Facebook users, including their names, Facebook IDs, dates of birth, and relationship status. The information was published online in April 2021.

Colonial Pipeline Attack:
The attack on the Colonial pipeline in May 2021 highlights the increasingly advanced cyberattacks and what type of consequences they can have on people and societies. The attack on a fuel pipeline operator caused fuel disruption and mass panic buying of fuel across the U.S. This also showcases the vulnerability linked to our energy systems.

T-Mobile Attack:
In August 2021, a 21-year-old stole around 106GB of information from T-Mobile customers and prospects. The cybersecurity breach on T-Mobile affected around 50 million existing customers and prospects. The data that was stolen included customer addresses, drivers' licenses, and social security numbers.

Cyberattacks in the Russia – Ukraine Conflict:
The devastating invasion of Ukraine have displaced and caused many lives. And in addition to the physical battles, cyberattacks are increasingly used in the war. Many sophisticated attacks have happened, including an attack that targeted the State Savings Bank in Ukraine that affected banking services and cash withdrawals [5].

3) https://www.allianz.com/content/dam/onemarketing/azcom/Allianz_com/press/document/Allianz_Risk_Barometer_2022_results_APPENDIX.pdf
4) https://www.fortinet.com/resources/cyberglossary/recent-cyber-attacks
5) https://www.fortinet.com/resources/cyberglossary/recent-cyber-attacks

An attempt was also made to shut down Ukraine's power grid. By targeting one of Ukraine's largest energy companies, the attack could have caused blackouts affecting millions of people. The attacks are increasing, and the Ukrainian government says the country is experiencing about three times as many hacking attempts as they did before the war began [6].

Cybersecurity companies in our Solutions portfolios

The cloud computing model is now widely adopted, due to its powerful and flexible infrastructure. Many organizations are shifting their preference toward cloud solutions, to simplify the storage of data, and because it provides remote server access on the internet, enabling access to unlimited computing power. All three Global Solutions portfolio companies that deliver cybersecurity solutions (Palo Alto, Crowdstrike and Okta) are increasingly focusing on cloud solutions, amongst others.

Palo Alto Networks Inc offers holistic solutions securing protection across network, cloud and mobile users and offers a host of cybersecurity solutions. The company has acquired several cloud products over the past two years and is therefore gaining increases in customer retention and order size. [7]

Crowdstrike specializes in endpoint security and advanced threat detection. All of its solutions are cloud-based and leverage what they call Cloudscale AI which is a technology that continually learns about threats from each recognized attack across their entire client network. Crowdstrike is also expanding into adjacent categories beyond its core focus area of endpoint device security. [8]

Okta specializes in identity management solutions, with a focus on cloud-based systems. The company's solutions are collaborative, with technology integration and apps more commonly used in business today such as Slack, Zoom, Workday etc.

In addition to the three previously mentioned companies, the Equal Opportunities theme includes KnowBe4, an American company that delivers solutions to prevent human-based errors. Approximately 85% of all cybersecurity breaches involve a human element: KnowBe4 delivers solutions for companies to train their employees on how to avoid making mistakes that can cause cybersecurity breaches. This is an aspect of cybersecurity that is often ignored. [9]

We also see other solutions companies acquiring cybersecurity solutions and companies in order to prevent harmful breaches. For example, IBM recently announced plans to acquire Randori, a leading attack surface manager (ASM) and offensive cybersecurity provider. [10]

The outlook for cybersecurity

With recent and more advanced cyberattacks impacting companies, organizations and governments around the world, there is an increased focus on implementing secure solutions to prevent harmful attacks. As mentioned, cybersecurity has several crossovers, for instance to digital electrical networks, but with the Ukraine invasion, a rising threat of cyberwarfare may ramp up cybersecurity adoption. Consumers, businesses, and nations are monitoring current events and becoming more aware of the increasing threat that cybersecurity has on society. We can expect to see significant investment in cybersecurity products and services, as the cybersecurity market has significant projected growth in the near future.

6) https://www.bbc.com/news/technology-61085480
7) Bloomberg
8) Bloomberg
9) https://www.fool.com/investing/2021/09/10/knowbe4-the-cybersecurity-saas-company-youve-never/
10) https://newsroom.ibm.com/2022-06-06-IBM-Tackles-Growing-Attack-Surface-Risks-with-Plans-to-Acquire-Randori

2 Update
Active Ownership

How we engage in dialogue, collaboration and shareholder voting processes to make progress on our sustainability objectives.

Engagement

Engagement key figures Q2 2022

587 New and ongoing engagements

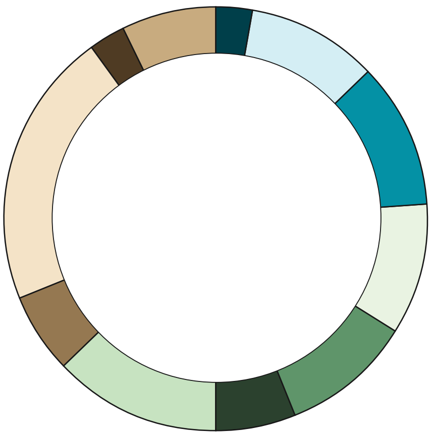
During the quarter, we had 587 new and/or ongoing engagements. We noted a growing number of engagements related to biodiversity, an area in which we are playing a leading role. Several of the most significant ones are collaborative engagements in biodiversity, a fast-evolving area that lacks commonly accepted standards for operation and financial management. As such, a significant goal of our efforts are aimed at demonstrating practices, building knowledge and gaining support for shared standards.

As in previous quarters, the overwhelming majority of our engagements have been proactively selected, rather than unplanned reactions. Naturally, we will always encounter some reactive situations, but overall we aim to maximize our impact by targeting the most material issues on which we can exercise a meaningful influence.

Three quarters of our engagements - 74 per cent - were collaborative rather than individual solo efforts. Examples of these included both leading and support roles in dialogues with such as JFE, Amazon, and Meta. We expect to continue to utilize collaborative engagement formats significantly in the future. This reflects two factors. First, many systemic problems such as biodiversity or living wages, require engagement by a critical mass of actors across the investor community, company management, civils society and government. Secondly, when it comes to influencing many of the largest companies in the world, such as we aim to regarding governance at Meta and labour relations at Amazon, such efforts require persistence and consistency by large groups of shareholders over time.

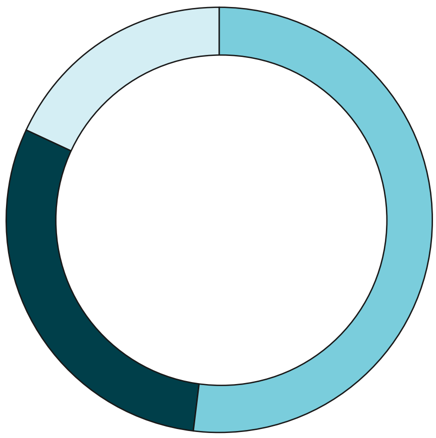
Where we engaged

Sectors engaged in



- **0%** - Other
- **3%** - Communication Services
- **10%** - Consumer Discretionary
- **11%** - Consumer Staples
- **10%** - Energy
- **10%** - Financial
- **6%** - Healthcare
- **13%** - Industrials
- **6%** - Information Technology
- **21%** - Materials
- **3%** - Real Estate
- **7%** - Utilities

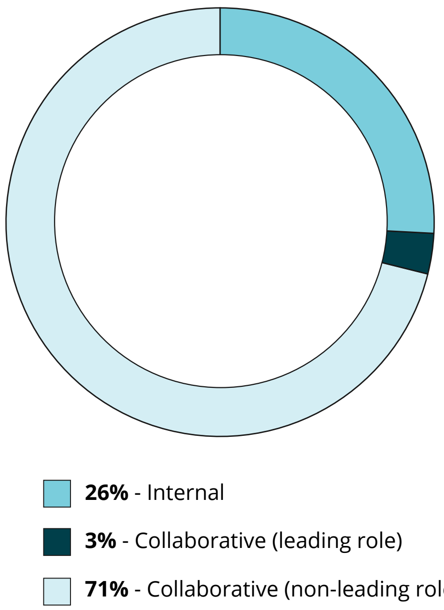
ESG categories of engagements



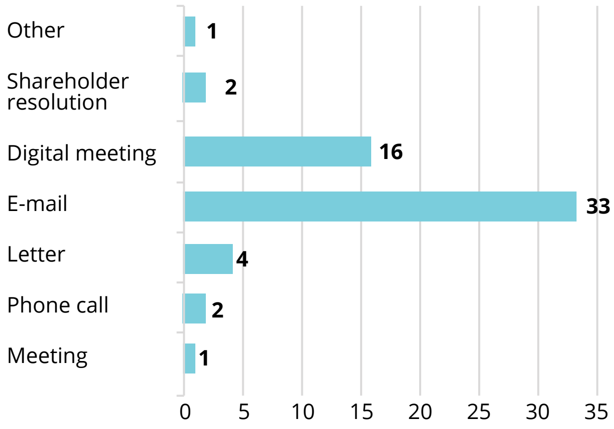
- **52%** - Environment
- **30%** - Social
- **18%** - Governance

