Sustainable Investment Review 2022 Q4

Storebrand Asset Management

In Focus:

Nature

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A message from our head of sustainable investments

More than ever, it's about action

The final quarter of 2022 was eventful, with critical global policy events such as the COP27 and COP15 events held. Deadlines also loomed for regulations such at the EU's Sustainable Finance Disclosure Regulations.

This quarter we strengthened our commitment to nature, launching a Nature Policy. As our CEO Jan Erik Saugestad notes later in this report, he also took part in the COP15 talks. There, he was pleased to see that Parties supported our suggested text to the new agreement, recognizing the important role private finance can play to protect nature. We can only have that real impact, if the public and the private sectors come together, to bridge the finance gap on nature and commit far more financial resources to tackling biodiversity loss.

Clearly, voluntary action alone isn't enough to change practices across the financial sector - not at the rate and scale now needed. To support and scale up those voluntary actions by financial institutions, governments must now step up, to create the conditions for this to happen. Central to this, is better data.

The financial sector desperately needs better data: to map, assess and understand how the companies we invest in, are both dependent on nature and impact it. That data is slowly arriving: financial institutions now have several tools and measurement approaches available to assess impacts and dependencies on biodiversity. They are imperfect, but a good starting point for financial intuitions to assess nature impact and dependencies. Through the newly launched Nature Action 100, we will also engage with companies to drive better data.

Just transition and human rights are another key issue. At the end of the quarter, we were on the ground for the launch of the PRI's Advance, a new investor collaboration to jointly engage major companies in high-risk sectors towards action on social issues. Storebrand is in the advisory group of this new PRI initiative and is lead investor within the renewable sector group. We aim to build greater engagement between investors and companies with respect to "just transition" among other topics. Work already begun within the renewable energy and mining sectors.

These, and other developments, point to 2023 unfolding as a year of action and implementation on many fronts, from improving transparency and data integration to more cohesive action within stewardship and engagement.

"....The financial sector desperately needs better data: to map, assess and understand how the companies we invest in, are both dependent on nature and impact it...."

Kamil Zabielski,
Head of Sustainable Investment

In brief

Selected SAM sustainability highlights and events during the quarter

UN PRI Advance launched at PRI in Person

The world's leading responsible investment conference, PRI in Person & Online, came to a close on December 2nd, 2022, following three days of sessions, meetings, workshops, and networking events at the CCIB in Barcelona.

The hybrid conference brought together an audience, both in-person and remote, of over 2,400 investors, policymakers and other sustainable finance stakeholders from around the world to share knowledge and drive the global ESG agenda.

The UN PRI Advance was launched at the PRI in Person conference in Barcelona by PRI CEO, David Atkin and Bettina Reinboth, Director of Human Rights and Social Issues, at PRI bringing together institutional investors to jointly engage companies in their portfolios on human rights.

Advance is the most ambitious PRI stewardship initiative on human rights to date. The alliance includes approximately 220 institutional investors, representing about US$ 30tn in assets under management (AuM)

From 2023 onwards, the group will jointly engage with an initial set of 40 mining and renewable energy companies in their portfolios, working towards on progress salient human rights issues related to the operations of these companies.

Storebrand's Head of Human Rights, Tulia Machado-Helland is on the Advisory Committee of Advance, and was honoured to participate at an in-depth panel session about this initiative, alongside representatives from Federated Hermes and PIMCO. The panel was moderated by Nabylah Abo Dehman, Head of Stewardship, Social Issues and Human Rights, at PRI and Chloe Horne, Specialist, Stewardship at PRI. Together, we examined the most salient issues for both sectors; the relevance of engaging with affected stakeholders for meaningful stewardship; and risk mitigation and prevention.

Also highlighted were the systemic nature of these issues, which drives the need to engage with policymakers on solutions, as well as to ensure that investors' need for corporate disclosure are covered in coming regulation. Some examples of successful policy engagement were shared, along with current examples from national laws on mandatory due diligence and the upcoming EU corporate sustainability due diligence directive. Data availability was also discussed and how to overcome it.

At the event, a representative from the OECD also presented the human rights risk and challenges related to the two natural resources focused sectors. In particular, he examined the link between human rights and environmental issues, as well as how in the mining sector, corruption is often also linked to human rights issues. In addition, a representative from the Business and Human Rights Center presented a recent study on renewable energy companies' impact on human rights, highlighting the impact on communities and Indigenous peoples as a significant human right issue

We expect the number of investors involved in the initiative to increase, since the session was a success and many investors showed interest in joining after the session. It was extremally exiting to see investors are increasingly interested in social issues, which was reflected by the large number of comments and questions after the session.

Learn more about the initiative at https://www.unpri.org/investment-tools/stewardship/advance

Joining the Climate "A" list

We are honoured to have received the highest possible ranking for climate change transparency in the latest global analysis conducted by the CDP.

CDP, which says it holds the largest environmental database in the world, this year reviewed and ranked nearly 15,000 companies on their environmental disclosures. As an "A" ranked company for climate change, Storebrand has been assessed by the CDP to be among the most transparent in the world with respect to disclosure and performance on climate change, deforestation and water security.

CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. It is recognised as a benchmark standard of environmental reporting. See the full CDP list.

Storebrand rises in DJSI ranking

Storebrand has surpassed last year's ratings on the renowned Dow Jones Sustainability™ World Index as one of the world's leading listed companies in terms of work on sustainability.

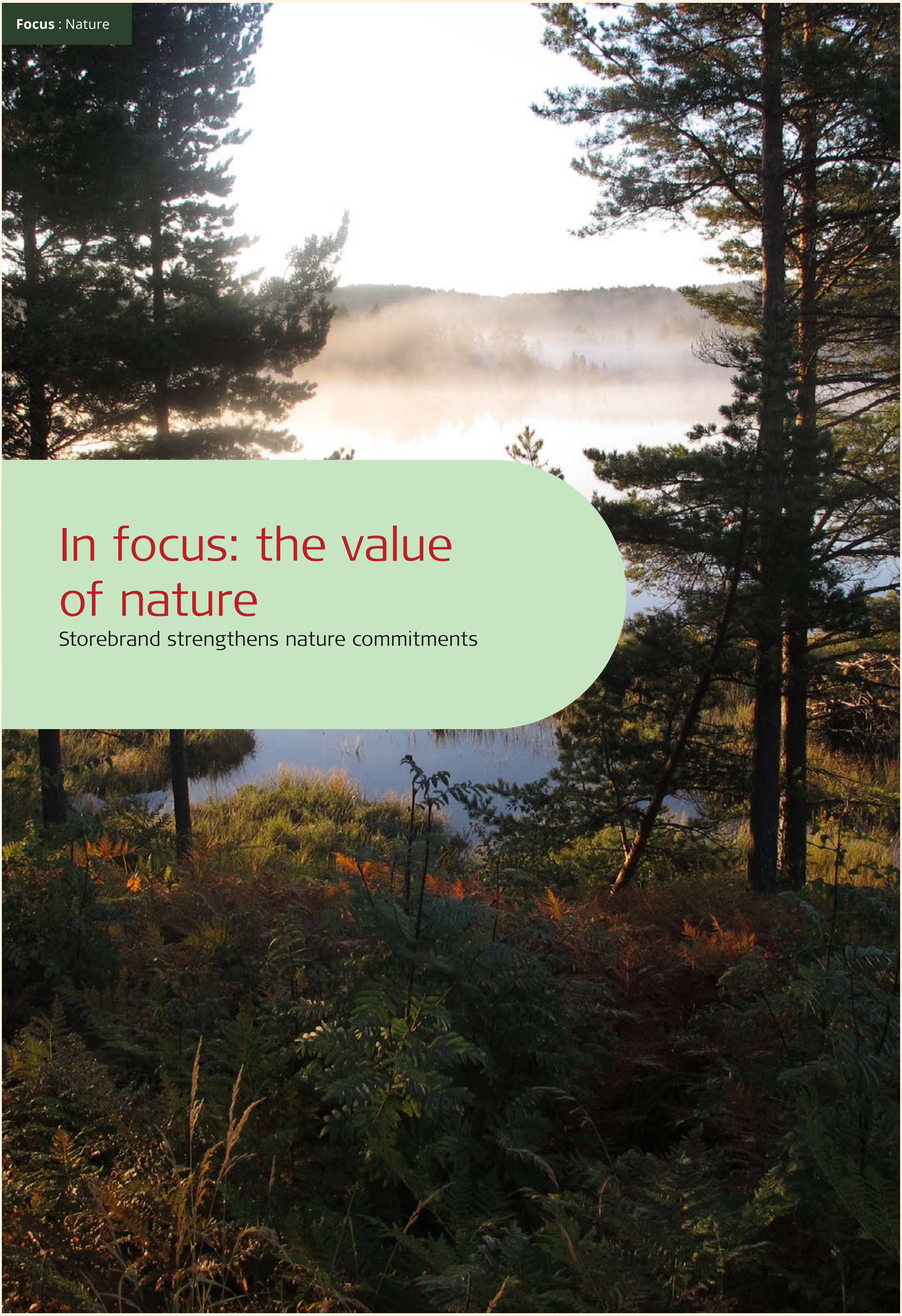
The index, a comprehensive and recognized ranking of listed companies' work with sustainability, includes companies in the top ten percent in each industry. Storebrand is included, ranked 5th overall in the insurance category worldwide, climbing six points from last year's ranking.

Responding to the announcement, Karin Greve-Isdahl, Executive Vice President Sustainability, Communications and Industry Policy at Storebrand noted: "Storebrand has been rated even higher by Dow Jones this year. This is due to our increased transparency and development of new reports, we also reported more target figures and had all relevant numbers verified. In addition, we rank best in the world in our industry on a new question related to the group's decarbonisation strategy."

About the Dow Jones Sustainability Index:

- Includes large, listed companies and was created in 1999 as an investment index.
- 5,100 companies are invited to report on around 100 questions.
- Within the Nordic financial industry, only Storebrand and EQT AB were included in the world index in 2022.

Learn more and see the full Dow Jones Sustainability Index 2022



In focus: the value of nature

Storebrand strengthens nature commitments

New policy implemented in November 2022

More than half of global GDP is moderately or highly dependent on nature and its services. Yet, the value of nature and "ecosystem services" has been largely unacknowledged by companies and their investors. This is despite the fact that failure to act could result in a collapse to food systems, a loss of livelihoods and a systemic risk to the global economy.
For several years, Storebrand has been committed to halting and reversing the loss of biodiversity. Through investments and dialogue with our investees, in coalitions, and in support for research nature we have placed nature on the agenda. Storebrand is now reinforcing these actions, in recognition of the financial risks and opportunities associated with this challenge. With the adoption of the policy, Storebrand will more actively apply the precautionary approach when making investment decisions. The new policy also sends a strong signal to the market regarding what we expect.

With immediate effect, Storebrand has excluded four companies in the mining industry. Storebrand will no longer invest in companies with mining operations that conduct marine or riverine tailings disposal, companies involved in deep sea mining, and companies that derive 5 per cent of their revenues from drilling in Arctic areas that are considered especially vulnerable and valuable.

Storebrand's existing deforestation commitment, which had a special focus on palm oil, soy, cattle products and timber, will be expanded to include deforestation or conversion for production of cocoa, rubber, coffee, and mining. Companies contributing to this are being mapped and assessed for targeted engagement or exclusions, as a step forward for us to achieve our goal of eliminating commodity-driven deforestation in our portfolios by 2025. In addition, companies that lobby against agreements which promote sustainable use of nature, such as the new goals that will be adopted by the Convention on Biological Diversity (CBD) later this year in Montreal, will risk exclusion.

Working in partnership

Factors such as climate change, habitat loss, pollution and the use of pesticides are all contributing to the loss of biodiversity, with major implications for businesses as well as the planet. An increasing loss of biodiversity can affect companies' ability to create value for investors in the long term. Companies must understand their dependency on and impact on nature.

The new policy increases transparency and details how Storebrand can contribute to reversing nature loss.

Through Storebrand's own stewardship activities, we are calling upon companies to set biodiversity targets, assess and reduce their negative impact. Increased reporting and transparency will be key, and we now expect companies to disclose the co-ordinates and footprint of their main operations. Compared to climate change where carbon dioxide emissions are measured, biodiversity loss is more challenging to measure and compare, with impacts often localized and dispersed throughout supply chains, and where information and transparency from companies on the specific locations of their operations is still limited. In this context, partnerships and coalitions, such as the Nature Action 100 and the future TNFD, will be key levers for greater integration of biodiversity challenges.

Read the full details of our newly enhanced nature policy

Companies excluded based on new nature policy

1. First Quantum Minerals
2. Harmony Gold Mining Co Ltd
3. Newcrest Mining
4. TMC – The metals company

COP15

Global Biodiversity Framework (GBF) agreed

On December 19, governments reached an agreement on the Global Biodiversity Framework (GBF) at the CBD COP15 in Montreal.

