

2021

# Assurance Report on Controls at Storebrand Asset Management AS



 storebrand

  
**SKAGEN**  
Part of Storebrand

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# 1. Introduction

This report is based on audit standard ISAE 3402 type 2 and has been prepared to give clients of Storebrand Asset Management AS ("SAM") and Skagen AS ("SKAGEN") and their auditors' information on internal governance and controls of importance to the provided financial reports. SAM and SKAGEN are part of the same Group and share the same operational platform, processes and systems. All parts of the report are equally relevant to clients of both SAM and SKAGEN. Unless otherwise specified in the report, the term "SAM" is used as a reference to the unified processes and controls.

The report focuses on the internal governance and control elements that may be relevant to clients whose assets are managed or administered by SAM, but it does not cover all aspects of the services delivered, or processes and controls executed. The established controls are subject to inherent limitations. There is still a risk that errors or deviations may occur without being identified or corrected through the described controls. The report has been prepared for a limited selection of SAM's institutional clients that have a management agreement for active portfolio management or have assets administered by SAM. The relevance of the different controls described may vary between clients according to the services provided.

The report has been divided into 8 different chapters.

The report's objective, definition and what it represents are stated initially in this report (chapter 1), followed by an executive summary in chapter 2. Information including a statement from the auditor is found in chapter 3. A written statement from the company's management is found in chapter 4. Chapter 5 describes on a general level the company's internal governance and controls in place, including organisation, range of services, systems and relevant subcontractors. This is followed by an overview of the control objectives set in SAM's most important operational processes (chapter 6). The auditor's test methodology and a summary of results and conclusions are set in chapter 7. Chapter 8 presents a detailed description of the most important processes with defined key controls and the specific results of the auditor's tests. Finally, the Group's formal governance and control bodies are described in chapter 9.

Readers must assess and utilize the information in this report in the context of their control environment and the need for internal control measures. Any shortcomings or limitations in the client's control environment cannot be expected to be compensated by controls established within SAM. The company subcontractors' internal control, stated in chapters 5.2.13 and 5.6, are not covered by the report, unless specifically stated in the descriptions in chapters 5 or 8.

Thus, the report does not provide any guarantee of exhaustive controls by SAM's subcontractors.

## 2. Executive summary

SAM has continued to invest a lot in the operational platform serving all clients of asset management and administrative services. This future-proofing of the platform is key to further developing the service offering and delivering on our ambition; "Value beyond return". Also, this continuous work on the platform is key in addressing and mitigating operational risk in our day-to-day operations.

The most important milestone in 2021 has been the transition of IT infrastructure from an "on-premises" setup to a state-of-the-art cloud operated platform. The next steps will be to enhance the client experience and platform efficiency while utilizing new cloud-native tools and possibilities.

Several actions have also been taken to increase operational robustness. Among them is the implementation of new functionality in the portfolio system to ensure a more efficient and robust process for handling the reconciliation of bank accounts and assets. The insourcing of processes - collateral management and fund pricing - have been important for robustness. The alignment of pricing processes across the SAM Group is also another important achievement.

We are content to state that out of a total of **66** key controls included in this report, none of them has been reported with significant findings. There are still areas in which we will focus to improve, as the minor findings in the report show, and we will address these matters through a high level of focus from the Board of Directors, the CEO and the responsible departments.

The minor findings are within the following areas:

- **Bank account reconciliation (chapter 8.4.1)**

The auditor could not verify the completeness of the performed daily reconciliation due to lack of embedded audit trail functionality in the system. SAM have solved the issue of audit trail with a workaround to make sure results are stored on a daily basis. However, this workaround is stored beginning of each day, which means work during the day will not be captured before the next day. No deviations were identified by the auditor, and SAM will continue to work with the system provider to solve the issue permanently, and simultaneously improve the workaround solution.

- **Custody reconciliation (chapter 8.4.2)**

For cleared and listed derivatives, and bilateral OTC derivatives, there was missing evidence that the reconciliation processes had been executed for a limited number of days due to a manual process. The upload of trade files for bilateral OTC positions has since been automated ensuring the reconciliation will be completed every day. This is due to data not being stored for enough days, and the insourcing of collateral management. Both matters have been resolved in 2021.