How we engaged

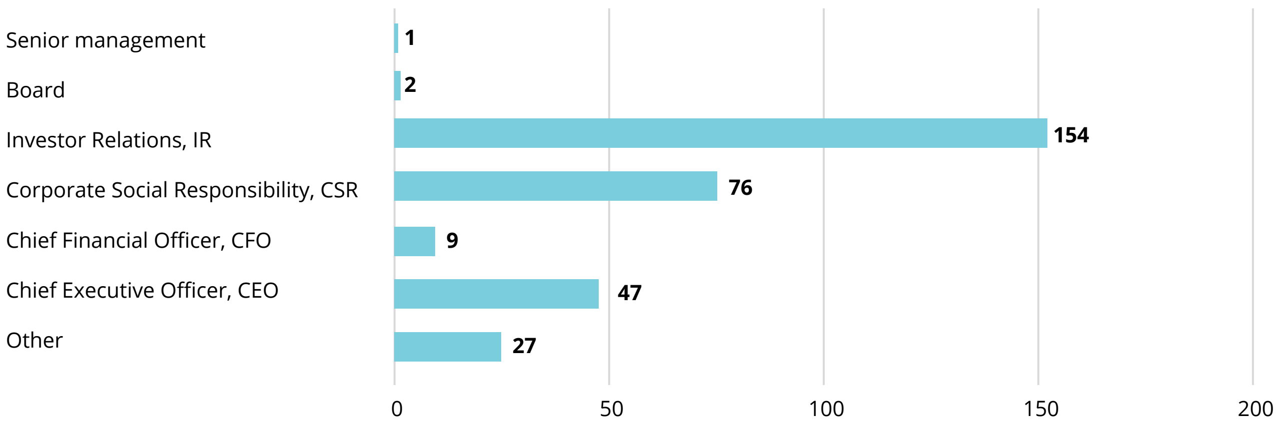
Storebrand´s role within engagements



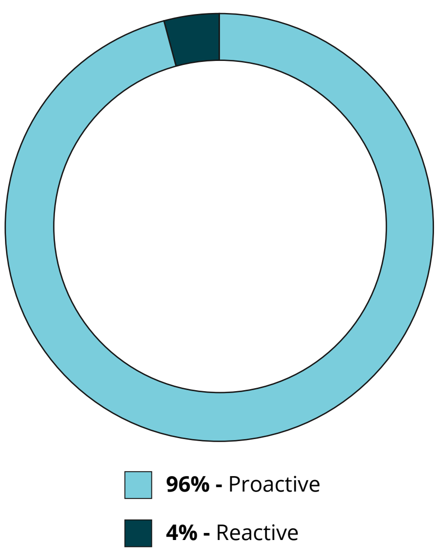
Communication methods used



Counterparties engaged with



Why we engaged



JFE dialogue delivers enhanced climate commitments

A closely coordinated engagement by Storebrand, along together with two other investors, has sucessfully impacted the steelmaker's direction.

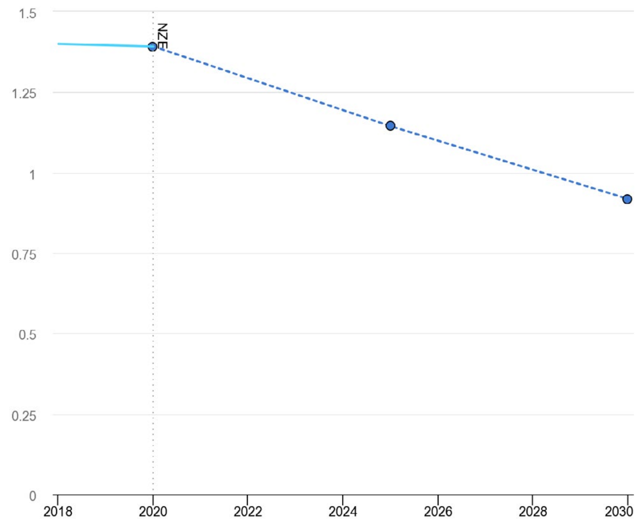
The steel sector creates 7% of global CO_2 emissions, according to the IEA

A structured dialogue between JFE Holdings ("JFE"), one of Japan's leading steelmakers, and a group of shareholders including Storebrand Asset Management, has this May resulted in the company announcing enhanced climate commitments. The shareholder group has been collectively engaged with JFE Holdings since January 2022, with some individual members having begun dialogues earlier.

Steel a major emissions source

Global demand for steel is strong, projected to rise by over a third through the year 2050. However, steel manufacturing is also energy- and emissions-intensive. Overall, steel represents 7% of global energy sector CO_2 emissions ([1]IEA) and 15% of Japan's CO_2 emissions ([2] Nippon Steel, p 10). The IEA projects that without measures to manage steel demand and overhaul production systems, steel sector CO_2 emissions would rise 7% by 2050.

Global industry organizations confirm that if appropriate measures are taken, significant impact can be made on emissions from the sector. An assessment by the IIGC notes that the IEA NZE (net zero emissions) 2050 scenario data models Scope 1 emissions in the Iron and Steel industry falling: 29% by 2030, and 91% by 2050, compared to 2019 levels. ([3] IIGCC). The IIGC further notes that, factoring in Scope 2, it is likely to imply that total emissions from steel should fall even faster.



Direct CO_2 intensity of steel production in the Net Zero Scenario, 2018-2030, IEA, Paris https://www.iea.org/data-and-statistics/charts/direct-co2-intensity-of-steel-production-in-the-net-zero-scenario-2018-2030

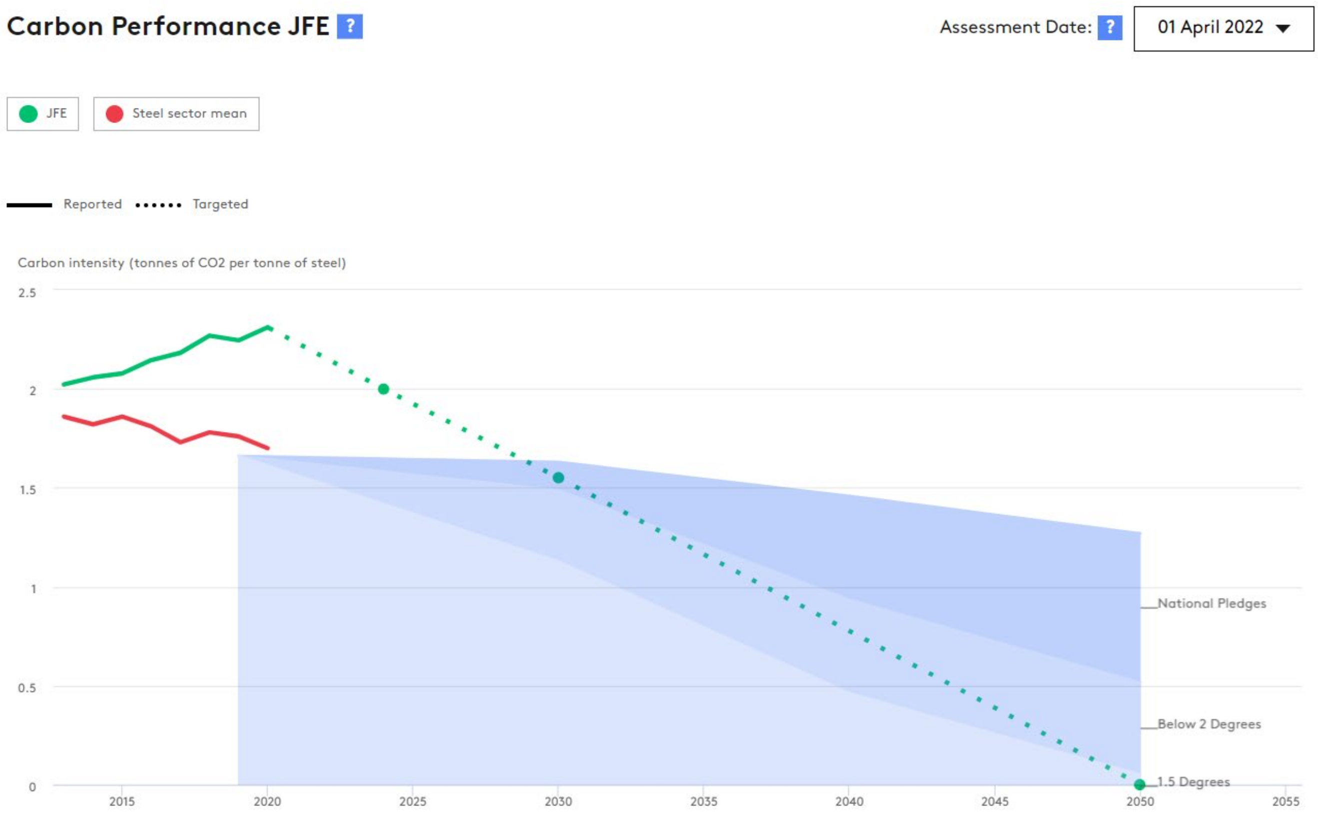
Source: IEA Report, Iron and Steel, November 2021, All rights reserved

Securing emissions commitments

With this in mind, steel sector decarbonisation is critical to successfully meeting business and investor commitments to the energy transition. Investor engagement is rising in Japan, as it is globally. Global investors are calling on steel companies to set short-, mid- and long-term decarbonisation targets in line with the Paris Agreement, align capital expenditure plans with those targets and link executive remuneration with those targets e.g. IIGCC / CA100+ ([3] IIGCC).

Among these are Storebrand's commitments to reduce emissions and reach net zero across its portfolios. As a result of these commitments, Storebrand has been in dialogue with the top 20 emitters in its portfolios including JFE, regarding their climate ambitions, goals and the governance of the relevant processes.

JFE Steel is Japan's second-largest steel producer. The company reported 52.6 million tonnes (Mt) of CO_2 emissions in FY2020, which was 99% of JFE Holdings group emissions of 53.2 Mt.