Storebrand has engaged in the negotiation, in the capacity of co-chair of the of the Public Policy Advocacy working group of Finance for Biodiversity Foundation.

With Goal D of the agreement requiring the alignment of financial flows with both the 2030 targets and the 2050 vision, to secure a focus on implementation in the short, medium and long term, we stressed the need for strong references in target 15. This would ensure that businesses and financial institutions assess and disclose their impact and dependencies on nature. There was much debate between the negotiators on whether the word 'mandatory' should be included, and references to an international acknowledged disclosure framework were removed. However, wording on 'ensuring' policy, administrative or legal measures are still intact.

Storebrand welcomes the adoption of the Kunming-Montreal Global Biodiversity Framework as a meaningful step towards reversing biodiversity loss and restoring nature. The framework sends a clear, strong message to all stakeholders, including the financial sector. We have been pushing for this text in Goal D and in target 14 for 1,5 years now, because it can ensure that governments take the necessary actions to stimulate the financial sector to act on nature. An enabling policy environment that supports financial institutions in better managing the risks and capitalising on the opportunities in their portfolios is key – as proven with article 2.1.c of the Paris Agreement which also referred to financial flows. We believe that this agreement will create the same incentive for financial institutions to align their portfolios with a pathway towards halting and reversing nature loss in 2030.

Read the CBD's official post-COP15 press release and detailed report.

COP15 was a turning point for nature and finance

We hit a major milestone in how our economy treats nature

"....COP15 has certainly provided a boost to investors committed to action on nature..."

Jan Erik Saugestad,
CEO Storebrand Asset Management

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 together with Federated Hermes Limited. 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.

Aiming for several critical targets

First, going into the negotiations, we have emphasized that alignment of financial flows rests on two pillars: greening finance, and financing green or mobilizing capital. In other words, increasing positive financial flows and reducing financial flows that harm biodiversity.

Second, we have noted that this alignment relies on mandatory disclosure. Lack of mandatory reporting by companies will limit financial institutions in aligning their financial flows and playing a more positive role for nature unless the voluntary disclosures are significant and material. We need to be able to compare companies; to see what actions they are taking to address risks as well as actions to progress on nature; to objectively identity the leaders and laggards. Based on this position, we have taken part in the COP15 process for the past year and a half, as an Observer on behalf of Finance for Biodiversity. We thank the Parties and the CBD for getting a seat around the table, and for the opportunity to be heard.

> ....COP15 has certainly provided a boost to investors committed to action on nature..."

Big wins achieved

Goal D was a win. We are pleased to see that the Parties recognize the important role that private finance can play to protect nature. However, we can only have that real impact, if the public and the private sectors come together to bridge the finance gap on nature and significantly increase the financial resources committed to tackling biodiversity loss. Although we note that Goal D has no mention of "from all sources" or public and private", this is explicitly referred to in the targets, such as 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.

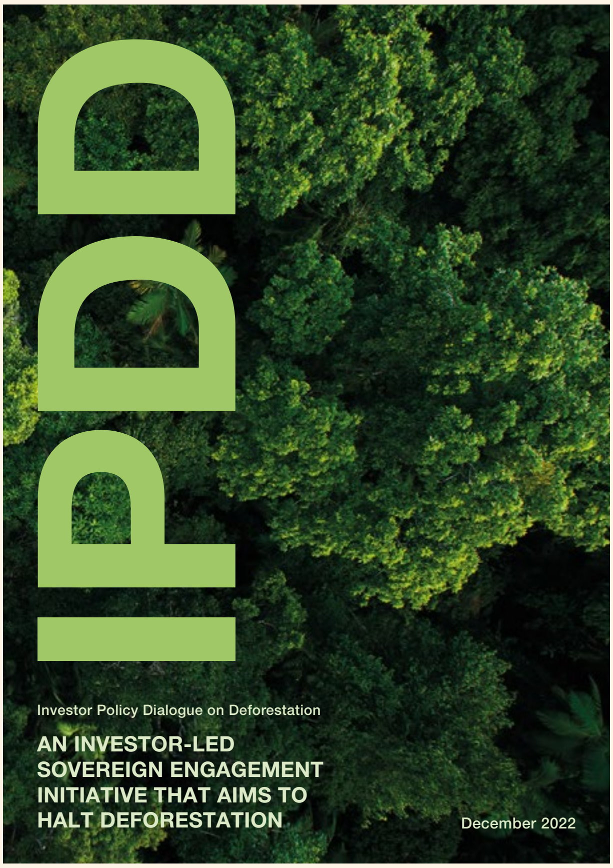
Better prepared for the road ahead

As often, sentiments will vary in the aftermath of major negotiations, but a desperately needed leap forward on nature finally happened at COP15. We believe that this is indeed an inflection point, setting up the opportunity for positive change in how we care for nature in our national and global economies.
Now, we must swing into action to build on these steps. I was privileged to participate in the closing high-level session for COP and shared my view on how finance community can act decisively on nature. At Storebrand, we have newly reaffirmed and enhanced our commitments on nature, including most recently our newly adopted Nature Policy, which will guide our investment decisions, as we continue to work to reduce our negative impact on nature and increase our positive contribution. Joining forces to gain influence will also be critical.
Ahead of COP15, a new global investor engagement initiative, the Nature Action 100, was soft-launched as a united front to target and engage companies on the changes necessary to preserve the natural ecosystems that support much of our global economic output.

Our experience working in sustainable investments over the past few decades tells us that the path to ahead won't necessary be smooth or straight, but COP15 has certainly provided a boost to investors committed to action on nature.

New IPDD Progress Report

The Investor Policy Dialogue on Deforestation (IPDD) published its first progress report, in the run-up to COP15 in Montreal.



The new report highlights the importance of halting deforestation to meeting Paris climate goals and reversing nature loss. In the report, the investors also call for decision makers to deliver a firm commitment to halt and reverse forest loss and land degradation by 2030.

Since its formation in 2020, IPDD has delivered a clear message to governments that investors see deforestation as a systemic risk that is financially material and relevant to future economic prosperity, with sovereign and fixed income investors increasingly considering deforestation a factor in the creditworthiness of countries and investments.

In Brazil, where deforestation has been accelerating since 2019, IPDD's desired outcomes include the enforcement of Brazil's Forest Code, the prevention of fires, and public access to data. Significant progress has been made establishing open dialogue with members and groups within the federal government, congress, embassies, state governments and key financial organisations.

In Indonesia, where deforestation rates have dropped steeply since 2017, IPDD has made significant progress establishing mutually beneficial and ongoing dialogue with key stakeholders including ministries, Indonesian ambassadors, the financial markets regulators, the Indonesian Stock Exchange, multilateral institutions, banks, NGOs and academics. Topics discussed have included what the Indonesian government can do about deforestation and the growth and development of carbon markets.

While the initiative has made advances, the level of progress achieved so far, does not match the urgency and scale of the challenge. The ultimate proof of IPDD's impact will be decreased deforestation or continuation of decreased deforestation. Addressing deforestation should be a top priority for all investors - and dialogue with governments, who can create an enabling policy environment to support a transition to more sustainable practices. Sovereign engagement is a vital complement to company engagement: companies alone can't change systems - they need enabling environments.

Key fact

Agriculture, forestry and land use accounts for 22% of global greenhouse gas emissions, with half of those emissions caused by land use change and tropical deforestation and degradation in countries such as Brazil and Indonesia.

About the initiative

The Investor Policy Dialogue on Deforestation is a collaborative investor-led initiative looking to coordinate a public policy dialogue on halting deforestation in selected countries. IPDD has been engaging with relevant government authorities and associations, as well as other stakeholders on halting deforestation and reducing financial risks. The initiative is supported by 65 institutional investors from 19 different countries.

Nature Action 100 Launched at COP 15

Investor alliance that includes Storebrand will join forces to effectively engage companies on nature issues

Storebrand is a part of the Nature Action 100, a new global investor engagement initiative that was soft-launched during the COP15 conference in Montreal this past December. The initiative, positioned to complement the United Nations Convention on Biological Diversity's Global Biodiversity Framework, aims to drive greater corporate ambition and action on tackling nature loss and biodiversity decline.

A shifting risk and opportunity landscape

Thousands of investors recognize how climate change threatens to affect their global business operations. Climate change, biodiversity decline and nature loss all carry financial risk. Investors make their own investment decisions based on investment risk-reward analysis. Mitigating risks and seizing opportunities is basic investment practice.

Among the key issues are:

- Depleting natural capital creates significant near-term operational costs, threatens the supply of critical resources, and puts more than half of global GDP at risk.
- Hundreds of billions of global crop outputs are at risk annually from pollinator loss, posing operational risk for companies sourcing agricultural commodities. Some estimates indicate tens of billions of dollars in assets could be at risk of stranding over the next 5 to 10 years, if companies continue to produce deforestation-linked commodities.
- More than half of global GDP is either moderately or highly reliant on nature and the services it provides. Further loss of nature will cause negative economic repercussions globally. Protecting nature could avoid a global GDP decline of US $2.7 trillion annually by 2030.
- Nature loss and climate change are inextricably linked. We can't stabilize the climate, or limit average global temperature rise to 1.5° C, without halting nature loss.

Together, the investors of the Nature Action 100 will focus on companies in key sectors that are considered to be systemically important to the goal of reversing nature and biodiversity loss by 2030. They will identify the private sector actions necessary to protect and restore nature; and conduct investor-company engagements to make these actions happen.

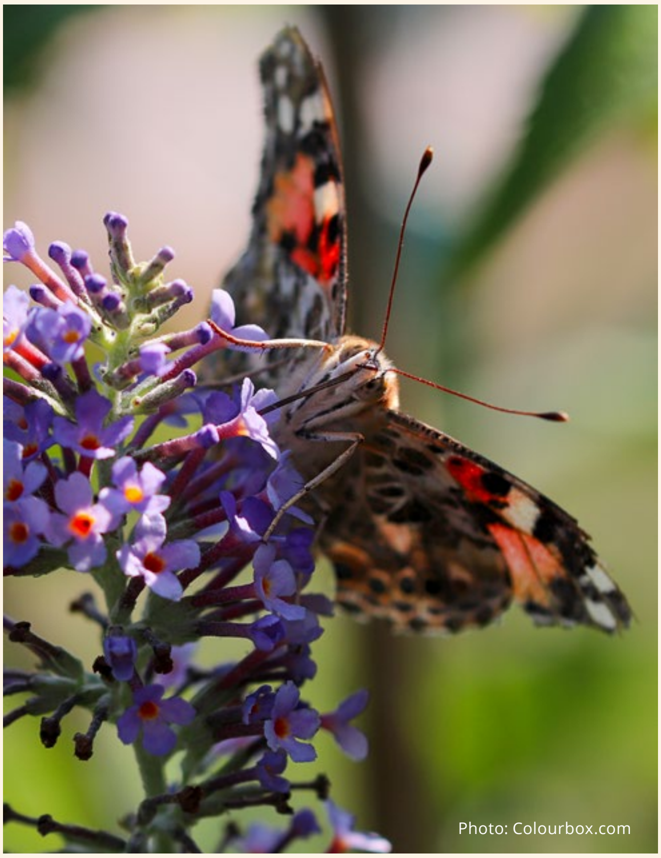


Photo: Colourbox.com

The initiative aims to tackle issues such as loss of biodiversity, including insect life, that threatens ecosystems.

Nature Action 100 priorities

- Map sector pathways and identify focus list of 100 companies for investor engagement.
- Focus on companies with highest impacts and dependencies on nature; initially prioritizing those most reliant upon land-based ecosystem services.
- Support engagements between investors' teams and focus company executives and board members around initiative priorities.
- Identify corporate actions most critical to protect and restore nature.
- Track progress of focus companies against key indicators and provide annual progress updates.
- Support investor and corporate advocacy efforts with relevant policymakers on nature-focused policies.

Science-based engagement

One of the most important roles of the initiative will be to collectively engage companies considered to be systemically important in terms of tackling nature loss and biodiversity decline. In addition, the initiative's technical advisory group will develop science-based guidance and tools for the participating investors to use.

The initiative's Secretariat and Corporate Engagement Working Group is co-led by Ceres and the Institutional Investors Group on Climate Change (IIGCC), while the initiative's Technical Advisory Group is co-led by the Finance for Biodiversity Foundation and Planet Tracker.