- **IT-controls – Physical access (chapter 8.7.1)**

One approval for an external consultant could not be tracked, but the provided access was verified and valid. The auditor considers the deviation to be insignificant. SAM will make sure to address the matter as a follow-up point from the ISAE 3402-audit and review the process for improvement.



## 3. Information and a statement from the service auditor

### 3.1 Information from the service auditor

This report is intended to provide information to user organisations and their auditors on internal governance and controls relevant to financial reports on SAM's management assignments. The focus of the report is established governance and controls relevant to financial reports that may be relevant to the internal governance and controls of the user organisations. Thus, not all aspects of the established internal governance and controls are covered. The internal governance and controls of the various service organisations used by SAM, stated in chapter 5.6, are also not covered – see, however, the more detailed description of the outsourcing and collaboration with Cognizant in chapter 5.2.13.

It is up to the individual user organisation to assess the information in relation to the internal management and controls established in its own organisation. Shortcomings in a user organisation internal management and controls cannot be expected to be compensated by controls established by SAM. Since the established internal management and controls of the service organisations stated in chapter 5.6 are not covered, apart from that stated in the specific descriptions in chapter 5 seen together with chapter 8, the necessity of obtaining a separate

statement from these on their established internal management and controls must be assessed by the individual user organisation and its auditor.

Our assessment of the internal management and controls is limited to the description in chapter 5.4, and the control objectives stated in chapter 6 with associated key controls in chapter 8. Several key controls are automated or based on information generated by various systems. A detailed technical review of the systems' logic and functionality and the quality of this information is not covered by the report objectives. This includes among other things valuation methods, performance calculations, risk calculations, and compliance calculations, and similar output from the system. The report does not include an assessment of compliance with laws and regulations relating to services provided.

The objective of internal governance and controls is to provide reasonable certainty about the reliability of financial reporting. As part of the review of the internal governance and controls, auditing procedures giving different degrees of auditing certainty have been carried out. The results of these procedures provide the basis for understanding the established internal governance and controls relevant to financial reporting on management assignments and whether the controls had been implemented and functioned in an efficient way for achieving the objectives



during the audit period from 1<sup>st</sup> of October  
2020 to 30<sup>th</sup> of September 2021.

## 3.2 Statement from the service auditor



To the Management of Storebrand Asset Management AS

### **Independent service auditor's assurance report on the description of controls, their design and operating effectiveness**

#### *Scope*

We have been engaged to report on chapters 5 to 8 in the attached description of established internal management and control related to financial reporting by management assignments at Storebrand Asset Management AS throughout the period 01.10.2020 to 30.09.2021 and on the design and operation of controls related to the control objectives stated in the description.

#### *Service Organization's Responsibilities*

Storebrand Asset Management AS is responsible for: preparing the description and accompanying statement in the report, including the completeness, accuracy and method of presentation of the description and statement; providing the services covered by the description; stating the control objectives; and designing, implementing and effectively operating controls to achieve the stated control objectives.

#### *Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### *Service Auditor's Responsibilities*

Our responsibility is to express an opinion on Storebrand Asset Management AS's description and on the design and operation of controls related to the control objectives stated in that description, based on our procedures. We conducted our engagement in accordance with International Standard on Assurance Engagements 3402, Assurance Reports on Controls at a Service Organization, issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the description is fairly presented and the controls are suitably designed and operating effectively.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and  
authorised accounting firm



An assurance engagement to report on the description, design and operating effectiveness of controls at a service organization involves performing procedures to obtain evidence about the disclosures in the service organization's description of its system, and the design and operating effectiveness of controls. The procedures selected depend on the service auditor's judgment, including the assessment of the risks that the description is not fairly presented, and that controls are not suitably designed or operating effectively. Our procedures included testing the operating effectiveness of those controls that we consider necessary to provide reasonable assurance that the control objectives stated in the description were achieved. An assurance engagement of this type also includes evaluating the overall presentation of the description, the suitability of the objectives stated therein, and the suitability of the criteria specified by the service organization and described in chapter 8.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Limitations of Controls at a Service Organization*

Storebrand Asset Management AS's description is prepared to meet the common needs of a broad range of customers and their auditors and may not, therefore, include every aspect of the system that each individual customer may consider important in its own particular environment. Also, because of their nature, controls at a service organization may not prevent or detect all errors or omissions in processing or reporting transactions. In addition, the projection of any evaluation of effectiveness to future periods is subject to the risk that controls at a service organization may become inadequate or fail.