JFE is currently among the most carbon-intensive steel producers
Source: Transition Pathway Initiative[4]

New commitments to strengthen long-term value

In this May's Notice of Convocation (Notice of AGM), JFE announced the following measures designed to enhance its climate governance structure and promote ongoing conversation with shareholders about its decarbonisation plans:

- A commitment to an annual consideration of its emissions reduction target, with a focus on exceeding its 30% target
- An annual conversation with shareholders about the alignment of its technology investment with its target
- A commitment to link executive remuneration with its target in the company's medium term business plan

The shareholder group, comprising Man Group, Storebrand and the Australasian Centre for Corporate Responsibility (ACCR), has had a constructive dialogue with JFE in recent months, with a focus on enhancements to climate governance. JFE's strengthened commitments enhance the company's climate governance and the credibility of its decarbonisation strategy and are expected to contribute to its long-term corporate value. This engagement demonstrates the positive outcomes that can follow collaboration between investors, companies and civil society. We are looking forward to a continued and constructive dialogue with JFE.

Building on the significant step represented in JFE's new climate commitments, the group will continue its structured engagement with the company on this issue.

Sources:
1) IEA Iron and Steel Technology Roadmap, October 2020
https://www.iea.org/reports/iron-and-steel-technology-roadmap
2) Nippon Steel Carbon Neutral Vision 2050, March 2021
https://www.nipponsteel.com/en/ir/library/pdf/20210330_ZC.pdf
3) Institutional Investors Group on Climate Change, Global Sector Strategies: Investor Interventions to Accelerate Net Zero Steel, August 2021
https://www.iigcc.org/download/global-sector-strategy-steel/?wpdmdl=4810&refresh=6289dd8dbe9f11653202317
4) Transition Pathway Initiative Change, Steel Sector Data
https://www.transitionpathwayinitiative.org/sectors/steel

Toyota climate lobbying dialogue stalls

Following a period of progress last year, the company has declined to commit to steps recommended by shareholder group

As reported in our Q4 2021 sustainability review, Storebrand recorded initial progress in its collaborative shareholder dialogue with Toyota to review and change its climate lobbying practices. However, this dialogue has reversed with the company declining during the first two quarters of 2022 to follow up the desired changes.

The shareholder group, made up of Storebrand along with AkademikerPension, AP7, and the Church of England, had initially engaged Toyota during 2021 about the company's climate lobbying practices. This engagement resulted in the company publishing a report "Toyota's Views on Climate Public Policies", in November 2021. However, the report fell short of investor expectations, and the company continued, in countries such as France, the U.K. and the U.S.A., to lobby against climate related regulation and policies. As a result, AkademikerPension filed a shareholder resolution backed by the investor collaboration, for Toyota's 2022 annual general meeting. In a disappointing move, the company ultimately rejected the proposal, claiming that it was sent a day after a deadline previously disclosed. After the initially positive talks with Toyota, the company's decision to not want to commit to an annual review of its lobbying activities is unfortunate and falls short of Storebrand expectations. If Toyota continues to support organizations that works to delay or dilute climate regulations, Storebrand believes that this will have a lasting negative effect on the company's reputation and valuation. We hope that Toyota will change its mind, committing to align itself with the goals of the Paris Agreement, and we will continue to press for this in our dialogue with the company.

Dialogues with top 20 emitters ongoing

During Q4 2021 Storebrand Asset Management began a series of dialogues with the top 20 emitters that we identified in our portfolios. As of Q2 2022, we have communicated with all the companies, almost all of which have responded positively. We have initiated or planned dialogues with these companies.

Due to exclusions made since Q4, along with a lack of response from a small number of companies, we will be replacing several companies on this list, with newly identified ones. Our enagement with our top 20 emitters is planned to continue through 2025.

Photo: Johnér Bildebyrå

Leading the Investors Policy Dialogue on Deforestation

Storebrand Asset Management has been working on sustainability for 25 years and regards it as a significant driver of corporate value.

Eliminating deforestation in regions such as Brazil is critical for successfully achieving climate and biodiversity commitments

Why we are tackling deforestation

Deforestation is a material risk for investors. They are concerned with not only its financial impacts but also the broader consequences on biodiversity, climate change, and the violation of the rights of indigenous people and local communities, all of which increases potential reputational, operational, and regulatory risks.

To date, investor engagements on deforestation have largely been limited to dialogue with companies, mainly focused on biodiversity hotspots, many of which are in developing countries, and are generally led by equity investors. Engaging with companies is important to halt deforestation, but there are limits to what individual firms can achieve. Given that the responsibility for oversight of forests and nature lies with governments, investors can help enable industry solutions by engaging directly with policy makers. By complementing company-level with sovereign engagement, investors can increase the likelihood of success in addressing deforestation, which is a systemic risk and requires a holistic, multi-pronged approach.

How we are tackling deforestation

In July 2020, we initiated and established the Investors Policy Dialogue (IPDD), a collaborative initiative to engage with public agencies and industry associations in selected countries on deforestation.

The IPDD objective is to mitigate the risk to investors posed by the increasing rates of deforestation around the globe. The IPDD seeks to ensure long-term financial sustainability of investments by promoting sustainable land use and forest management and respect for human rights. As of April 2022, IPDD is supported by 58 global institutional investors from 18 countries. The coalition now represents approximately USD 8.5 trillion of AUM.

Brazil

The Brazil working group, formed in July 2020, was the IPDD's first formal country workstream, formed in response to the increasing rates of deforestation observed there. The objective has been to engage with relevant government authorities, financial market regulators and industry associations to promote good social and environmental governance, and to reduce financial risk arising from deforestation and land degradation.

Investors want to contribute to Brazil's economic development and protect the environment, and are urging the government to commit to eliminating deforestation and protecting the rights of indigenous peoples. Via this dialogue they are expecting five outcomes from the Brazilian government:

1. Significantly reduce in deforestation rates
2. Enforce Brazil's Forest Code
3. Reinforce Brazil's agencies tasked with implementing environmental and human rights legislation, and avoid any legislative developments that may negatively impact forest protection
4. Prevent fires in or near forest areas to avoid those as seen in 2019 and 2020; and
5. Allow public access to data on deforestation, forest cover, tenure, and traceability of commodity supply chains.

The Brazil workstream has met with federal representatives, state representatives, congressmembers, and civil society. They have also held educational and knowledge sharing sessions, both in and outside of the country, and conducted outreach with investor coalitions, foreign representatives, and other relevant stakeholders.

Indonesia

Investors see the potential for growth in Indonesia, as well as the progress in protecting its tropical forests in recent years. To facilitate this growth, investors would like to better understand the government's efforts and progress on tackling deforestation.

The Indonesia working group was formed in November 2020 and has the same objective as Brazil. The members have engaged with federal representatives, foreign governments, and other key stakeholders such as NGOs and academic institutions. IPDD Indonesia has also held and participated in educational and knowledge-sharing sessions, and conducted outreach in and outside of Indonesia.

Additionally, given tropical forests' vital role in Indonesia's nationally determined contribution, IDPP seeks to support the government in ensuring its climate targets are met.

The results

As the IPDD was only formalised in July 2020, it is too early to expect clear policy changes based on the dialogues with the Brazilian and Indonesian governments. However, the IPDD is already having a positive influence:

Making governments listen: Governments have received the signal from investors that how they manage critically important natural resources, such as forests, influences their ability to secure external funding. Brazil's central bank also launched a sustainability agenda that will further embed green and climate issues into its policies and decisions on currency reserves management, bank stress tests and lending criteria. The Brazilian government also announced the fire ban in the Amazon for 120 days from late June 2021, the second consecutive year such action was taken.

Creating a space for other stakeholders: The IPDD's intervention has added weight to the efforts of others, and collaboration has allowed us to identify shared objectives, barriers and potential solutions.

Acting as a 'prototype' or model for sovereign engagement: Policy engagement is a necessary and complementary extension of corporate engagement. Investors have for some time engaged with companies that have either direct or indirect exposure to commodity-driven deforestation. Governments have a key role to play to promote and support sustainable business practices.

Showing government engagement adds value: Exchanging information over the past year with relevant government authorities has increased policy makers' understanding of sustainable investments and how we rate companies and sovereigns. At the same time, it has increased investor understanding of challenges and concerns that governments face.

UN PRI Case study

This case study was selected for publication in 2022 by the UN PRI, as part of the resources for its Active Ownership 2.0 framework.

Both workstreams seek to continue their activities and engagements in 2022, building on each country's pledges and contributions to reducing deforestation.

Eliminating commodity-driven deforestation

Tackling deforestation to defuse crises

With the Intergovernmental Panel on Climate Change (IPCC) declaring with near-certainty that the Paris Agreement's goal of limiting global warming to below 1.5oC will soon be surpassed, the pressure is on investors and businesses to take dramatic action within this decade. The science makes it also clear that we will not reach net-zero emissions by 2050 unless we halt biodiversity loss and end deforestation.

Deforestation accounts for approximately 15% of global emissions and is a major contributor to the biodiversity crisis. Agricultural activity is the primary cause; with soy, palm, timber and cattle production driving 80% of deforestation globally.

Tackling deforestation is an obvious place to begin wider efforts to work towards net zero and reverse biodiversity loss. This was recognized at COP26 in Glasgow when leaders from over 100 countries pledged to end and reverse deforestation by 2030 and major agricultural commodities companies committed to halting forest loss.

Undoubtedly, investors have a critical role to play too – not only in their duty of care to protect these vital ecosystems, but also to protect their returns by ensuring that their investments do not collapse.

At Glasgow, Storebrand and 32 other financial institutions committed to eliminate agricultural commodity-driven deforestation from portfolios by 2025. So where do investors aiming for deforestation-free portfolios begin?

> Deforestation accounts for approximately 15% of global emissions and is a major contributor to the biodiversity crisis.