Emine Isciel, Head of Climate and Environment, Storebrand Asset Management, noted at the launch: "Biodiversity loss is one of the most significant risks facing investors today. Nature-related risks are systemic and will impact all economies, asset classes and industries, whether directly or indirectly. As such, biodiversity loss threatens the ability of long-term investors to sustain value and meet their investment objectives over time. We believe investors have a vital role to play in halting the loss of biodiversity. With mounting evidence of nature's decline and the crucial role of natural ecosystems in sustaining business operations and livelihoods, the need for global financial markets and agricultural and industrial firms to address nature loss is urgent. Biodiversity loss requires that companies we engage with undertake demanding shifts in strategy. As the owners and investors in these companies, we will have an important role to play in progressing these changes and initiatives like Nature Action 100 will be one of the main vehicles to do exactly that".

A full formal launch of the Nature Action 100 initiative is scheduled to take place during 2023.

Learn more about the initiative at www.natureaction100.org.

The initiative aims to tackle issues such as loss of biodiversity, including insect life, that threatens ecosystems.

1 Update
Solutions

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

A new reality emerging in 2023

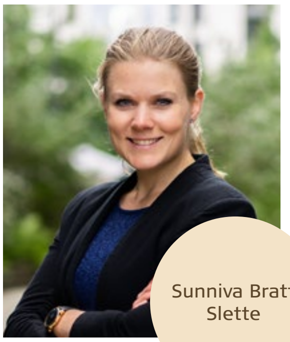
Storebrand's fund managers reflect on how the year behind us could shape the one ahead

Philip Ripman

Urs Bitterling

Marita Loft

Jo Gullhaugen



Sunniva Bratt Slette

Ellen Grieg Andersen

Henrik Wold Nilsen

Gustaf Linnell

In the final Sustainable Investment Review of the year, we took the opportunity to ask some of our portfolio managers and sustainability experts to sum up the year and share their expectations for 2023.

Not surprisingly, the group viewed 2022 as a turbulent year, given the outbreak of a major war in Ukraine and the continued aftereffects of the coronavirus pandemic. These factors have reshaped the economic and political context, notably contributing to sustained inflation and volatile markets. Looking ahead, they point out a wide range of ways in which financial and business context is being reshaped, which in turn brings a wide range of potential developments that we could face in 2023.

What did you find most notable about 2022?

Philip Ripman, Global Solutions

We cannot, of course, ignore all the suffering that the war in Ukraine has brought, but it is also true that the war has consolidated efforts to end our energy dependence on Russia and has helped to fast forward the green transition. According to the International Energy Agency (IEA) and Rystad Energy, there is still a possibility for us to limit global warming to 1.5 degrees. This is thanks in part to regulations such as the European Commission’s RePower EU and the US Inflation Reduction Act, which provide both companies and private households with significant subsidies to aid the energy transition and energy efficiency. Asian countries such as China, Korea, Japan and India have also issued regulations that support renewable energy and low-emission transport.

Urs Bitterling, Chief Sustainability Officer, Cubera Private Equity

Politics is now even more anchored within sustainable finance, not just in the Nordics but all over the world. There are more regulations that ensure integration of sustainability and geopolitical developments have put spotlight on green energy and its supply chains.

Ellen Grieg Andersen, Equal Opportunities

Despite all the negative aspects of war, pandemic and inflation, I want to highlight some positive news from my field. In the World Bank's annual Global Findex database report, a reduction in the gender gap in terms of bank account ownership was noted for the first time. Economic integration gives people the opportunity to start saving and enables them to become freer and more independent.

Marita Loft, CEO Storebrand Fastigheter

I have worked more than thirty years in the real estate industry and what I bring with me from the past year is how quickly changes occur and the challenges that come with managing illiquid assets. It is important to be able to act on what can only be sensed.

Henrik Wold Nilsen, Global ESG Plus

Like all fossil-free funds, we suffered performance wise from not owning oil & gas shares which had a bumper year. While the MSCI World index lost 18 per cent in USD, the various sectors were down between 5 and 37 per cent, with only (fossil) energy being in the positive territory with a return during 2022 of 46 per cent. It was not possible to neutralize the effect of being non-invested in oil & gas. The fossil fuel screen had a contribution to the fund's relative return at -3.2 per cent. The effect of the other screen components (international norms and conventions; alcohol, gambling, weapons) was 0.1%. On the positive side, the fund benefitted from owning more climate solutions companies than the benchmark, with a 0.4 per cent contribution to relative return. Such companies benefitted from increased financial support for climate solutions in the US, and also from Europe wanting to speed up its transition away from Russian gas. The main part of the portfolio, which is exposed to the broad, global, developed stock market, delivered a 0.9 per cent contribution to relative return. This is in line with the aim that this part of the portfolio should partially neutralize the contributions from the investment screens and the climate solutions allocation in order to reduce the benchmark-relative risk of the fund. In summary, 2022 was a year when all things related to energy rallied, but with fossil energy being the strongest performers. Our exposure to renewable energy only partially mitigated the loss from being fossil free.

Gustaf Linnell, Head of Swedish fixed income

In the past, investors have shunned fixed income and credit for investments in more risky assets. However, in 2022 we saw a radical shift in the market, which created a more beneficial climate for investing in the asset class. Now, we are at a point where many people see that diversification into credit and rates products makes sense. It's a takeaway from our meetings too. We're seeing a pivot back now.

Which holdings are you most pleased were in your portfolio in 2022?

Philip Ripman, Global Solutions

It is gratifying to see that a large proportion of the holdings in the portfolio have made a positive contribution to the overall return, particularly within renewable energy generation and the storage and distribution of energy. Within energy generation, the companies that operate in solar energy have performed the strongest and one company that stands out here is Enphase Energy Inc, while another top performer is Cadeler A/S, which operates within wind energy.

Jo Gullhaugen, Head of Infrastructure

Given the situation we have found ourselves in, I am pleased that the portfolio is comprised of typical infrastructure investments, where market conditions have only limited negative impact on results. Services that are critical to society and are absolutely necessary whatever the market conditions tend to be positive investments even in difficult markets.

A major milestone was however the investment in the Oslo district heating network, including the launch of the carbon capture and storage project, which is helping to reduce CO2 emissions by 17 per cent in the Oslo area. It is inspiring to contribute to one of the first major projects within the field of Carbon Capture and Storage (CCS), which is key to Norway achieving its climate targets.

Sunniva Bratt Slette, Sustainable Cities

Some of the companies that have made a positive contribution to the portfolio are Comfort Systems, which manufactures healthcare beds, and Acciona, which operates within vital renewable energy infrastructure. Generally speaking, the interest rate hikes of central banks have made it a challenging year for growth companies, which is the focus area of my portfolio.

Ellen Grieg Andersen, Equal Opportunities

The banking and financial sector performed well in certain emerging markets. Examples include Bank Rakyat, ICICI Bank and BDO Unibank.

The importance of being connected and the use of digital tools is increasing and will continue to shape future interaction between people and organisations. Digital payment solutions are considered vital for integration and inclusion, particularly in emerging markets, where the government authorities are focusing strongly on digitizing services and increasing access to the internet.

Marita Loft, CEO Storebrand Fastigheter

I am pleased with our strategy and that we have built a diversified real estate portfolio with stable cash flows. It has proven to withstand both the challenges of 2020 and 2022 well and we were able to deliver positive total return both years. I am also pleased that the real estate portfolio and the manager did receive the status as global sector leader within GRESB (Global Real Estate Sustainability Benchmark) in the category of Non-listed Diversified.

Henrik Wold Nilsen, Global ESG Plus

The two largest contributions to relative return were 0.6 per cent from not owning Tesla, as well as 0.4 per cent from not owning Amazon during the second half of the year. Both securities are screened from the fund's investment universe due to breeches of international norms and conventions. The largest contribution from a position the fund owned was Steel Dynamics, a US steel producer which primarily relies on recycled steel as input and therefore has a relatively low carbon footprint. This position delivered a 0.2 per cent contribution to relative return.

What could be the key trends ahead in 2023?

Jo Gullhaugen, Head of Infrastructure:

The focus will be on securing a stable energy supply and on efforts to achieve the climate targets. Sustainable infrastructure investments are a key part of the solution to both these challenges.

Philip Ripman, Global Solutions

There will be fears of a prolonged recession in 2023. Other than that, the need for climate change adaptation, reliable access to clean energy and a more circular economy will be the key trends of 2023. The debate on how to balance a sustainable green transition against social inclusion and the fair distribution of resources will intensify.

Urs Bitterling, Chief Sustainability Officer, Cubera Private Equity

The focus on biodiversity will move further up the financial industry's agenda in 2023. Financial institutions will also be held to account to an even greater extent regarding transparency and systematic management of environmental and social risks and opportunities.

Ellen Grieg Andersen, Equal Opportunities

Other than the fear of recession, securing increased and better access to healthcare services will be the key issue within my field in 2023. One of the main drivers for the healthcare sector is the increasingly ageing population. By 2030, one in six people will be over the age of 60. This is a significant demographic change that will result in greater demand for health-related services worldwide.

A stronger focus on digitisation in many emerging markets, such as better internet access and the digitisation of banking and financial services for example, will also be a major feature of 2023.

Marita Loft, CEO Storebrand Fastigheter

Highly leveraged real estate companies have begun to consolidate, and that journey is likely to continue. The expression cash is king is more relevant than in a long time. ESG continues to climb up the agenda for real estate companies. Nobody wants to be stuck with stranded assets.

Henrik Wold Nilsen, Global ESG Plus

The fund's strategy is to offer exposure to the broad, global, developed equity market with a lower climate risk than the market-capitalization weighted MSCI World index. Being able to predict future events isn't necessarily needed in order to deliver on the fund's ambitions. This year, we expect the broad set of EU rules related to sustainable investments to continue to influence the investment landscape. Company-reported EU taxonomy data will become available this year, leading to further discussions on what is to be considered "green". We expect the EU to continue to deliver detailed policy motivated by the 55 per cent reduction target for 2030. A key trend from autumn 2022, which we expect to continue in 2023, is the interdependency of climate mitigation and trade policy. The EU is building a trade wall to protect high-emission industries from foreign competition, whereas the US has opted for more carrot than stick, in the form of subsidies for low-carbon solutions. Both strategies have large implications for cross-border trade and possible issues with WTO rules. We expect this to remain a hot topic during 2023. Another trend in 2022 was that ESG investing got dragged into the so-called "culture wars" in US politics. It seems likely that this will continue with the Republicans gaining the majority in the House of Representatives as well as the race for the next presidential election approaching. However, we see limited read-across for this phenomenon to a European context.

Gustaf Linnell, Head of Swedish fixed income

During 2023, we believe that the key trend will be that inflation comes down and the focus shifts more to economic growth. The fight against inflation is not over, but the pressure should ease during 2023. While fixed income has been a pretty bad investment for many during the past, we see that the entry point today is very different. We therefore believe the trend that markets will begin to question how high central banks will really push interest rates.

With that in mind, what do you predict will be the largest contributor in 2023?

Sunniva Bratt Slette, Sustainable Cities

The Swedish company Nibe. Its share price fell considerably in early 2022 and levelled off for a time, but given the need for energy efficiency, I have confidence in the demand for heat pumps and climate solutions in 2023. The company also has strong sales growth and its results have been stable over time.

Ellen Grieg Andersen, Equal Opportunities

Healthcare-related companies, because they tend to show resilience even in volatile markets. However, as a fund manager, it is important to constantly be on the lookout for new opportunities and exciting companies.

Philip Ripman, Renewable energy

If I had to pick one holding that I believe has the potential to achieve strong growth in 2023, it would have to be Cadeler A/S. The company provides installation services and performs operation and maintenance within the offshore wind power industry and occupies a unique position, particularly in terms of its access to vessels.

Marita Loft, CEO Storebrand Fastigheter

The real estate sector that can be expected to develop the best is the one that is more strongly correlated with inflation than with GDP because there is an expectation of a recession. This is, for example, grocery shopping.