Data has been a hurdle, but good solutions exist

All investors will have a slightly different approach towards eliminating agricultural commodity-driven deforestation - an asset owner with a large land portfolio needs a different strategy to a small-cap equity house. But, as set out in the deforestation-free finance roadmap, there are some elements that all paths to zero must include.

First, every financial institution needs to map their risk exposure. The finance sector relies on a wide range of portals, platforms, tools, and associated services to guide investment decisions. For assessing nature-related risks such as deforestation, lack of data has been cited as a barrier. Granted, we don't have every single number we could wish for, but numerous datasets and monitoring and assessment tools are available. The report "Deforestation tools assessment and gap analysis: How investors can manage deforestation risk" assesses the quality and suitability of the ten leading tools and datasets in terms of scope, methodology used, availability and comparability of the data. It also examines how suitable they are, for deforestation risk management by institutional investors with global equity portfolios.

How we ramped up our zero-deforestation policy

Based on findings and recommendations from this report, Storebrand
Asset Management has developed an approach using
two tools:

- Trase, developed by the Stockholm Environment Institute, Global Canopy and Neural Alpha
- The Forest 500, developed by Global Canopy, which identifies and ranks the most influential companies and financial institutions in forest-risk commodity supply chains.

The results indicate shortcomings in these companies' commitments, highlighting where greater action and transparency is required. Trase brings together disparate, publicly available data to estimate deforestation impacts associated with soft commodity producers and traders in high deforestation-risk commodity supply chains. It also allows mapping of corporate ownership structures and financial flows to the separate legal entities within them. We recognize that this screening does not give us a complete picture of our exposure to deforestation risk, but it allows us to identify sectors and companies to focus our attention on. We expect the identified companies to demonstrate a commitment to eliminating deforestation by taking the following steps, among others: stronger awareness and governance, a publicly disclosed commodity-specific policy with quantifiable, time bound commitment, traceability covering the entire supply chain and monitoring and verification processes to ensure that suppliers are complying with company's deforestation policy.

> The data isn't perfect, and time is running out, and we have plenty of information to get started.

The task ahead of us is to stay invested broadly in the sectors that are linked to deforestation, using our influence as engaged shareholders to encourage and support a stable and fair transition towards sustainable production and supply chains. Sometimes dialogues don't progress, and escalation is needed. Here, voting can be used to good effect. The AGM season will be critical in terms of signalling whether we consider companies are moving far or fast enough. Last year, 98% of Bunge shareholders backed our proposal to reduce deforestation. The company is considered one of the “Big 4” traders of agricultural raw materials in the world, including soybeans from Brazil, where the crop is associated with high rates of deforestation.

From a "can do" to a "must do"

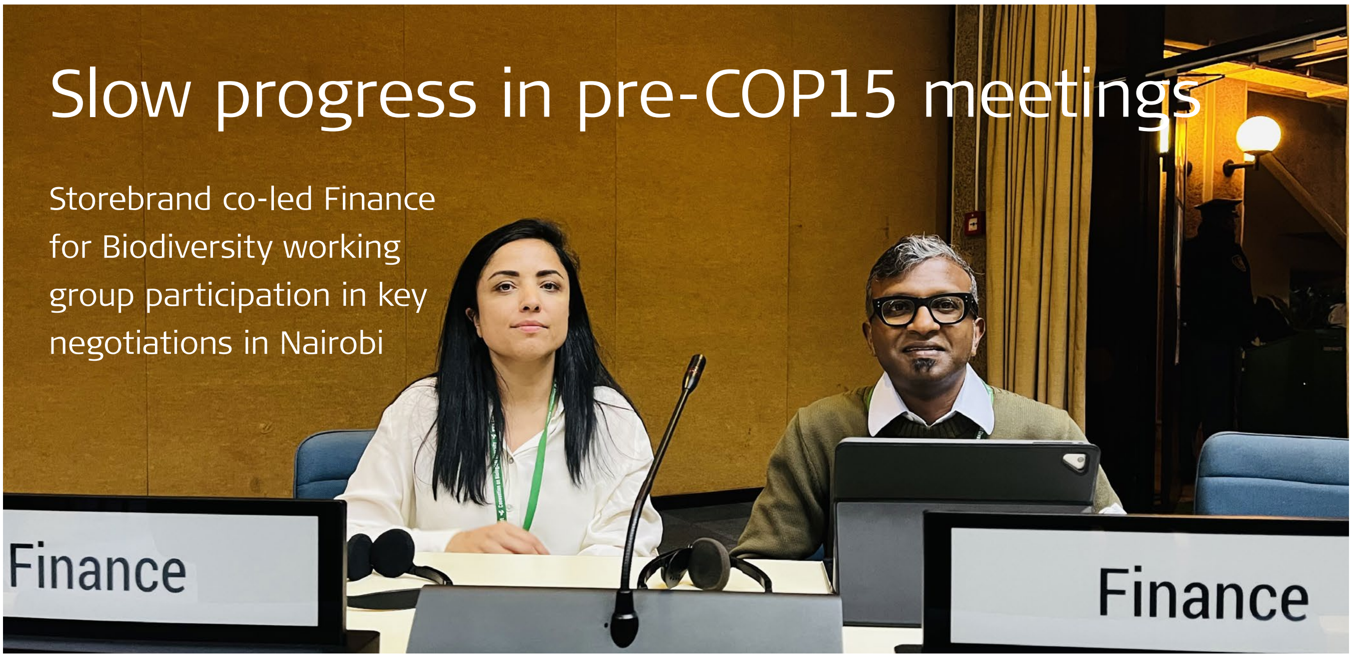
Even the investors that did not commit to eliminate agricultural commodity-driven deforestation from portfolios by 2025 at Glasgow should be addressing deforestation. The conditions for investing in forest-risk commodities and supply chains are increasingly uncertain. With the SFDR principal adverse impacts regime requiring extensive ESG disclosures, and due diligence regulations in UK and EU just around the corner, acting on deforestation is fast transforming from a "can do" to a "must do". As regulatory scrutiny intensifies, we expect to see deforestation-related bans affecting corporate revenues and reputations.

Addressing deforestation doesn’t require expensive, yet-to-be-proven technology – and should be a top priority for all financial institutions, a way of showing real and tangible progress towards interim 2030 net-zero goals, when emissions must fall by 45% (from 2010 levels) and biodiversity loss must be halted and reversed, if we are to have any chance of meeting the Paris agreement and the post-2020 global biodiversity framework.

The data isn't perfect, and time is running out, and we have plenty of information to get started. We need to start now with where we can make the most impact, where the breaches are most severe, and where we have the best data and tools.

Slow progress in pre-COP15 meetings

Storebrand co-led Finance for Biodiversity working group participation in key negotiations in Nairobi



Emine Isciel of Storebrand and Suresh Weesaringhe of Aviva co-led the working group's attendance at pre-COP negotiations in Nairobi. Photo: Finance for Biodiversity Foundation

Aiming to avert a systemic collapse in nature's capacity to sustain life and commerce, Storebrand, represented by Head of Climate Emine Isciel, has been co-leading the Finance for Biodiversity Foundation's Public Advocacy working group. During June, the investor working group published a key position paper which guided its role in leading pre-negotiation sessions in Nairobi, ahead of December's UN Biodiversity Conference (COP15) in Montreal.

Nairobi negotiation session

The pre-COP15 meetings were the fourth negotiation session of the Post-2020 Global Biodiversity Framework. At the event, representatives from 196 countries discussed, in the fourth Open-Ended Working Group (OEWG4), goals and targets for the Post-2020 Global Biodiversity Framework (GBF).

The Finance for Biodiversity Foundation delegation attended the opening plenary meeting and followed the negotiations on the Global Biodiversity Framework (GBF). The delegation focused on Goal D (aligning financial flows), Target 14 (creating an enabling environment), and Target 15 (stimulating business action on biodiversity).

Key outcomes

Progress was made in terms of goals and targets related to the finance sector and business. A consensus was achieved by governments on:

- the need to adopt language in the GBF on 'aligning both private and public financial flows'
- including text on business and financial institutions to assess, monitor and disclose
- reducing negative impacts and increasing positive impacts on biodiversity

Following the event, the delegation co-leader, Storebrand's Head of Climate & Environment Emine Isciel, noted: "Discussions around the role of finance and business has advanced slowly in Nairobi. Governments recognized the need to align private financial flows with the biodiversity goals and targets and the importance of mainstreaming biodiversity in all sectors. If all the elements fall into place, the Convention on Biological Diversity (CBD) could be recommending that countries require companies to assess and disclose their impact on nature to reduce negative impacts and increase positive impact. This would potentially be the most significant developments from Nairobi."

Next steps

The OEWG4 meeting was the final lead-in to the COP15 negotiations, scheduled to be held in Montreal, Canada, from December 5th – 17th this year.

In the runup to COP15, Storebrand will continue its co-leadership of the working group, with efforts focused on maintaining a dialogue with key negotiators, to review the results of the Nairobi meetings, asses the starting points for the negotiations at COP15, and define ways to strengthen the language in the draft Global Biodiversity Framework (GBF).

Learn more about the outcomes of the OEWG4 CBD meetings in [the summary by the Finance for Biodiversity Foundation](#).

Storebrand participates in aquaculture case study

Aiming to track aquaculture's nature-related dependencies and risks

The new case study examines how the aquaculture sector can improve nature-related reporting

A partnership that includes Storebrand, Grieg Seafood, WWF and the Norwegian Institute for Nature Research, have launched a case study to reliably track and manage nature-related dependencies and risks in the aquaculture sector.

As corporations and financial institutions await the output of the Taskforce on Nature-related Financial Disclosures' framework for nature-related risks, this new study demonstrates that it is already possible for aquaculture companies to report on factors that might constitute nature-related risks for both the companies and their financiers.