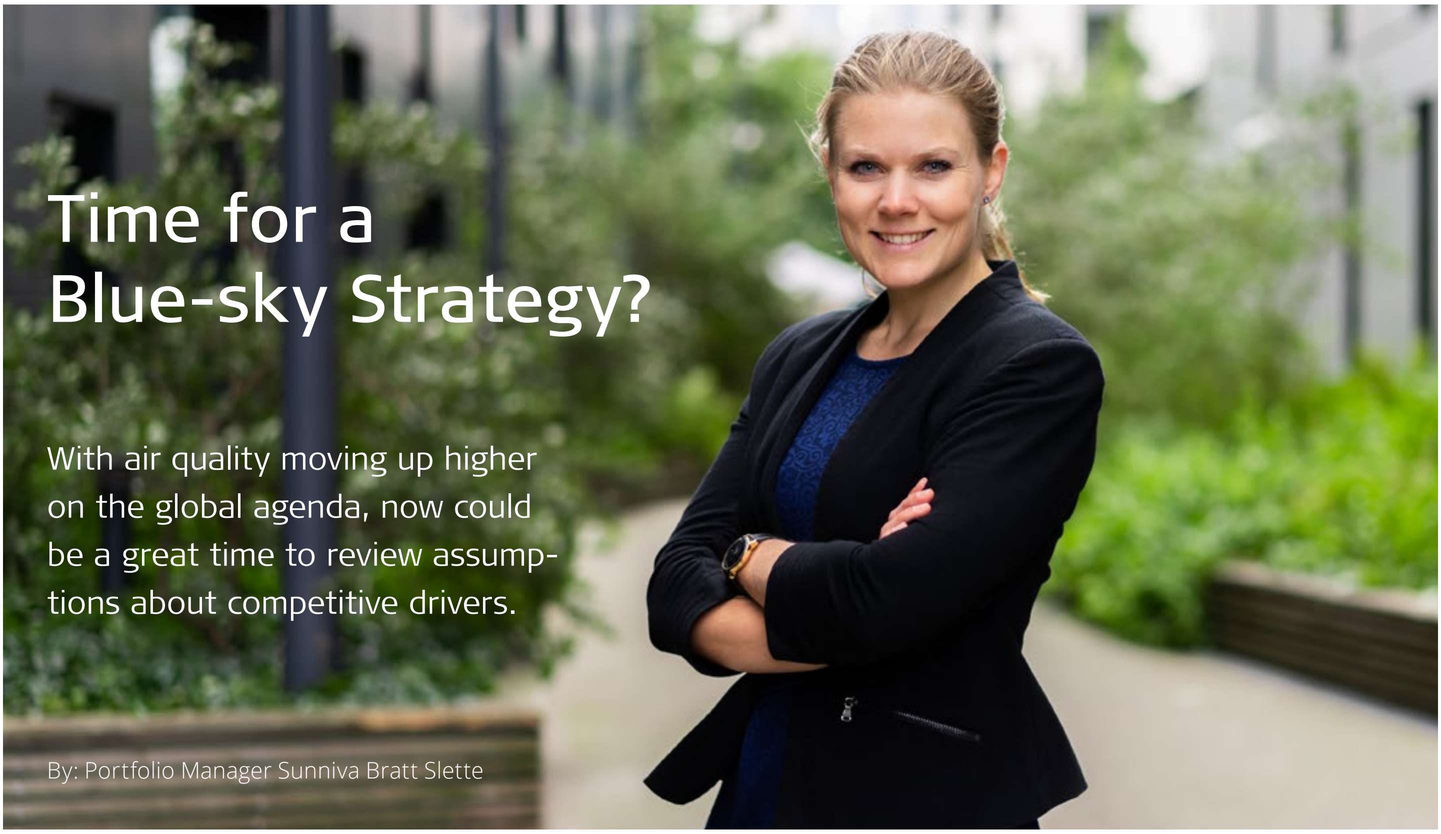
Henrik Wold Nilsen, Global ESG Plus

The aim of the fund is to deliver a portfolio with relatively low benchmark-relative risk, which outperforms in case climate mitigation policy is proceeding more rapidly than the market had expected up front - and vice versa. The fund's climate tilt is static over time, without a timing view based on predictions about the future. Given that being fossil free is the characteristic of the model which has the highest contribution to benchmark-relative risk, being zero-weighted oil & gas producers are likely to be the largest contributor to relative return in 2023, similar to 2022. However, we hope the sign of this contribution will be the opposite for 2023 compared with 2022.

Gustaf Linnell, Head of Swedish fixed income

The global issuances of bonds during 2022 was lower than 2021 due to the headwinds from the war, higher inflation and increasing interest rates. The absolute issuances of green bonds were also lower than the record year 2021, but the relative decline was still lower than for the overall market, a good indication that the interest in the asset class held up. Our belief is that there is a pent-up demand to issue green bonds that could bring total issuance for 2023 over the levels of the record year of 2021.

High grade credit in the Swedish market is looking good at the moment, compared to historical spreads, and it is something that we believe will perform well during year ahead.



Time for a Blue-sky Strategy?

With air quality moving up higher on the global agenda, now could be a great time to review assumptions about competitive drivers.

By: Portfolio Manager Sunniva Bratt Slette

Last year, I wrote an article on how the World Health Organization drastically cut its recommendation for safe air pollution levels[1]. A long year later, the implications are clear: Measures are being taken up by regulators to adhere to the new limits. Could companies gain a competitive advantage if they act ahead of the curve?

Ahead of the COP27 UN Climate Change Conference, the Intergovernmental Panel on Climate Change (IPCC) published several fact sheets on climate research for relevant sectors and regions, based on The Physical Science Basis (Working Group I) [2]. In November 2022, the IPCC also published fact sheets related to Impacts, Adaptation and Vulnerability (Working Group II) [3] were also published.

Action on Air Pollution

The Fact Sheet on Health from the physical science perspective draws attention to the link between climate change and health. Interestingly, the fact sheet mentions the air pollution recommendations of the Worlds Health Organization from last year: "Air pollution dedicated policies will facilitate reaching air quality improvements more rapidly in many regions to reach the World Health Organization guidelines. Additional policies (e.g., access to clean energy, waste management) envisaged to attain Sustainable Development Goals bring complementary air pollution reduction"[4]. The implication for business is clear: regulations to counter air pollution will be made stricter in the years ahead. Consequently, zero- or low-emission business models and resource efficiency could become drivers of future cash flows?

Investments Wanted

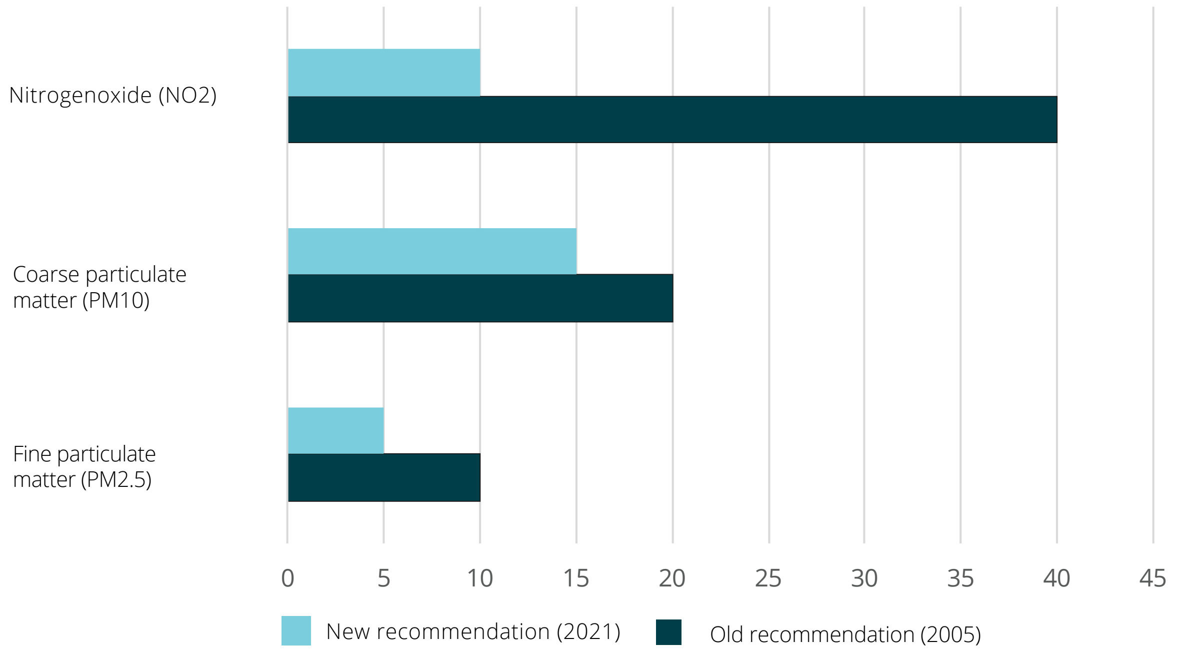
In November, a Fact Sheet on Health was published by Working Group II. This second fact sheet highlights the co-benefits between health and mitigation policies. Quoting from the fact sheet, there are substantial co-benefits from:

- Investing in health systems, infrastructure, water and sanitation, clean energy, affordable healthy diets, low-carbon housing, public transport, improved air quality, and social protection.
- Given the overlap in sources of greenhouse gases and co-pollutants in energy systems, strategies that pursue greenhouse gas emission reductions and improvements in energy efficiency hold significant potential health co-benefits through air pollution emission reductions.
- Urban planning that combines clean, affordable public transportation, shared clean vehicles and accessible active transportation modes can improve air quality and contribute to healthy, equitable societies and higher well-being for all.
- Stimulating active mobility (walking and bicycling) can bring physical and mental health benefits.
- Urban green and blue spaces contribute to climate change adaptation and mitigation and improve physical and mental health and well-being[5].

Encouragingly, team Solutions at Storebrand works with very similar investment themes when we search for new solution companies – defined as companies with products and services that help achieve the UN Sustainable Development Goals, without causing significant harm to the environment or society. Our sub-themes are structured in categories such as: renewable energy production, energy storage and distribution, urban planning, low emission mobility and water management, recycling and re-use, sustainable production and access to health services.

Limited Limits

WHO Cuts Air Pollution GuidelinesRecommended Annual Mean Exposure Limit (µg/m3)



Graphic by Storebrand Asset Management based on WHO guidelines[6].

The chart shows the World Health Organization's recommended threshold for annual mean exposure to the air pollutants nitrogen dioxide (NO2), coarse particulate matter (PM10) and fine particulate matter (PM2.5). The red bars represent the stringent new recommendation from 2021, while the beige bars represent the old 2005 recommendation.

Conclusion:
We need a solid blue-sky strategy!

Photo: Colourbox.com

The new guidelines are aimed at improving air quality, which is impacted by factors such as transportation planning.

[1] Solutions Spotlight (06.10.2021), Air Quality Issues, https://www.storebrand.no/en/asset-management/insights/solutions-spotlight/Air-Quality-Issues
[2] IPCC (2022), Working Group I – The Physical Science Basis, IPCC Sixth Assessment Report, Fact Sheets, https://www.ipcc.ch/report/ar6/wg1/resources/factsheets/
[3] IPCC (2022), Working Group I – The Physical Science Basis, IPCC Sixth Assessment Report, Fact Sheets, https://www.ipcc.ch/report/ar6/wg1/resources/factsheets/
[4] Assessment Report, Climate information relevant for Health, https://www.ipcc.ch/report/ar6/wg1/downloads/factsheets/IPCC_AR6_WGI_Sectoral_Fact_Sheet_Health.pdf
[5] IPCC (2022) Sixth Assessment Report, Fact sheet – Health, page 2, https://www.ipcc.ch/report/ar6/wg2/downloads/outreach/IPCC_AR6_WGII_FactSheet_Health.pdf
[6] World Health Organization. (2021). WHO global air quality guidelines: particulate matter (PM2.5 and PM10), ozone, nitrogen dioxide, sulphur dioxide and carbon monoxide: executive summary. World Health Organization. https://apps.who.int/iris/handle/10665/345334 License: CC BY-NC-SA 3.0 IGO

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Infrastructure fund
Final closing completed in Q4

On December 9th2022, the Storebrand Infrastructure Fund held its final closing, bringing total commitments from investors to NOK 10 billion. The fund, launched in 2021, makes direct investments into sustainable infrastructure assets alongside like-minded strategic partners. Previous investments have included assets such as the City of Oslo's district heating and waste recycling facility, and electric train fleets in the United Kingdom.

2 Update
Active Ownership

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

Ending "forever chemicals"

Storebrand co-leads joint call for chemicals industry to halt production of PFAS, based on systemic and liability risks.

Photo: Colourbox.com

Many common products such as sport clothing contain "forever chemicals" hazardous to life and biodiversity.

Storebrand Asset Management has, together with Aviva Investors, gathered asset managers around the world to put pressure on the chemicals industry to increase transparency on hazardous chemicals and phase out a category called PFAS, which are particularly pervasive and systemically harmful. As the systemic risks they pose to life on the planet continue to rise, hazardous chemicals may increasingly pose financial risks. Public awareness on the issue is growing, with legislation being tightened.

The joint investor demand was made alongside the launch of ChemScore, a new guidance tool for investors on chemicals.

Systemic risks from PFAS

Over 70 % of all chemicals produced and used are considered hazardous to the environment and human health.[1] Across the world, the combined level of chemical pollution is considered to have crossed what the Stockholm Resilience Centre describes as a planetary boundary – a limit that inherently threatens the continuation of biological and physical processes that underpin all life on Earth. The crisis is so severe that, in a similar manner to the role of the Intergovernmental Panel on Climate Change (IPCC), global leaders are setting up a UN scientific body to advise governments on managing chemicals and waste and prevent pollution. [2]

There is particular concern about hazardous "forever chemicals" — known as PFAS — often found everything from the components of smartphones, to cosmetics, furniture, carpeting, non-stick pans and waterproof jackets. PFAS accumulate in the environment and cause health impacts for generations. They are linked to cancer, lung disease, diabetes, reproductive abnormalities and learning difficulties.[3] PFAS also have a negative impact on biodiversity. For example, insect populations have declined by 10 per cent per decade (1960-2005), which is partly linked to the spraying of various chemicals.[4]

Increased awareness of the risks associated with the use of PFAS has triggered several lawsuits against responsible companies, resulting in costs for them.