Most businesses depend on nature for value creation and to function properly, while also themselves impacting nature through their operations. Increasingly, businesses and financial institutions are recognizing that the loss of nature and biodiversity is a source of so-called nature-related risks, that is when changes in the environment, as well as relevant changes in regulations, policies, markets and society at large can impact companies. It is therefore crucial that companies increase their understanding of nature-related dependencies and risks; and start to reduce their negative impacts on nature and ecosystems.

Based on a real-world exercise, WWF, Storebrand Asset Management, Norwegian Institute for Nature Research and Grieg Seafood explored how currently available information on salmon aquaculture can be utilized to inform investors in the seafood sector on key nature-related risks, such as impact on biodiversity or water quality. The project has also identified areas of improvement, such as lack of comparable quantitative metrics, definitions and a framework for an objective reporting on dependencies. Still, the study shows that it is possible to get an indication of a salmon farming company's exposure to nature risk, as well as mitigating efforts conducted.

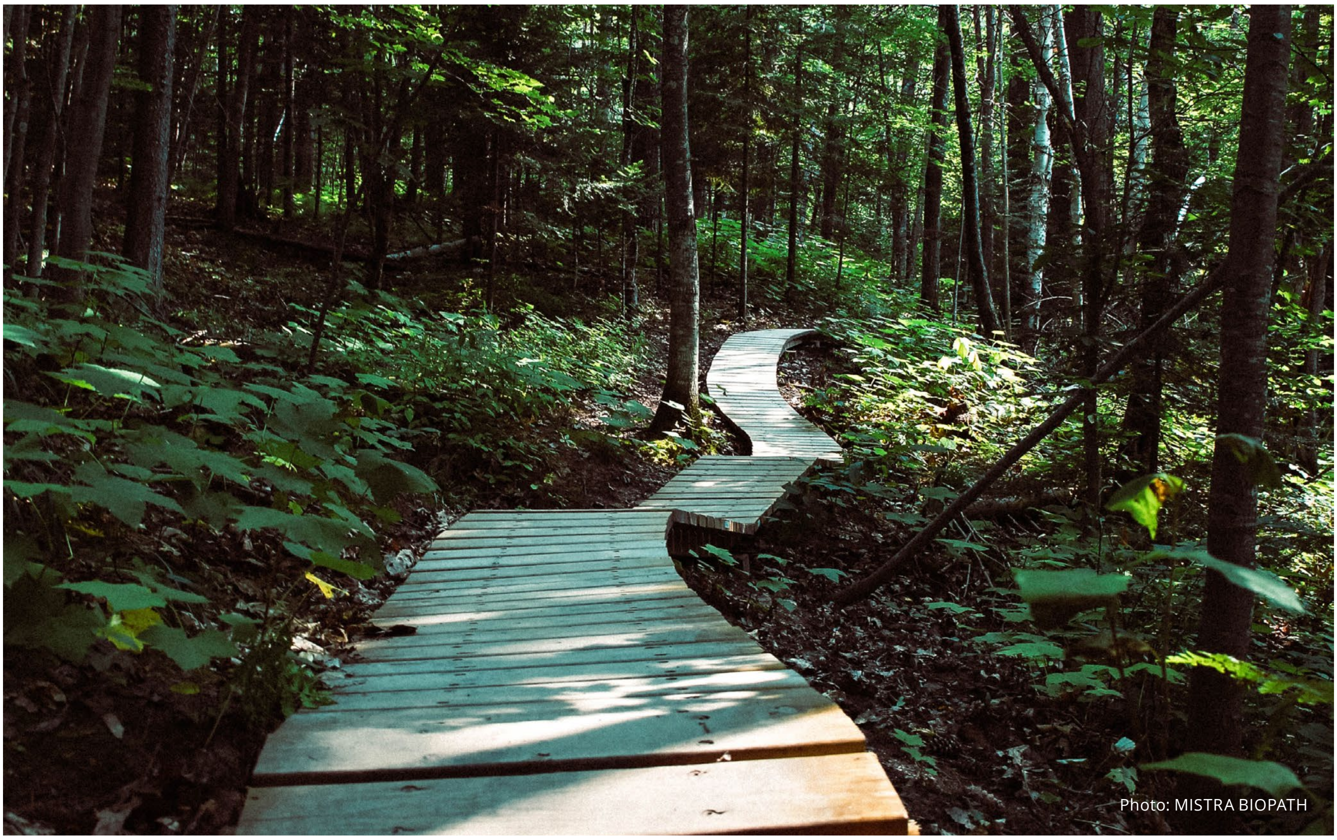
"The global economy depends on the services provided by nature. Companies and financial institutions need to properly understand nature risks to make good business decisions. This pilot project shows how companies can provide meaningful data on their impacts and dependencies on nature," says Storebrand Asset Management CEO Jan Erik Saugestad, "As an investor, this kind of reporting helps us assess risks and opportunities and channel our investments into the most sustainable companies."

The methodological approach that was explored in the study has the potential to encompass all aquaculture species globally, including the most common species such as salmon, shrimp and tilapia.

Learn more and download the full case study on our website.

Storebrand contributes founding support for Lund University BIOPATH program

New research program to align financial system with biodiversity needs



Storebrand Asset Management has joined forces with cross-section of founding partners to help launch BIOPATH, a research program aimed at improving understanding of how biodiversity impacts financial risks and results.

The research project, to be carried out in collaboration with Lund University over a four-year period, has secured total funding of SEK 50 million from [Mistra](), the Swedish Foundation for Strategic Environmental Research.

"Our hope is that we, together with the research team, will be able to significantly increase knowledge about the importance of stopping and reversing the loss of biodiversity. The financial industry has a central role here: it is crucial that biodiversity becomes a larger part of the financial climate equation," says Håkon Kavli, Portfolio Manager, Storebrand Asset Management.

The BIOPATH consortium is made up of a team of research specialists in sustainable finance and biodiversity, collaborating with partners from industry, finance and the public sector. Together the consortium will work to develop, innovate and test the best solutions to stop and reverse the loss of biodiversity. In this process, the project will apply relevant digital innovation and AI expertise.

The focus of the BIOPATH program complements Storebrand's involvement in other efforts to develop trustworthy tools for financial management of biodiversity, such as the Task Force on Financial Disclosures, and a recent study focused on biodiversity in the seafood sector.

The project begins with a formal launch working session this October in Lund.

Learn more on the BIOPATH research initiative at the Lund University website.

Solid progress in PRI Advance initiative

High-priority issues, sectors and companies identified

Advance is a new human rights and social issues collaboration from the UN Principles for Responsible Investment

At the end of 2021, the UN-convened Principles for Responsible Investment (PRI) organization launched a new human rights and social issues stewardship initiative that is gradually building momentum in its early stages.

The initiative, now named "Advance", aims to address an acute need for investors to focus on the social impact of their investments, offering collaborative possibilities to engage at company-, sector- and policy levels. Its launch follows on a PRI position paper detailing "Why and how investors should act on human rights".

Since launch, having been formally named and developed its own dedicated website, the participants in Advance have dedicated their efforts to aligning on processes, methods and focus areas.

Storebrand Asset Management, which is serving on the signatory advisory committee of the initiative, has been contributing towards the development of Advance's methodology to select sectors and companies for engagement.

The methodology provides a framework for selecting the companies and sectors that investors will engage with in support of the overall objectives of Advance. This includes identifying the sectors and companies where human rights risks and impacts are most severe; and determining where investors within Advance can influence those sectors and companies to advance respect for human rights through stewardship.

To select sectors for Phase 1 of Advance, 15 sectors that have already been covered by benchmarks were examined. The sector selection process is made up of two broad levels of analysis:

(i) sectoral risk and impact assessment
(ii) feasibility and leverage assessment

The first assessment identifies high-risk sectors, incorporating issues across supply chains, while the second assessment evaluates the practicality of engaging with these sectors, to further narrow down to two sectors of prioritization. Combining the findings of the research, the initiative decided to focus on two sectors:

(i) Metals and mining
(ii) Renewables

Both sectors were selected for several reasons, including being flagged for having a high-risk profile on the human rights risk and impact assessment. For metals and mining, other issues highlighted are the limited collaborative investor action that covers human rights issues more broadly, as well as the potential for this initiative to complement existing investor initiatives focused on this sector that include specific human rights issues. For renewables, an important issue highlighted was the potential increased human rights risks posed by the sector's rapid growth amidst the immediate pressure of the global transition to clean energy.

Voting

An eventful voting season

As always, second quarter is a symbolically important period. It is spring, a period of renewal in nature, as well as in corporate governance with high season for annual general meetings and proxy voting. Using our voting rights is an important tool for Storebrand, and it is a part of our active ownership work. These meetings are part of the strategic management of the companies we invest in.

Storebrand Asset Management recently renewed its cooperation with International Shareholder Services (ISS) as our provider of proxy voting services and research. Previously, we have aimed to vote at approximately 1000 company meetings annually. This year, and going forward, we will double that amount. This is a sign of the importance that voting has for us, a responsible investor.