Why hazardous chemicals matter

Rising awareness about hazardous chemicals is putting chemical companies in the spotlight.
As legislation is tightened, the risk of costly fines, product recalls and clean-up costs increases.

Storebrand rallies joint call by investors

The Swedish NGO ChemSec has reviewed the world's 54 largest chemical companies and created ChemScore, a sustainability ranking that rates companies on their strategies for managing these hazardous chemicals. The ChemScore ranking is primarily a guidance tool for investors, as a lack of transparency in production makes it more difficult to conduct an informed analysis of the risks to which these companies are exposed.

Storebrand has, together with Aviva Investors, started a dialogue and encouraged more investors to sign a letter sent to the CEOs of these 54 chemical companies, reviewed and rated by ChemSec. The letter calls on companies to:

- be more transparent about all hazardous chemicals they produce
- demonstrate a plan to phase out hazardous perpetual chemicals
- improve their performance in the ChemScore rankings

In the letter published alongside the ChemScore rankings, the asset managers encourage CEOs to lead, rather than be led, by proactively phasing out and substituting these chemicals.

Increased interest and awareness

Victoria Lidén, sustainability analyst at Storebrand Asset Management, who is leading the initiative to bring the investor community together, sees increased interest from investors. In total, 47 major asset managers around the world with $8 trillion under management and advice have signed the letter. This is a significant increase from last year when 23 investors with $4 trillion in assets under management signed the letter on the same theme. The asset managers warn that growing awareness of the dangers posed by so-called “forever chemicals” that stay in the environment for generations, has triggered an increasing number of lawsuits against companies and sparked action to tighten legislation around the world.

Of the 54 chemical companies that received the letter this year, 36 companies have shown increased engagement with ChemScore.

PFAS

Per- and polyfluorinated alkyl substances (PFAs), often called "Forever Chemicals, are a family of 5000 highly persistent chemicals that hardly degrade in the natural environment. These synthetic industrial chemicals have been seeping into our environment for over 70 years. PFAS are now so pervasive that they are found in blood and breastmilk of people and wildlife all round the world. Studies have found links between PFAS exposure and various cancers, lowered birth weights and adverse effects on the human immune system.

About ChemSec

ChemSec is an independent non-profit organisation that advocates for substitution of toxic chemicals to safer alternatives. It engages the work of chemists, political scientists, business experts and communicators, among others. The organisation is run with financial support from the Swedish Government, foundations, private individuals and other non-profit organisations. The World Wildlife Fund for Nature, the Swedish Society for Nature Conservation, Friends of the Earth Sweden and Nature & Youth Sweden are represented on the ChemSec board. ChemSec is on the executive committee of IPEN and is a member organization in the EEB.

[1] Guardian: Chemical pollution has passed safe limit for humanity, say scientists, 18-1-22
[2] UNEP: Governments, stakeholders kick-start process to establish panel on chemicals, waste and prevention of pollution
[3] United Nations Human Rights: About toxics and human rights
[4] Mercury Convention https://www.mercuryconvention.org/sites/default/files/documents/2021-07/Biodiversity_Interlinkages_Key_Insights.pdf

3M to phase out PFAS by 2025

New commitment follows quickly on joint investor demand co-led by Storebrand

Just days after the joint investor letter, global chemicals manufacturer 3M announced that by 2025 it will stop manufacturing PFAS and work to discontinue their use across its product portfolio. In its statement, 3M described the following rationale: "Our decision is based on an evolving external landscape:

- Regulatory: The European Union has indicated plans to potentially restrict all PFAS by 2025. The U.S. Environmental Protection Agency has indicated plans to place limits on PFAS in drinking water at current detection limits. Regulatory agencies elsewhere, including in Canada, Australia, and Asia, are increasingly active on this topic.
- Marketplace: Customers and consumers are increasingly interested in alternatives to PFAS.
- Investors: The challenges of managing businesses and operations with products based on PFAS, have increasingly weighed on our business results in recent years."

"This time-bound phase-out plan to stop producing persistent chemicals, is specifically what we asked for in the investor dialogue Storebrand has been leading with 3M for the past year, supported by ChemSec research on this topic. said Victoria Lidén, Sustainability Analyst, Storebrand Asset Management, in response to the announcement, adding: "With 3M's scale and position as one of the world's largest producers of PFAs, we feel this could represent a turning point in the transition towards a more sustainable chemical industry. Putting an end to "forever chemicals" is a giant step forward for the environment and the company".


Photo: Colourbox.com

PFAS, now being phased out, are extremely pervasive and can be detected in some drinking water.

Storebrand backs CDP Campaign

Asking major emitters to meet 1.5°C goal

The CDP has coordinated a campaign to get many global businesses to adopt science-based emissions targets

In December Storebrand Asset Management was part of a group of 318 financial institutions and multinational firms, with $37 trillion in assets and spending power, that called on over 1,000 of the world's highest impact businesses to set emissions goals in line with the Paris agreement's 1.5°C goal.

The 2022 CDP Science-Based Targets campaign is coordinated by the global non-profit CDP, which runs the world's largest environmental disclosure system.

Storebrand Asset Management is pressing the targeted companies to set an emissions reduction target approved through the Science Based Targets initiative, the industry standard for credible climate targets that cover all of a company's value chain emissions.

When the campaign launched, Isciel, Emine, Head of Climate and Environment, Storebrand Asset Management, said: "Science-based targets are proven to cut corporate emissions at the pace and scale required - they are a vital part of the puzzle for governments ahead of COP27. Too few companies have unfortunately set targets and even fewer have started to deliver substantial emission reductions. As long-term investors seeking to allocate capital responsibly, we expect our portfolio companies to develop, commit to and execute on science-based emissions reduction plans aligned with the Paris Agreement"

CDP sent letters on behalf of Storebrand Asset Management and the other participating organizations to over 1,000 companies worldwide, including China's largest retailer JD.com, Australian flag carrier Qantas, the world's biggest chemicals firm BASF, as well as Caterpillar, FedEx, General Electric, Wal Mart de Mexico and Wilmar International.

The CDP campaign grew by over 30%since last year, both in terms of the number of supporting organizations and their collective assets and purchasing power.

The 1,000 companies targeted are critical for global efforts to limit global warming to 1.5°C. They are the source of 7 gigatons of Scope 1 and 2 emissions and have a combined market value of over US$25 trillion (44%of the entire MSCI All Country World index).

At the launch of the campaign Laurent Babikian, Joint Global Director Capital Markets at CDP, noted:

"The past few months of extreme weather have again shown us what a warming world does at 1.2 degrees. Companies must urgently set targets through the SBTi if we are to reduce emissions at the pace and scale required to avoid the most serious impacts of climate change. We are encouraged by the continued growth and success of this campaign, demonstrating that financial institutions see science-based targets as essential for all companies, and necessary for them to meet their own net-zero ambitions."

Globally, over 3,500 companies representing over a third of global market capitalization are already part of the SBTi. Among these, over 1,200 have approved 1.5°C targets. SBTi data shows the typical company with a target cuts emissions by 8.8% per year – above the 4.2% required to align with a 1.5°C path.

Joint call to boost CSDD

Storebrand in investor alliance seeking strong EU due diligence directive


Photo: Colourbox.com

The due diligence directive is aimed at combating problems such as forced labour.

Storebrand was a part of a major coalition of investors that welcomed the European Commission's new proposal for a directing on Corporate Sustainability Due Diligence Directive (CSDD). Let by the Investor Alliance, PRI, and Eurosif, 142 investors representing approximately 1.5 trillion USD in AUM) made a Joint Investor Statement of Support for an ambitious & effective CSDD.

The joint statement was shared this November with all key EU policymakers in the European Commission, Council and Parliament. In the statement, the group welcomed the Commission's CSDD proposal. The group also made five key recommendations for EU co-legislators to create an ambitious and effective directive, for both financial and non-financial companies, aligned with EU sustainability goals, the EU sustainable finance framework, and international standards including the UN Guiding Principles on Business and Human Rights (UNGPs) and OECD Guidelines for Multinational Enterprises.

The recommendations are to:

- Require robust, ongoing due diligence from financial and non-financial companies, throughout the value chain
- Broaden the personal scope of EU financial and non-financial companies under the directive, in line with the Corporate Sustainability Reporting Directive (CSRD).
- Ensure directors have responsibility and oversight of due diligence requirements, climate targets, and transition plans
- Strengthen the link between directors' variable remuneration and sustainability performance
- Strengthen requirements on transition plans and increase alignment with CSRD

Living wages matter to investors too

Tulia Machado-Helland,
Head of Human Rights
Storebrand Asset Management

The inflation of basic living costs makes it even more important to secure and expand living wages and the broad benefits that they deliver.

Soaring living costs all over the world are highlighting the urgent need to ensure people are paid what is termed a “living wage” – put simply, wages that are enough to live on. This not only benefits the individual, but in the long run is also good for companies, investors and society.

That is why Storebrand Asset Management is part of a global investor collaboration that is working to ensure a living wage for more people.

Inflation in Denmark has now hit heights unseen in 40 years, but the erosion of purchasing power is, of course, not just a Danish phenomenon. Its impact is being felt around the world. In many cases, rising living costs mean a daily struggle to meet basic needs such as putting food on the table and heating homes. According to the latest figures, around one-fifth of the global workforce is living in either extreme or moderate poverty.

Securing living wages for employees is an ambition that has moved up the agenda for long-term investors both in the Nordic region and around the world. A few weeks ago, Storebrand Asset Management met with 18 other international investors, which together have over DKK 48,000 billion of assets under management, to take stock of our joint efforts to promote living wages globally.

This took place under the umbrella of the Platform Living Wage Financials (PLWF) network, where asset managers are putting pressure on the companies they invest in, to encourage them to pay wages that are enough to live on. There is a particular focus on the garment and footwear industry and on the conditions of contract workers in agriculture, for example on coffee and cocoa plantations.

“ ... We consider a living wage to be an investment in the long-term value creation of companies..."

Shifting focus to value creation

Conventional thinking suggests that rising wage costs lead to a worse bottom line for companies – and so ultimately to a poorer return for investors. This is a theory that we – and the rest of the PLWF – want to debunk. We consider a living wage to be an investment in the long-term value creation of companies, not just a short-term increase in their wage costs.
Many studies have demonstrated a positive correlation between a living wage and a company’s profits over time. Specifically, a living wage contributes to higher productivity, because staff turnover is lower, and the company is more attractive to potential new employees. Responsible production can also have a positive impact on the brand value of the products and reduce the risks of negative publicity.
However, higher wage costs do come at a financial cost, of course, and this can have unintended consequences. If wages rise much higher than those in other companies or countries, jobs may come under threat. To avoid this, better pay conditions need to be ensured through collaboration across industries and geographical regions. One way of achieving this is

to put pressure on the authorities and politicians to ensure a level playing field.

Even though Storebrand is one of the largest asset managers in the Nordic region, the scale and complexity of the living wage challenge means that we wouldn't be likely to progress far working on our own in this area. Instead, a collective, systematic and sustained effort, where we join forces to do not only what is right, but also what is most effective. It is therefore central to our work that we maintain cooperation with other investors, who not only use their influence as shareholders in dialogue with the management of each individual company and at general meetings, but who also have a voice in EU and OECD contexts for example.

Nordic experience of systemic approach

Here in the Nordic region, we have a proud tradition of cooperation between the parties on the labour market. The result is sensible long-term wage development, with an emphasis on growth, innovation and a healthy and sustainable business environment. Denmark also has one of the best pension systems in the world.

In fact, Denmark was recently recognized as having the third-best pension system in the world, in the Mercer CFA Institute Global Pension Index.

It is worth remembering that the labour market pension funds are a key pillar of the Danish pension system, ensuring a financially secure retirement for many employees. It is therefore also natural for the Danish investor environment to be at the forefront of the work to secure living wages internationally. This will enable us as consumers to buy cocoa, coffee, textiles, footwear and electronics in the future, confident that the goods have been produced responsibly and in accordance with the United Nations Sustainable Development Goals (SDGs).

In tough economic times, it can be tempting to sacrifice our principles and values, including those relating to issues such as wages and human rights. We must not fall into this trap. Now more than ever, we must stand together and prioritise making a broad, unifying and focused effort, where Danish investors use international cooperation to ensure living wages for workers throughout the supply chain.