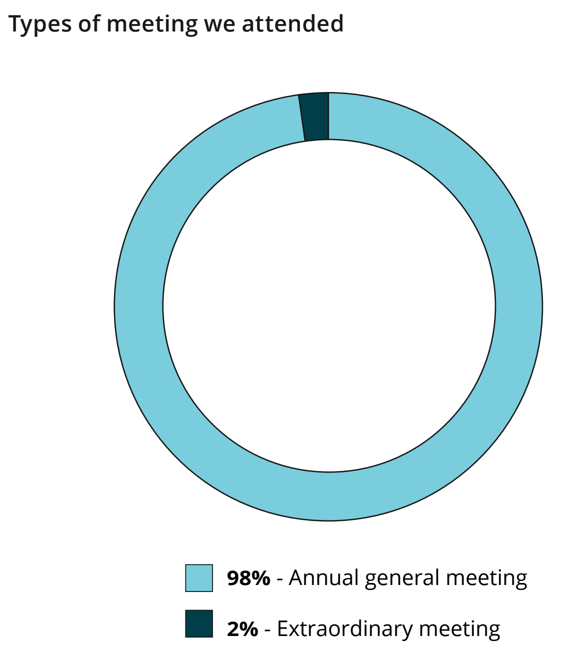
Voting key figures:

GENERAL

The 2022 proxy voting season has continued the trend of increased focus on ESG by shareholders and corporate management. Encouragingly, investors are pushing companies to focus on sustainability from the board level. During the second quarter of 2022, we voted at 565 company meetings, expressing views on more than 10,000 unique proposals. Among these, we have seen many sustainability-related resolutions, and the linking of sustainability metrics to both remuneration packages and the election of board directors.

2696 votable meetings

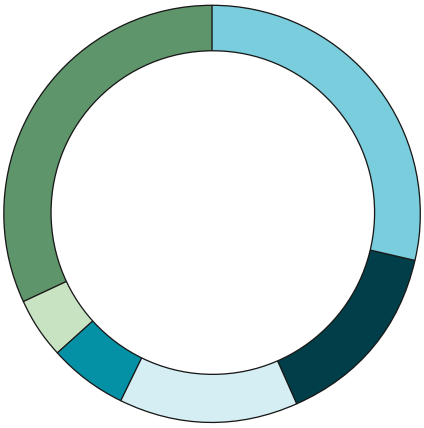
492 shareholder proposals voted on



WHERE WE VOTED

Voting activity is highest in the second quarter of the year, as this is the period during which most companies in major markets choose to hold their annual meeting. Nearly a third of the meetings we voted in during Q2 were in the USA, the region that is home to the largest percentage of companies we have investments in. Altogether, Norwegian and Swedish companies accounted for another third of the meetings we voted in. With these being our largest local Nordic markets, we aim to show a strong presence and vote at most major AGMs there.

Markets voted in

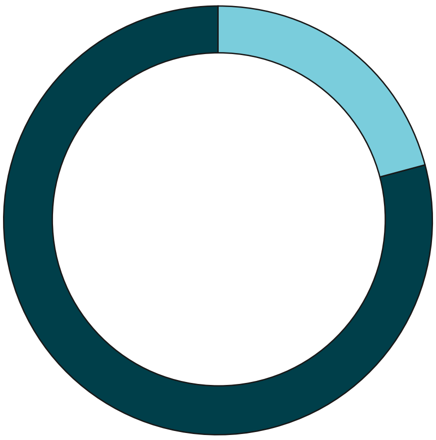


29% - USA
15% - Norway
14% - Sweden
6% - Japan
5% - Canada
32% - Other

HOW OFTEN WE VOTED

We continue to focus on our largest holdings, home markets and meetings with ESG-related resolutions. During Q2 we voted at 566 meetings, corresponding to 21% of eligible meetings.

Voting attendance rate



21% - Number of meetings voted
79% - Number of meetings not voted

WHAT WE VOTED ABOUT

This season, many issues related to diversity and inequality, climate and biodiversity have been high on the agenda. Of special interest this year was the high number of companies presenting their net-zero or other climate related plans for 2030 or 2050. Although we did not support all of these, we see it is as a positive development and will continue to work with companies we have invested in, to reduce their emissions and set ambitious plans to reduce their environmental footprint.

HOW WE VOTED

We aim to vote in ways that are consistent with and support our stated policies and commitments. Nonetheless, we acknowledge that that voting can sometimes require taking positions on proposals that may involve challenging dilemmas in complex contexts.

During the second quarter, we voted at 566 meetings, of which, in 354 meetings we voted against at least one suggested proposal. For 89% of the items that we voted on, we sided with the management. We supported many shareholder resolutions, most of which the company's management had recommended against.

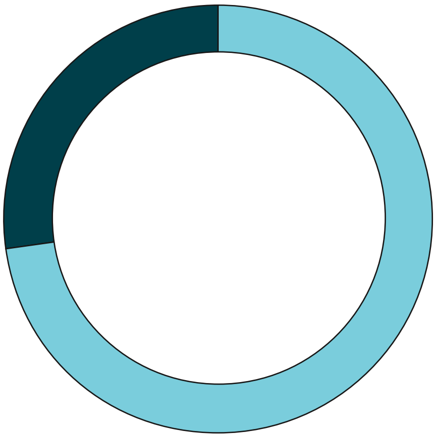
We also voted against election and re-election at companies with poor governance or where the directors had not followed up on corporate commitments to ESG-related reporting and targets. Furthermore, we expect more diversity in boardrooms, so we will not support the election of a new board member or the nomination committee, in cases where the company has no women on the board or a lower percentage of women than is mandated in its country.

In some instances, we also voted against ISS's recommendation, for example on the proposal at AT&T's AGM to audit and report on how the company impacts, and is impacted by, civil rights and non-discrimination. We supported this proposal although ISS assessed this reporting as not necessary. In another case, regarding Norwegian companies, we supported the election of board members that ISS had recommended to vote against, as we believed ISS's research and designation of the board members as "non-independent" was inaccurate.

38267 votable items **10167** items voted on

492 shareholder proposals voted on

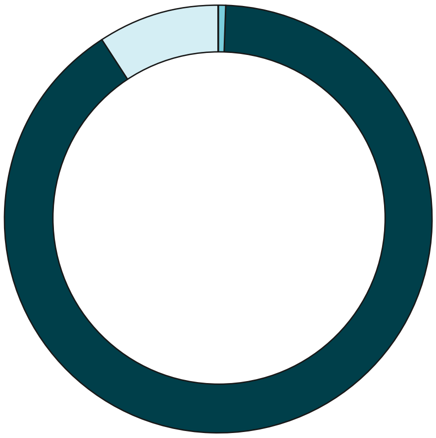
Voting presence



73% - Items not voted

27% - Items voted

Voting positions



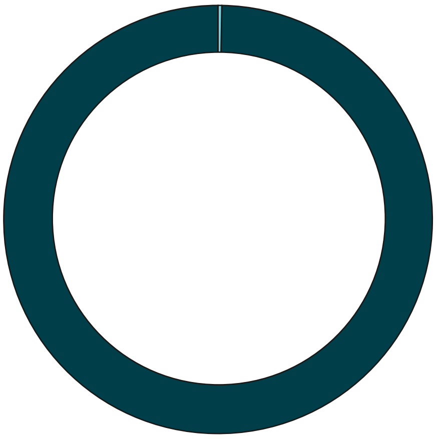
21 - Votes ABSTAINED

54 - Votes WITHHELD

9157 - Votes FOR

931 - Votes AGAINST

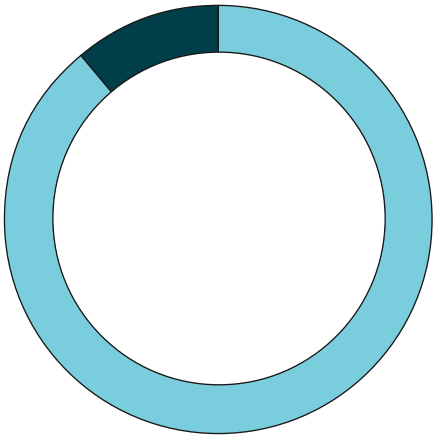
Alignment vs. ISS recommendations



44 - Votes AGAINST policy

10123 - Votes WITH policy

Alignment vs. management recommendations



89% - Votes WITH Mgmt

11% - Votes AGAINST Mgmt

Shareholders more active with proposals

Rising investor urgency on ESG issue, including climate

Over the past few years, we have seen a steady rise in the number of shareholder proposals to be voted on. Furthermore, we are now also seeing an increased number of proposals related to climate plans and other ESG related themes from the management of the companies. For our part, we filed resolutions at several annual general meetings. Overall, during this quarter, we voted on nearly 500 shareholder resolution, while the number of climate transition plans and other climate proposals have increased by over 40 %.

Unfortunately, despite increasing support for shareholder proposals seeking ambitious changes and more transparency, most of these proposals fail to gain enough votes to pass. We expect that the companies follow up with any investors who file proposals, even if the proposal isn't approved at the AGM. Through increased dialogue, we can together agree on the best way forward for the companies. Among our expectations are that the companies set reduction targets for, and disclose, both indirect and direct greenhouse gas emissions that they are responsible for.

Meta

Storebrand has been vocal in raising concerns about the risks posed to user's rights and to Meta's reputation, by its handling of human rights issues and the potential for these to be magnified by its "metaverse" project A shareholder resoluton on this topic, which Storebrand was involved in putting forward in collaboration with Arjuna Capital, suceeded in being presented for voting at Meta's annual general meeting, despite being contested by the company's management.

The lack of progress with shareholder resolutions was significantly influenced by the dual.class share structure of the company, which effectively allows the founding members of the company a disproportionate influence relative to other shareholders.

Amazon

Storebrand has been engaging with Amazon on several issues, via collaborative investor alliances, and voted on several relevant issues at the company annual general meeting this year.

Through a Nordic investor collaboration we unsuccessfully attempted to file a shareholder resolution on union rights for this year's meeting.

In fact, Amazon did not approve any of the 15 shareholder resolutions filed this year, covering issues such as labour conditions, lobbying and contract clauses. The large number of resolutions reflects a broad wave of investor frustration with the company.

While unsuccesful this time, the proposal we backed reagrding union rights was a first for the company, and does highlight the issue for other investors.

We will continue to work on engaging the company on the issues, though an upcoming new phase of efforts with the Investor Alliance.

3

Update
Exclusions

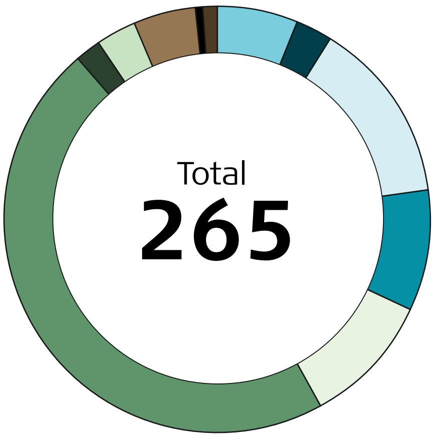
How we act on our investment holdings when engagement is not a viable path towards achieving our sustainability standards.

Exclusion key figures

During Q2 we newly excluded a total of 25 companies under various criteria

During the second quarter of 2022, we newly excluded four companies under our Storebrand Standard and 19 other companies under our additional criteria, mainly due to involvement in fossil fuels, weapons and human rights violations.

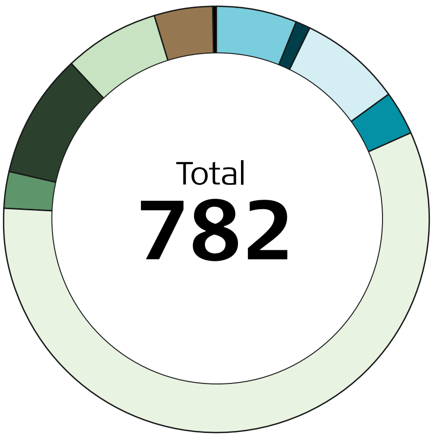
Companies excluded under the Storebrand Standard, as of June 30th 2022



Category	Newly excluded	All excluded
Conduct - environment	0	18
Conduct - corruption	0	8
Conduct - human rights and international law	0	40
Tobacco	1	26
Controversial weapons	2	29
Climate - coal	0	134
Climate - lobbying	0	5
Climate - oil sands	0	9
Deforestation	2	14
Cannabis	0	1
State-controlled companies	0	3

* Note: Some companies are excluded under several categories

Companies excluded under all standards, as of June 30th 2022



Category	Newly excluded	All excluded
Serious environmental damage (inclusive palm oil)	4	55
Corruption and financial crime	1	11
Human rights and international law	8	69
Controversial weapons	2	29
Fossil fuels	11	514
Tobacco	1	26
Alcohol	2	83
Weapons/arms	3	65
Gambling	0	40
Cannabis	0	1
Adult entertainment	0	0

* Note: Some companies are excluded under several categories

For more detail, read the full list of excluded companies as of the end of Q2 2022.

Storebrand Asset Management places Eolus Vind under observation for human rights risk

Potential human rights violations due to negative impact of wind energy park on indigenous Sámi reindeer herders.

Storebrand has placed the Swedish company Eolus Vind on its Observation List and has recommended measures to be taken by the company to address risks pertaining to potential human rights violations.

Key issue

A critical ESG dilemma must be navigated. Despite the urgent need to increase production of renewable energy to decarbonize the economy, Norway's Supreme Court clearly states in the Fosen case that this pursuit of a common good does not allow a trade-off with fundamental human rights.

The move by Storebrand follows a landmark decision by the Norwegian Supreme Court on the human rights of indigenous peoples in a separate and unrelated project in the same sector. The decision sets a precedent for interpretation of impacts on indigenous peoples' rights, in an area which has seen conflicts arising between the social and environmental dimensions of renewable energy production. Although every case must be judged on its own merits, the judgement raises principled issues that we as an investor find relevant to consider when evaluating risks and taking investment decisions.

Enabling a just transition to a carbon neutral economy will require investments in renewable energy, but such investments must also respect the rights of indigenous peoples and other vulnerable groups, says Jan Erik Saugestad, CEO of Storebrand Asset Management.

On-shore wind project

Eolus Vind is the main project partner of Øyfjellet Wind AS in the operation of Øyfjellet Wind Park. Øyfjellet Wind Park consists of 72 wind turbines and an extensive network of access roads in a concession area of 40 km2 in a mountain area in Vefsn, Nordland. The project has 400 MW installed capacity and projected annual energy production is 1320 GWh.

The Sámi reindeer herders of Jillen-Njaarke district have expressed that the project creates significant negative impacts on their ability to continue their traditional livelihood of reindeer husbandry because the windmills impede the reindeer from using their natural migration route to and from seasonal grazing areas. This claim is contested by Eolus and Øyfjellet Wind.

Øyfjellet Wind Park has received all necessary permits from Norwegian authorities, which have found the project not to violate ICCPR article 27. However, the concession license was awarded by the Ministry of Petroleum and Energy before the ruling by the Supreme Court in the Storheia and Roan case, which disagreed with the Ministry's interpretation of the threshold for violation of Article 27. Although these cases are different, Storebrand is of the view that the Supreme court case does raise relevant considerations that ought to be considered when evaluating potential risks related to its investments.

The license for Øyfjellet Wind Park includes an obligation on the company to facilitate an agreement with the reindeer herders on mitigating actions. No such agreement is in place yet and court proceedings are set to commence in May 2023. Storebrand believes that without the implementation of appropriate mitigation measures there is a risk that the project may constitute a violation of the human right of indigenous people to enjoy their own culture, as protected by Article 27 of the International Covenant on Civil and Political Rights (ICCPR). The high vulnerability of the Southern Sámi culture, and the importance of reindeer herding for the survival of this culture and the Southern Sámi language, is a central consideration. Without the implementation of appropriate mitigation measures, the park may increase the cumulative impacts from other interventions in the reindeer herding district, including roads, railway, agriculture, hydropower etc., causing a risk that the threshold for a violation of ICCPR Article 27 may be passed.

Observation process and expectations

Storebrand Asset Management is committed to using our position to influence companies to operate with high standards of sustainability.

Storebrand has been in dialogue about the case with Eolus Vind since February 2021 and will continue engagement with the company, having communicated clear expectations to the company regarding measures and results considered to be critical for resolving the problem. We expect the company to continue its efforts to come to an agreement with the Sámi reindeer herders of Jillen-Njaarke about mitigating actions to allow traditional reindeer migration through the project area. To prevent future conflicts in other projects, the company should also adopt a policy on indigenous peoples' rights, in accordance with international best practice.

According to Storebrand's procedures, we expect companies under observation to show improvement within a pre-determined time, in order to be removed from this status. If the improvements are not achieved, the company can be excluded from our investable universe.

Storebrand asks Eolus Vind AB to:

1) Carry out a new and proper consultation process, with Jillen-Njaarke reindeer herding district, to seek their Free, Prior and Informed Consent (FPIC) about the wind park's continued operation, including mitigating measures that should be taken to allow unhindered access to winter grazing area number 5. The consultation should involve the affected indigenous people from the beginning, according to international best practice standards. The needs and input from members of Jillen-Njaarke reindeer herding district must be given weight and the company mush show willingness to make the changes needed to allow co-existence of the wind park with continued reindeer husbandry in the area.
2) Adopt a policy on respect for indigenous peoples' rights, to be applied in all the company's projects henceforth.

Relevant legal frameworks

ICCPR article 27
Article 27 of the International Covenant on Civil and Political Rights (ICCPR) is the most widely accepted legally binding provision on minorities and provides the basis and inspiration for the UN Declaration on Minorities. It states:

"In those States in which ethnic, religious or linguistic minorities exist, persons belonging to such minorities shall not be denied the right in community with the other members of their group, to enjoy their own culture, to profess and practise their own religion, or to use their own language."

ILO Convention 169
The Indigenous and Tribal Peoples Convention, established in 1989, is an International Labour Organization Convention, also known as ILO Convention 169, or C169. It is the major binding international convention concerning indigenous peoples and tribal peoples, and a forerunner of the Declaration on the Rights of Indigenous Peoples. In particular, its Article 7 states:

"The peoples concerned shall have the right to decide their own priorities for the process of development as it affects their lives, beliefs, institutions and spiritual well-being and the lands they occupy or otherwise use, and to exercise control, to the extent possible, over their own economic, social and cultural development. In addition, they shall participate in the formulation, implementation and evaluation of plans and programmes for national and regional development which may affect them directly."

Novartis re-included

Comprehensive improvements implemented in aftermath of 2018 exclusion

Managing business ethics risks is critical in the pharmaceutical sector

The global pharmaceutical company Novartis AG has been re-included in Storebrand's investment universe this quarter, based on comprehensive improvements that mean the company now meets the expectations we set when we excluded it in 2018.

Novartis provides innovative medicines globally, with a focus on areas such as oncology, ophthalmology, neuroscience, immunology, respiratory, cardio-metabolic, and established medicines. The Swiss-based company was excluded by Storebrand in 2018 due to its implication in corruption cases across several countries, facing a string of new investigations up until 2021.

Expectations set previously

When Novartis was excluded in 2018, Storebrand set the following expectations as prerequisites for considering the re-inclusion of the company into our investment universe.

- An independent investigation to reveal the scope of the problem and the discrepancy between policies and actual organizational culture and practice.
- Detailed guidelines for acceptable behaviour and in-person training of high-risk employees
- An alignment of sales personnel remuneration with quality instead of quantity, which is considered best practice in the industry.
- A drastic reduction in the number of new corruption cases demonstrating that new practices are capable of reducing corruption risk.