A version of this opinion was previously published in the Danish newspaper Børsen


Photo: Colourbox.com

Achieving living wages remain an ongoing challenge in many sectors, including food supply chains.

UN PRI Advance Engagement

Storebrand to take a leading role in 2023

Advance will initially focus on engagement with companies in the metals & mining and renewables sectors.

Storebrand is a founding member of Advance, a new stewardship initiative focused on action on human rights and social issues, launched under the umbrella of the UN Principles for Responsible Investment (PRI) investor alliance. The new initiative was succesfully launched in Barcelona at the December 2022 UN PRI in Person conference.

advance
A stewardship initiative for human rights and social issues

The overall objective of Advance is to further human rights and generate positive outcomes for people through investor stewardship. The initiative will primarily seek change through investors' use of influence with portfolio companies. Within the initiative, the PRI will support a range of activities, including investor collaborative engagement with companies, along with potential further escalation where needed. The PRI will also support investor engagement with policymakers and other stakeholders to make progress on the overall goal.

Engagement has begun with 40 companies, all of which are in the metals & mining and renewables sector.

Storebrand will continue its involvement in the advisory committee for this initiative. We will also be lead investor for Ørsted, as well as actively engaging with Alcoa, Lundin Mining and Siemens Gamesa. For the other 36 companies targeted by the initiative, Storebrand will provide input on sectorial engagement strategy as part of the advisory committee.

Learn more about Advance at the new organization's website.

Transparent ESG reporting

Storebrand offers new real-time ESG engagement dashboard

Storebrand Fonder in Sweden has, with the support of Esgaia, made it possible to show transparent ESG reporting. At a dashboard at Storebrandfonder.se, it is now possible to view real-time statistics for company dialogues.

The Storebrand Risk & Ownership team regularly engages with companies, trying to encourage more sustainable business practices. The engagements can also be through a collaborative effort with other investors.

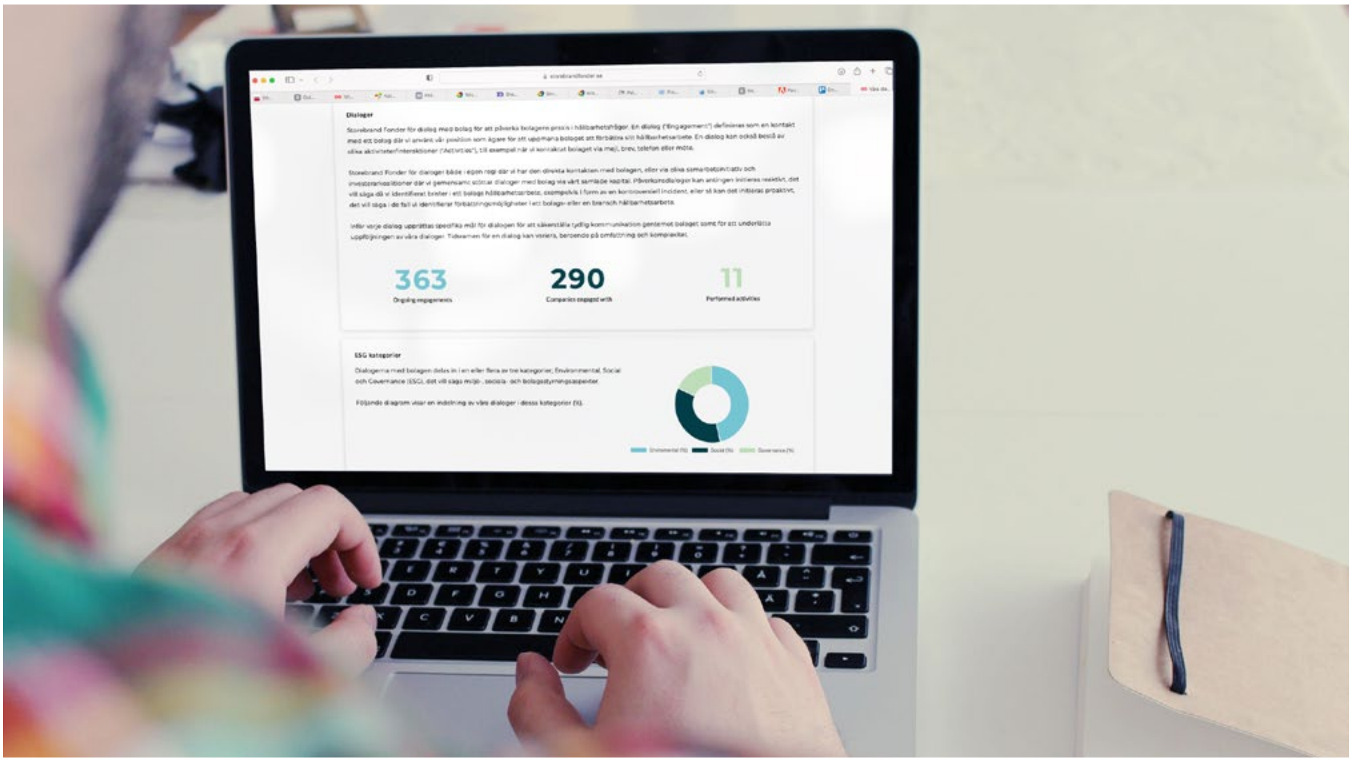
In this dashboard, now available at www.storebrandfonder.se, users can find data on engagements and activities/interactions with companies, detailing the specific primary ESG issues that have been targeted, the geographical distribution of the engagements, as well as the links of the engagements to the UN Sustainable Development Goals. The dashboard also shows users how the dialogues aim to minimize principal adverse impacts, in accordance with the EU Sustainable Finance Disclosure Regulation (SFDR), to increase transparency in the financial market and reduce the risk of greenwashing. The statistics are available both at aggregate and fund level, as well as for specific time periods.

> “As pioneers in sustainable asset management, we are now, to my knowledge, the first to show our active ownership in real time"

"As pioneers in sustainable asset management, we are now, to my knowledge, the first to show our active ownership in real time," said Victoria Lidén, Sustainability Analyst at Storebrand Asset Management when the dashboard was launched, "I feel proud that at Storebrand Fonder we can now easily demonstrate what we are doing in terms of corporate governance/active ownership. Anyone who is curious can go in at any time and see what sustainability issues we have discussed with the companies in each fund."

Storebrand continues to work with Esgaia to improve the tool and make more information available in other markets. Soon, company examples will be seen per fund.

Note: all figures are year-to-date totals as of Q4 2022



Engagement

Engagement key figures Q4 2022

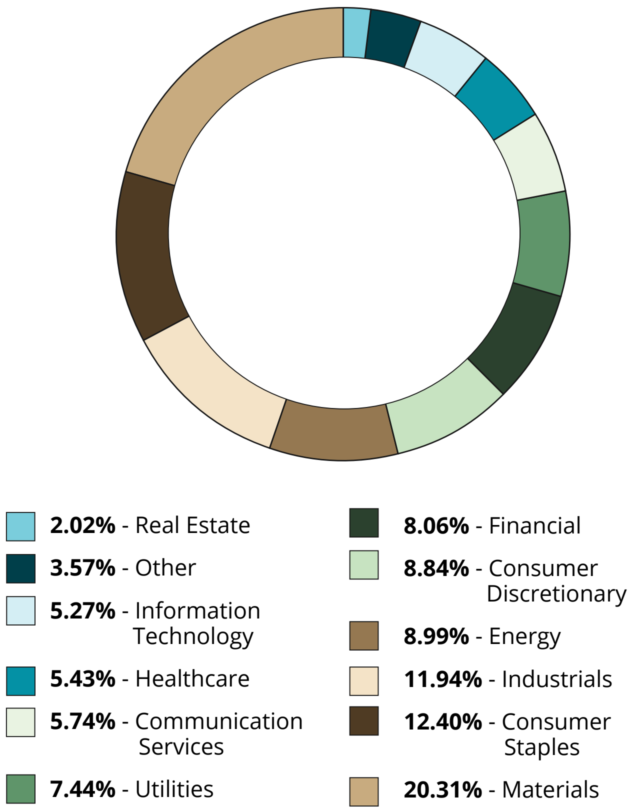
Note: All figures represent year-to date totals as of 31st December, 2022.

Where we engaged

Top 10 countries engaged in

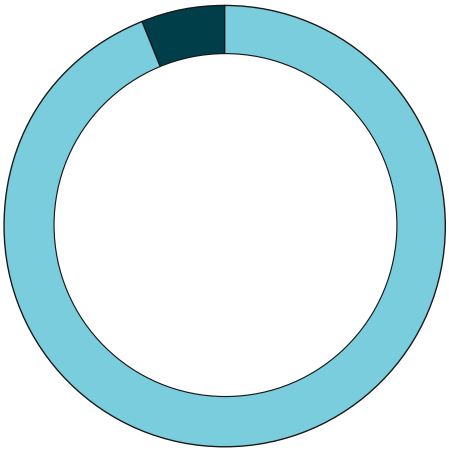
Country	Number of companies
United States	159
Japan	58
Sweden	54
Norway	44
France	31
Germany	29
United Kingdom	28
Switzerland	21
China	18
Indonesia	15
South Korea	15

Sectors engaged in



Why we engaged

Reason for Engagements in 2022

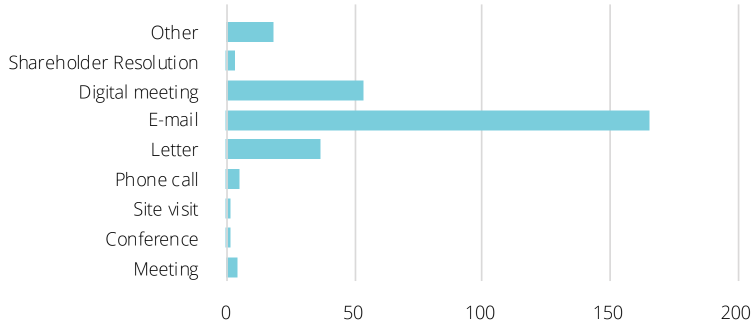


94% - Proactive (internally planned)

6% - Reactive (triggered by external event)