Return to expected standards

Our re-inclusion of Novartis is based on evidence of its progress in addressing the underlying issues that initially raised concerns. The improvements have included enhancements to Novartis' risk management and compliance programs and policies, as well as changes to its internal culture. Novartis has reached settlements with governments and regulators, although it continues to contest civil cases filed by private parties and others.

All of the expectations set in 2018 by Storebrand for Novartis as prerequisites for future exclusion, are now fulfilled, with the caveat that the United States Department of Justice has opened a new corruption investigation regarding the company, although this is related to an issue spanning back in time. Overall, we consider Novartis to have made significant changes to its approach to corporate compliance. Among the significant steps was appointment of an independent Chief Executive Compliance Officer to oversees management risk functions, while being a member of the company's executive board and reporting directly to the CEO. Novartis has also worked to change its culture throughout the workforce, with the priority in decision-making for all employees being based upon the answer to the question: “is this in the best interest of the patient”. Novartis has also made changes in its remuneration structure based upon adhering to ethical standards. Its framework is now built on customised training for its entire workforce, with those in high-risk areas of operation receiving more in-depth training.

Continued monitoring

With improved programs and systems across the corporate governance spectrum, and new measures continuously introduced over the last couple of years, we believe that the risk of recurrence at Novartis is significantly reduced. Storebrand will continue to monitor the company closely because of its history of corruption cases, high exposure to business ethics risk and new investigations.

Amazon.com to be excluded under enhanced criteria

Decision does not apply under Storebrand Standard

Following an evaluation by our risk and ownership team, the global retailer and technology company Amazon, will be excluded from investment under our enhanced exclusion criteria, after being flagged by our external data providers under the norms-based criterion.

However, the exclusion decision currently does not apply under the Storebrand Standard. The enhanced exclusion criteria means that we, for selected investment products, directly exclude a company flagged by the external data provider, whereas under the Storebrand Standard we make our own assessment before making a decision to exclude. Our decision is based on the company's shortcomings in living up to our criteria regarding corruption and the misuse of market dominance. The Italian Competition Authority has fined several of Amazon's subsidiaries a combined €1.1 billion for abuse of dominant market position through promotion of its own logistics service and preferential treatment of sellers who use the service to ship their goods on the Amazon's platform. As of March 2022, Amazon has not communicated any measures to address the issue, which remains a cause of concern.

Through involvement in several investor alliances, Storebrand has been engaging with Amazon on these and other issues and has attempted to file shareholder resolutions. Our engagement on the issues continues, including voting on relevant issues at the Amazon shareholders annual general meeting during the second quarter.

Sustainable investments team

Meet our dedicated team of sustainability professionals

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

Risk and ownership

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 joined Storebrand Asset Management's sustainable investments team in 2021. Previously worked as Head of Sustainability at the Norwegian Export credit Agency (GIEK), and as advisor at the Council of the Ethics for the Norwegian Government Pension Fund – Global. He has a specialization in human rights/ labour rights, conducting due diligence of companies, and evaluating environmental and social risks and impacts of projects in a wide range of sectors. He has a L.LM in International Law and M.Phil in Human Rights Law from the University of Oslo.

Tulia Machado-Helland

Head of Human Rights and Senior Sustainability Analyst

Machado-Helland joined Storebrand Asset Management's sustainable investments team in 2008. Her specialty areas are human rights, labour rights, indigenous peoples' rights and international humanitarian law. She is responsible for Storebrand's overall active ownership strategy and company engagement. In addition, she engages with companies mainly on social issues but also on environmental issues when these overlapped social issues. Previously, she has worked at 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 and a Texas State Attorney license. She also holds a Master in International Relations and Development.

Andreas Bjørbak Alnæs

Senior Sustainability Analyst

Alnæs joined Storebrand Asset Management's sustainable investments team in 2018. His expertise is governance issues with a focus on anti-corruption and money laundering. Alnæs is responsible for Storebrand's proxy voting process and involved in company dialogues. He joined Storebrand after working with aid management and anti-corruption in Norad, the Ministry of Foreign Affairs and UNDP. He holds a MSc in Economics and Business Administration from NHH and the International University of Japan.

Emine Isciel

Head of Climate and Environment

Isciel joined Storebrand Asset Management's sustainable investments team in 2018. She is leading Storebrand Asset Management's work on climate and environment and our company engagement. Prior to joining Storebrand, Isciel worked for the Norwegian Ministry of Climate and Environment with multilateral environmental agreements advising the government on sustainability policies and strategies and leading the work on implementing the SDGs. She has also worked for the UN and provided technical advice and content to the SDGs. She holds an MA in Political Science from the University of Oslo in addition to studies from University of Cape Town, New York University and Harvard Extension School.

Vemund Olsen

Senior Sustainability Analyst

Olsen joined Storebrand Asset Management's sustainable investments team in 2021. He previously worked as 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. Before that he worked with the United Nations High Commissioner for Refugees in Venezuela and with human rights organizations in Colombia. He has an M.Phil in Human Rights Law from the University of Oslo.

Victoria Lidén

Senior Sustainability Analyst

Lidén joined Storebrand Asset Management's sustainable investments team in 2021. She is based in Stockholm and working with ESG analysis and active ownership with a particular focus on the Swedish/Nordic market. Prior to joining Storebrand Victoria has 6 years of experience working with sustainability within the financial industry. She holds a B.Sc. in Business Administration and Economics from Stockholm University (major in finance), including a semester at National University of Singapore. In addition, has taken several courses in sustainable development at CSR Sweden and Stockholm Resilience Centre.

Urs Bitterling joins Cubera as Chief Sustainability Officer

Cubera Private Equity Chief Sustainability Officer Urs Bitterling

Urs Bitterling, PhD has joined Cubera Private Equity in the newly established position of Chief Sustainability Officer (CSO). Bitterling has a longstanding track-record in financial sector sustainability and joins Cubera from Allianz SE. Cubera, which operates as a standalone private equity boutique, is a part of Storebrand Asset Management

In this new role, Bitterling reports directly to Cubera's CEO and is a member of Cubera's leadership team. Sustainability is a team effort at Cubera, and Bitterling will be responsible for directing and integrating ESG activities across the firm's existing and new fund of fund strategies.

Cubera, a long-time secondary fund investor, is raising its first primaries impact fund, and plans to explicitly address and manage the sustainability performance of all its funds. One of Bitterling's key objectives will be to drive ESG disclosures as a basis for further development and build best-practices to shape the ESG market. Cubera sees the need to collaborate across the private equity industry, in order to standardize collection and reporting of data and make sure that the powerful of the PE ownership model offers is used optimally and tangibly towards achieving sustainability.
An experienced ESG leader within the financial industry, Bitterling joins Cubera Private Equity from Allianz SE, one of the largest financial institutions globally, where he developed and led sustainability efforts since 2012. He holds an interdisciplinary Doctorate from the University of Natural Resources and Applied Life Sciences, Vienna, where his research focused on climate governance systems in Europe.

Cubera Private Equity is a leading specialized investment firm in the Nordic private equity market, providing investors complete exposure to Nordic and International private equity. Serving a client base of European and U.S- based institutional investors, the firm has approximately EUR 4.5 billion in assets under management. For more than two decades, the Cubera team has successfully built four distinct fund-of-funds strategies: Nordic secondary, Nordic primary, Impact primary and international primary. Cubera is part of Storebrand Asset Management, a leading Nordic asset manager and pioneer in sustainable investments.

In the News

A curated selection of Storebrand Asset Management sustainability-related highlights in the media recently.

Storebrand and MAN Group unite to make steelmaker decarbonize

AMWatch, 23 May 2022

A short report on Storebrand and Man Group leading an investor initiative to accelerate decarbonization steelmaker JFE, with Storebrand's Victoria Liden noting progress in the effort.
https://amwatch.com/AMNews/article14054853.ece

Bitterling finds his perfect match

NORDSIP, 23 May 2022

Marking his arrival at as the first ever Chief Sustainability Officer at Storebrand private equity boutique Cubera, Urs Bitterling reflects on his life journey and career in sustainability.
https://nordsip.com/2022/05/23/bitterling-finds-his-perfect-match/

Five questions with Storebrand

AMX, 5 June 2022

AMX interviews Jan Erik Saugestad (CEO), Kamil Zabielski (Head of Sustainable Investments) and Henrik Wold Nilsen (Portfolio Manager), about Storebrand Asset Management's partnership with AMX.
https://theamx.com/videos/five-questions-with-storebrand/

Renewable Energy projects deepening conflict in Occupied Palestinian Territories, says Storebrand

Responsible Investor, 17 June 2022

Our Head of Sustainable Investments Kamil Zabielski notes how the growing need for renewable energy is intensifying conflicts in occupied territories, an issue which Storebrand has focused on for over a decade now.
https://www.responsible-investor.com/renewable-energy-projects-deepening-conflict-in-occupied-palestinian-territories-says-storebrand/

Storebrand: Creating deforestation-free investment portfolios

Race To Zero, 7 August 2022

The UN-backed Race To Zero campaign features a case by Storebrand detailing our approach to tacking deforestation, from designing a policy to delivering real-world impact.
https://climatechampions.unfccc.int/storebrand-creating-a-deforestation-free-investment-portfolio/

"We need green energy, but there is an indigenous people's rights threshold you can't cross"

Responsible Investor, 8 August 2022

In an article examining the impact of renewable energy on indigenous communities, Storebrand's Vemund Olsen is featured, pointing out the relevance of new legal precedents and the ways in which we are addressing the investment risks posed by the issue.
https://www.responsible-investor.com/we-need-green-energy-but-there-is-an-indigenous-peoples-rights-threshold-you-cant-cross/

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For more details about sustainability at
Storebrand Asset Management, visit our document library