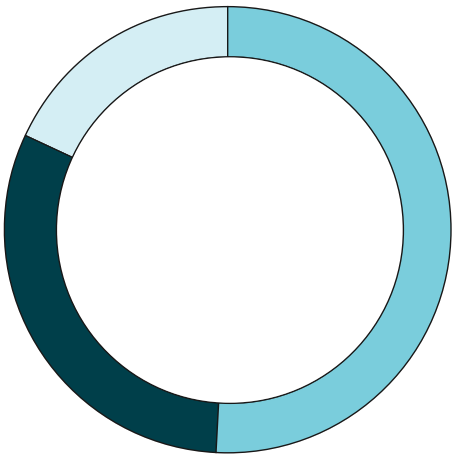
How we engaged

Engagement communication methods used



What we engaged on

ESG categories of engagements

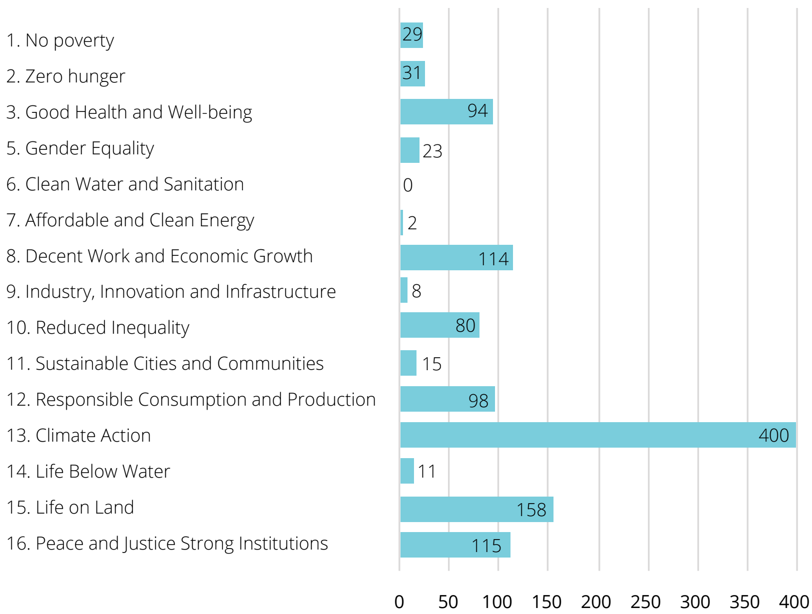


51% - Environment

31% - Social

18% - Governance

SDGs impacted by engagements



Voting

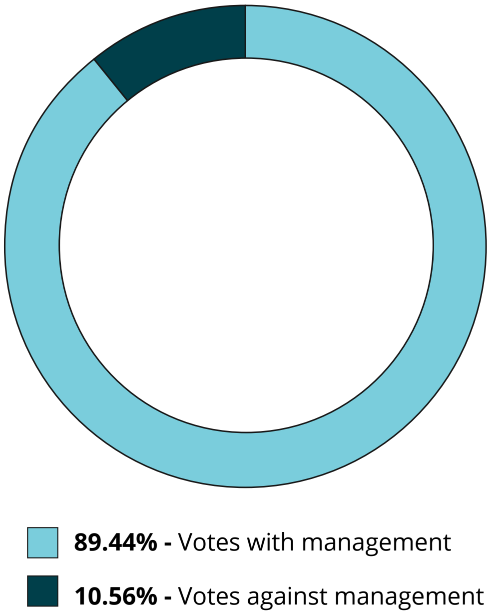
Voting key figures Q4 2022

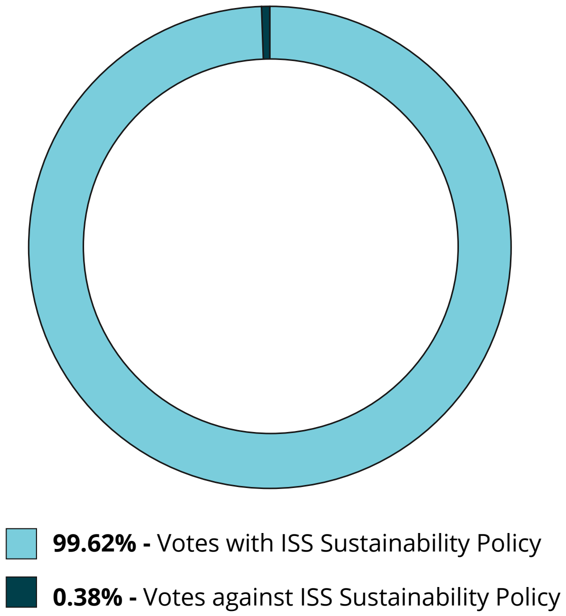
Note: All figures represent voting activity conducted during Q4 2022

General voting data

Q4 2022	Voted	Votable	Percentage voted
Number of general meetings voted	338	475	71.2%
Number of items voted	2643	3403	77.7%
Number of votes on shareholder proposals	123	147	83.7%

How we voted





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Update

Exclusions

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

Exclusion key figures

Twelve companies newly excluded

During the fourth quarter of 2022, we excluded twelve companies, for severe risk of violations of human rights; involvement in nuclear weapons systems; and in harms to nature in our newly outlined nature policy.

Companies excluded under the Storebrand Standard, as of 31st December 2022

Category	Newly excluded	All excluded
Conduct - environment	0	18
Conduct - corruption and financial crime	0	10
Conduct - human rights and international law	5	44
Tobacco	0	24
Controversial weapons	2	32
Climate - coal	1	142
Climate - oil sands	0	9
Climate - lobbying	0	5
Arctic drilling	0	0
Deep-sea mining	1	1
Marine/riverine tailings disposal	3	3
Deforestation	0	14
Cannabis	0	0
State-controlled companies	0	3

* Note that companies are excluded under several categories

Companies excluded under all standards, as of 31st December 2022

Category	Newly excluded	All excluded
Serious environmental damage (various categories)	4	56
Corruption and financial crime	0	12
Human rights and international law	5	74
Controversial weapons	2	32
Fossil fuels	8	507
Tobacco	0	24
Alcohol	0	83
Weapons/arms	0	59
Gambling	0	38
Cannabis	0	0
Adult entertainment	0	0

Note: companies may be excluded under several categories.

Four mining companies excluded

Reinforced climate policy results in immediate changes to portfolios

As of December 1st 2022, Storebrand has adopted a nature policy, in order to both strengthen protection for nature and reduce exposure to companies poorly aligned with climate and nature-related risks and opportunities.

As an asset manager, Storebrand is committed to maintaining and strengthening biodiversity. We believe biodiversity and nature loss will affect the capacity of our long-term economic growth and is likely to have implications for long-term asset returns. Protecting nature is therefore an integral part of our commitment to sustainability. Storebrand has now strengthened its actions, in recognition of the financial risks and opportunities associated with this challenge. The new policy adds the following new areas of exclusion:

- Arctic drilling: Storebrand will not invest in companies that derive more than 5% of their revenues from Arctic drilling.
- Deep-sea mining: Storebrand will not invest in companies involved in deep-sea mining.
- Marine/riverine tailings disposal: Storebrand will not invest in companies whose mining operations conduct marine or riverine tailings disposal.

With the adoption of the policy, the precautionary approach will be applied more actively when making investment decisions. The new policy also sends a strong signal to the market of what we expect.

Based on the updated policy, several four mining companies are newly excluded from our portfolios. One of the three, TMC - The metals company Inc, is excluded based on our criteria related to deep-sea mining. The other three are First Quantum Minerals, Harmony Gold Mining, and Newcrest Mining, which are excluded based on our criterial related to marine/riverine tailings disposal.

Learn more about the details of Storebrand's newly revised policy on nature.

Exclusions in occupied territories

Based on risks of violating human rights

Four companies have been newly excluded from our portfolios, in relation to our latest cycle of screening, engagement and divestment cycle on OPT (occupied Palestinian territory and other Israeli-occupied territories). This is part of Storebrand's due diligence on high-risk countries, industries and conflict areas.

The companies assessed this time include companies that Storebrand had investments in, as well as companies we had not yet invested in, but that were potential investments by our portfolio managers. Storebrand takes a proactive approach to avoid investing in companies that can cause or contribute to severe violations of human rights in alignment with the UN Guiding Principles for Business and Human Rights. In this process, Storebrand has conducted its own research, in addition to taking input from the United Nations-issued list of companies linked to activities in OPTs, as well as information from our third-party data providers.

"It is notable that the level of violent conflict driven by occupation in OPT has increased in the past few years," notes Storebrand Head of Human Rights, Tulia Machado-Helland. "Unfortunately, we do not anticipate this trend to change, since Israel elected a new government in December 2022 that has expressed a harder line on their approach to the situation in occupied territories, including the annexation of the West Bank and making the two-state solution nonviable".

Structured approach

Given over 50 years of occupation by Israel and a high level of conflict, business operations in the occupied Palestinian territory (OPT) and other Israeli-occupied territories include a high level of risk of involvement in violations of human rights. Therefore, since 2009, Storebrand has been conducting enhanced human rights due diligence in occupied Palestinian territory and other Israeli-occupied territories. Our efforts in this area have resulted in our engagement with several companies, and subsequently divestment from some of them.

Storebrand's approach to risks within the area of human rights includes conducting continuous human rights due diligence of all our portfolios. Our approach is mainly based on our standards on international human rights and humanitarian law, as well as application of ESG risk data (including country risk, industry risk and company risk ratings). In addition, we are in alignment with UN Guiding Principles for Business and Human Rights, the OECD Guidelines for Responsible Business Conduct for Institutional Investors and human rights due diligence requirements from the Norwegian Transparency Act.

We conduct a thorough annual analysis, based on data from data providers and our own research, to identify human rights risks on this specific issue in our portfolios. Once identified, we address and mitigate the risks by engaging - and as last resort excluding - companies from our portfolios.

During 2011, Storebrand also visited the occupied Palestinian territories, meeting with Palestinians and Palestinian organizations in order to deepen our understanding of this issue and the negative impacts of the occupation and settlements.

Segmented levels of risk

All activities, services and goods can potentially contribute to the occupation and to sustaining the illegal settlements. However, some of these contribute more to sustaining the illegal situation than others. Storebrand's approach is to focus on those that have a higher risk of contributing to the issues, in order to engage with these companies, and where it is not possible to influence them, to exclude.

Our criteria cover companies that may be providing surveillance and identification equipment at checkpoints and therefore enabling the regime resulting from the occupation (the most severe contribution), to companies contributing to the construction, maintenance and expansion of settlements and the exploitation of natural resources, including infrastructure and direct financing (the second most severe contribution), to companies that buy goods, services or natural resources from companies that have operations in Israeli-occupied territories. Companies that are within the first and second most severe categories are candidates for engagement, and for potential exclusion if engagement fails.

During our engagements with companies, we inform them about our human rights expectations and explain why Israeli settlements are illegal and the regime resulting from the occupation is now categorized as apartheid. This due diligence process is carried out annually and the results are published on our website.

Following our latest assessment, Bezeq Israeli Telecom, Orbia Advance, Enlight Renewable Energy, and Paz Oil were excluded based on a risk that the companies provide necessary services and goods essential for the maintenance of Israeli settlements in occupied Palestinian territories as well as Israel occupied territories. These companies belong to industries within telecommunication, water infrastructure and irrigation and energy. The companies' management of this issue is considered weak, not having conducted human rights due diligence to assess and mitigate the adverse human rights impact their operations may have in Israel occupied territories.

The intensity and length of conflict in the OPT has driven a high risk of violations of human rights.

Rising conflict and risks

Occupation tensions driving growth in deadly violence

The intensity of the occupation has heightened recently
In May 2022, Israel authorized plans for 4,427 West Bank settlement homes.[4] During the first eight months of 2022, a total of 590 Palestinian-owned structures were demolished or seized, including 71 EU-funded assets, forcibly displacing 707 Palestinians, and adversely affecting 16,768 more across the West Bank and East Jerusalem.[2]

This follows significant activity during previous years. In 2021 an EU 2021 report expressed concern about Israel's stepping up the construction of settlements in the OPTs:

"In comparison to the previous year, 2021 experienced an even higher rate of settlement units advancements in the West Bank and East Jerusalem (22,030), enforcing the trend of a continuously increasing settlement expansion on occupied Palestinian territories. Adding to the exponentially high figures in 2021 were particularly the advancement of settlement units in occupied East Jerusalem, which more than doubled compared to the previous year, from 6,288 housing units to 14,894.[3]"

These trends are driving increased conflict, as reflected in the number of arrests and administrative detentions reaching their highest levels since the years 2017 and 2008 respectively.

The conflicts are also increasingly deadly. According to data provided by the UN Office for the Coordination of Humanitarian affairs (OCHA) last year was the deadliest year for Palestinians in the West Bank since the United Nations started systematically counting fatalities in the year 2005. The OHCA reports that, for the first eleven months of 2022, 125 Palestinians, including 28 children, were killed by Israeli forces the in West Bank in 2022, with another 7, 564 Palestinians injured, of which 747 were children. During the same period, 15 Israeli citizens were killed by Palestinians.[3]

[1] Protection of Civilians Report | 25 October – 7 November 2022 https://www.ochaopt.org/poc/25-october-7-November-2022
[2] OCHA Services .ReliefWeb: https://reliefweb.int/report/occupied-palestinian-territory/palestine-west-bank-violence-demolitions-and-displacement-dg-echo-un-ocha-echo-daily-flash-05-october-2022 Protection of Civilians Report | 25 October – 7 November 2022 https://www.ochaopt.org/poc/25-october-7-November-2022
[3] https://www.eeas.europa.eu/delegations/palestine-occupied-palestinian-territory-west-bank-and-gaza-strip/2021-report-israeli_en?s=206 See also, 20 October 2022 UN OHCHR Commission of Inquiry finds Israeli occupation unlawful under international law
[4] The Times of Israel https://www.timesofisrael.com/israel-authorizes-plans-for-4427-west-bank-settlement-homes/

Legal context on OPTs

Businesses obliged to avoid aiding illegal occupation

The consensus view of the international community is that the building of Israeli Settlements in the West Bank including East Jerusalem and the Golan Heights is illegal under international humanitarian law, although Israel disputes this. This view is largely based on five UN Security Council resolutions[1], which find the settlements in the West Bank, East Jerusalem and the Golan Heights to be illegal. The International Court of Justice (ICJ) has found the settlements to be illegal under international humanitarian law[2] and the EU[3] also considers the settlements to be illegal. Furthermore, Article 49 of the Fourth Geneva Conventions states:

> ...The Occupying Power shall not deport or transfer parts of its own civilian population into the territory it occupies.... "

In March 2014, clearly underscoring the role of business complicity to Israel's international violations regarding settlements, the UN Human Rights Council issued three resolutions. One of them urges UN member states to "ensure that they are not taking actions that assist in any way the expansion of settlements or construction of the wall in the Occupied Palestinian Territory, including East Jerusalem, either directly or indirectly."

The resolution urges states "to take appropriate measures to encourage businesses domiciled in their territory and/or under their jurisdiction, including those owned or controlled by them, to refrain from committing or contributing to gross human rights abuses of Palestinians, in accordance with the expected standard of conduct in the Guiding Principles and relevant international laws and standards." [4]

In addition, in a follow-up to the Human Rights Council Resolution 31/3615, the United Nations High Commissioner for Human Rights published a list of companies with operations linked to the Israeli settlements in the occupied Palestinian territory in February 2020. More recently, on 25 March 2022, the Human Rights Council adopted resolution A/HRC/49/29 on the Israeli settlements. The resolution affirmed the illegality of the Israeli settlements and the range of human rights[5] associated with the settlements and called for an end to the conduct of economic activities for the benefit of the settlement enterprise.[6]

Xinjiang Zhongtai Chemical excluded

Risk of violating human rights

The company is involved in China's state-sponsored labour transfer programme, which has been identified by human rights organizations as containing several coercive elements that expose minority groups in the Xinjiang region to severe impacts of forced labour. Xinjiang Zhongtai Chemical takes part in and supports government programmes in Xinjiang, which, according to reports, include ideological and political training and religious re-education of ethnic minority groups in the country.

Attempts to contact the company did not result in a response. The risk of the practices being sustained is judged to be very high, as the company is state-owned, leaving us with very limited possibilities to influence and change the company's practices.

[1] upon Israel, as the occupying Power, to abide scrupulously" by that Convention. In 1990, 1992 and 1994 the Security Council reaffirmed the same in resolutions 681, 799 and 904.

[2] International Court of Justice Legal Consequences of the Construction of a Wall in the Occupied Palestinian Territory, Advisory Opinion, 9 July 2004. Israel was found to be in breach of the Forth Geneva Convention; provisions of the Hague Convention of 1907; the International Covenant on Civil and Political Rights; the International Covenant on Economic, Social and Cultural Rights and the Convention on the Rights of the Child.

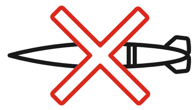
[3] https://ec.europa.eu/commission/presscorner/detail/en/MEMO_09_88

[4] A/HRC/25/L.37/Rev.1 Resolutions and Voting Results of 25th HRC Session http://blog.unwatch.org/index.php/2014/03/28/resolutions-and-voting-results-of-25th-hrc-session/

[5] Resolution A/HRC/49/29 https://documents-dds-ny.un.org/doc/UNDOC/GEN/G22/306/31/PDF/G2230631.pdf?OpenElement

[6] https://www.ohchr.org/sites/default/files/2022-05/22-04-25_Letter_SR_OPT-to-WG-Business-Human-Rights.pdf

Two global companies excluded



Involvement in nuclear weapons

Following an assessment, two companies, Schaeffler AG and Veolia Environnement SA, have been excluded from Storebrand's portfolios based on involvement in nuclear weapons delivery systems.

Schaeffler AG excluded

Schaeffler AG is a German manufacturer of rolling element bearings for automotive, aerospace and industrial uses. We have assessed the company to be involved in key components of the United States Air Force's AGM-86B Air-Launched Cruise Missile (ALCM) programme, through its indirectly fully-owned subsidiary, the Schaeffler Aerospace USA Corp.

The USAF AGM-86B missiles have a single purpose: carrying nuclear warheads. Schaeffler Aerospace USA (formerly The Barden Corp) manufactures a ball bearing for the engine that drives the AGM-86B ALCM. In turn, Schaeffler Aerospace USA is owned by Schaeffler Group USA Inc, itself a wholly owned subsidiary of Schaeffler Technologies AG & Co KG. The latter is a directly wholly owned subsidiary of Schaeffler AG. IHO Verwaltungs GmbH is the majority shareholder of Schaeffler AG with a 75.1% stake.

Schaeffler Aerospace USA's involvement in the AGM-86B ALCM programme has been confirmed by Schaeffler AG and by US government sources.

Veolia excluded

Veolia Environnement SA, generally known as Veolia, is a French transnational company optimized resource management group. The company designs and supplies water, waste and energy management solutions. We have assessed the company as being involved in the French navy's Triomphant class ballistic missile submarine (SSBN) programme, through its wholly owned subsidiary Veolia Environnement Industries SAS. The Triomphant submarines are dedicated launch platforms for M51 submarine-launched ballistic missiles, the only purpose of which is carrying nuclear warheads. A joint venture of Veolia Environnement Industries, Défense Environnement Services (DES), supplies customised on-board and shipyard logistics for the maintenance and repair of the Triomphant class SSBNs. The involvement of DES in the Triomphant class SSBN programme is confirmed by the company.

First Solar included

Status revised following observed changes and lowered risk of recurrence

First Solar Inc, an American-based company, manufactures solar panels, supplies utility-scale photovoltaic solar power plants, and delivers supporting services such as finance, construction, maintenance and end-of-life panel recycling. In the first quarter of 2020, Storebrand excluded the company for supplying solar panels to one of the largest solar parks located in the occupied Palestinian territories, an installation that covered about 135,000 sq. meters and contained approximately 104,000 solar panels. The 10.8 MW project is connected to Israel's national grid, supplying electricity to Israeli households in settlements and Israel (within the Green Line, the border that separated pre-1967 Israel from the Occupied Palestinian Territories, and which is an internationally recognised border. As a result, the company contributed to the development, maintenance or expansion of illegal settlements.

First Solar has now been included in our investment universe, based on the assessment that it no longer has activities in occupied Palestinian territories. The company now also carries out enhanced human rights due diligence for their focus markets.

The risk of recurrence in this case is now judged to be low. The company has not sold or taken part in bids for new projects in occupied Palestinian territories for the past three years, and has indicated to Storebrand that this is not a region of focus for their operations, as they have other prioritized markets. Based on their lack of operations, our data providers now classify First Solar's operations as no longer active in the region of the occupied Palestinian territories.

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.

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. Based in Stockholm, she works with ESG analysis and active ownership, with a focus on the Swedish/Nordic market. On behalf of Storebrand Fonder AB, she is also a member of corporate board nomination committees. Prior to joining Storebrand, Victoria has 7 years of experience in sustainability within the financial industry. She holds a B.Sc. in Business Administration and Economics (major in finance) from Stockholm University, including a semester at National University of Singapore. In addition, she has taken courses in sustainable development at CSR Sweden and Stockholm Resilience Centre.

Frédéric Landré

Sustainability Analyst

Landré, who joined the sustainable investments team in 2023, has significant experience in analyzing issuers' ESG profiles and green frameworks. Prior to joining Storebrand, Landré was with the London Stock Exchange Group, where he worked with quantitative analysis and integration of both financial data and ESG data. He holds a M.Sc. in Business Administration from Linköping University, with a major in finance.

New addition to team

Frederic Landré joins Risk & Ownership Management team

We are pleased to announce that Frédéric Landré is the latest addition to Storebrand's Risk & Ownership Management. He joins Storebrand from the London Stock Exchange Group, where he worked with quantitative analysis and integration of both financial data and ESG data. The addition of Frédéric to our team will contribute to strengthen our capabilities in sustainability analysis, with a special focus on the integration and use of ESG data in management.

Here, Frédéric shares some thoughts on his background, investment and sustainability.

When did sustainability become part of your career?
Early on in my career during one of the first assignments, I worked with Integration of ESG data for a large asset manager, the project was seen as quite small and not very important for most people, but one of the PMs told me that "this will be one of the most important things you will work on, and the work we do here will have real impact for the world" and my curiosity made me hooked. I started to read and learn more about sustainability and especially how it could integrate with asset management and what real impact the finance sector could have.

Why did you choose to join Storebrand?
Storebrand is considered a market leader and pioneer within sustainable investments, and the chance to work with that brand and further help develop that analysis was a chance that felt very exciting.

You have most recently been working at the London Stock Exchange Group. What insights did you get from that experience that you expect will impact your work in Sustainability at Storebrand?

Coming from a data driven background and looking at sustainability data in a quantitative way will hopefully help me look at sustainability issues from another angle and at more scale.

Storebrand focuses on "value beyond return"? What does this mean, from your point of view?
Without a sustainable future our assets will be worth zero, so by focusing on creating "value beyond return" we are actually focusing on managing our clients assets in the best possible way.

What are the biggest challenges you see in sustainable investment at the moment?
There are several challenges that we face and will continue to face over the coming year. The quantity of data, the quality and the constantly changing regulatory environment is of course affecting. The obvious big challenge is to globally get a common framework in which companies can report data in different sectors, related to both climate and nature, so that we as investors easier can build our analysis in a more transparent way.

Last year was an unusual one in sustainable investments, with many twists and turns – what do you expect for the year ahead?
There will be a continued focus on regulatory issues with SFDR and PAI reporting moving along.

At the same time. there will probably still be many discussions about ESG and the "woke" agenda and how asset managers can keep their fiduciary responsibility and still invest in sustainable ways. The year will probably also continue to be impacted by the war in Ukraine and the discussions around what really constitutes a sustainable investment. Should we invest more in transition companies to help reduce the dependence on Russia as an energy partner, and what role does weapons have in the new world order?

Jumping forward a few years into the future, what's changing right in sustainable investments right now that people might later on wish they had paid more attention to?
I think that in a few years in the future we will see sustainability/ESG data in the same way we see any other financial data. It will become more and more standardised/regulated/available. And the number of metrics will probably just increase.

And just like any financial metric companies will have the possibility to manipulate and influence what numbers they report. Asset managers will have to come up with robust frameworks to analyse that data and make their own judgments on what it really represents, just like we would do with a cashflow statement or balance sheet.

Having robust processes and research will be key in being able to identify ESG opportunities and risks in the market going forward.

What's inspiring you at the moment?

A realistic view of the world is necessary, but when too much is negative and alarming, we need to shine even more light on positive news. We need to avoid spreading a sense of hopelessness. For example, I just read a report from Bloomberg showing that investments in technologies that promote a transition to low carbon energy, now for the first time match investments in fossil sources. While much is moving too slowly and we need to do more, there's evidence that we're moving in the right direction.

You can read the 2023 Energy Transition Investment Trends Report here:
https://about.bnef.com/energy-transition-investment/

In the News

End of an Era for Anti-Social Media

ESG Investor, 9th November 2022

In an analysis of the future for social media giants, Storebrand's Victoria Liden is quoted, weighing in on how governance challenges and regulation are affecting leading companies within the sector.
https://www.esginvestor.net/end-of-an-era-for-anti-social-media/

Storebrand after criticism for Qatar investments: "Getting good documentation requires a lot of effort"

AMWatch, 14th November 2022

In the run up to the 2022 Football World Cup, a report by Fair Finance International links several Norwegian financial institutions, including Storebrand, to the construction and hotel industry in Qatar. Storebrand's Bård Bringedal notes that Storebrand follows UN guidelines for investor management of human rights, has had a policy of avoiding direct investment in Qatar, and that the reported links are in fact investments in global conglomerates with relatively minor subsidiary involvement in Qatar that was not flagged by ESG data providers.
Storebrand after criticism for Qatar investments: "Getting good documentation requires a lot of effort" (amwatch.com)

Norwegian asset manager Storebrand toughens stance on biodiversity

Reuters, 3rd December 2022

The global news bureau Reuters, reports on Storebrand launching of a stricter policy on nature, and divestments, ahead of the COP15 talks on biodiversity.
https://www.vl.no/nyheter/2022/09/06/finansmakt-press-ar-vindselskap-om-samiske-rettar/

Biodiversity round-up: Storebrand excludes four mining companies

Responsible Investor, 2nd December 2022

Ahead of the COP15 talks, Storebrand's reinforced policy on nature is noted, in a context of companies not translating biodiversity strategies and commitments into action.
https://www.responsible-investor.com/biodiversity-round-up-storebrand-excludes-four-mining-companies/

Investors demand end to "forever" chemicals

Financial Times, 5th December 2022

A report that Storebrand and Aviva Investors are leading a call for the phaseout of phaseout of pervasive chemicals with long-term environmental impact. Storebrand's Victoria Liden is quoted, explaining how this action fits into our multi-pronged strategy to influence the companies.
https://www.ft.com/content/9d905960-e79d-4bb4-adcf-515997e3d4ae

3M ends “Forever Chemicals” production at a cost of up to $2.3 billion

USA Today, December 2022

Industrial conglomerate 3M finally commits to ending production of pervasive chemicals, with Storebrand's Victoria Liden noting that the move could be a game-changer in drive for a more sustainable chemicals industry.
https://ustoday.news/3m-ends-forever-chemicals-production-at-a-cost-of-up-to-2-3-billion/

Investors launch new initiative to focus on the ‘S’ in ESG

Financial Times Moral Money (Digital Newsletter), 2nd December 2022

Editor Simon Mundy notes the PRI-sponsored launch of a new stewardship initiative "Advance", focusing on salient human rights issues, with involvement of 220 investors managing $30tn in AuM. Storebrand's Tulia Machado-Helland is quoted regarding renewable energy companies' low awareness of their potential negative impacts on native communities, and on as well as on the importance of investor collaboration for lifting industry standards and effecting change.

86147 02/2023

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