#### *Opinion*

Our opinion is based on circumstances described in this report. The criteria we used in forming our opinion are those described in chapter 8. In is our opinion that:

- (a) The description in chapter 5.4 fairly presents key controls for data quality system as designed and implemented throughout the period from 01.10.2020 to 30.09.2021;
- (b) The controls related to the control objectives stated in the description were suitably designed throughout the period from 01.10.2020 to 30.09.2021; and
- (c) The controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the period from 01.10.2020 to 30.09.2021.

#### *Description of Tests of Controls*

The specific controls tested, and the nature, timing and results of those tests are listed in chapter 7 and chapter 8.

#### *Intended Users and Purpose*

This report is intended only for Storebrand Asset Management AS's customers mentioned in chapter 1, and their auditors, who have a sufficient understanding to consider it, along with other information

(2)



including information about controls operated by customers themselves, when assessing the risks of material misstatements of customers' financial statements.

Oslo, 1. December 2021  
**PricewaterhouseCoopers AS**

Thomas Steffensen  
State Authorized Public Accountant

(This document is signed electronically)

(3)

ISAE 3402 erklæring

**Signers:**

<i>Name</i>	<i>Method</i>	<i>Date</i>
Steffensen, Thomas	BANKID_MOBILE	2021-12-01 08:21



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of the document.

## 4. Statement from the SAM management

The Board of Directors and the company management are responsible for establishing internal governance and controls, thus ensuring a stable and cost-effective operational platform, reliable financial reporting, other relevant reporting and compliance with laws, regulations and internal rules.

Internal governance and controls relevant to the financial reporting are described in chapter 5. Our control objectives are stated in chapter 6 and the appendix, and the established key controls are described in further detail in chapter 8. These controls are carried out partly by SAM at Lysaker and Stockholm, and SKAGEN in Stavanger, and partly by personnel in Lithuania through the outsourcing agreement with Cognizant. Outsourcing is further described in chapter 5.2.13. In total, the established key controls are intended, by reasonable assurance, to ensure that the control objectives are achieved. Since responsibility for the execution of key controls rests fully and completely with SAM, governance and control mechanisms that safeguard deliveries from Cognizant are not set separately in chapter 8. The internal controls are intended to ensure that SAM protects its clients' assets, owners and other stakeholders.

We confirm, to the best of our ability and knowledge, that the descriptions in chapter 5 provide a representative presentation of the established internal governance and controls that are of importance to the financial reporting and relevant to clients as stated in chapter 1. In our view, the control objectives are correctly described, and the established key controls are necessary and sufficient to address the control objectives during the audit period from 1<sup>st</sup> of October 2020 to 30<sup>th</sup> of September 2021.

We are not aware of any material errors or deviations during the audit period that may affect the reporting to clients as stated in chapter 1.

Lysaker, 01<sup>st</sup> of December 2021



**Jan Erik Saugestad**

CEO of Storebrand Asset Management AS

## 5. Internal governance and controls

### 5.1 The Storebrand Group at a glance

The Storebrand Group ("the Group" or "Storebrand") is a leading player in the Nordic market for long-term savings and insurance. The Group's head office is at Lysaker near Oslo. We offer pension, savings, insurance and banking products to private individuals, businesses and public enterprises. The Group had a total of 1,914 employees as of the 30<sup>th</sup> of September 2021.

We have been a part of people's lives for more than 250 years and are Norway's largest private asset manager invested in more than 3,000 companies around the world.

More than 2 million Norwegians and Swedes place their savings with us. This comes with some clear obligations. We must manage our customers' money profitably so that they can fulfil their dream of a good retirement. Money must also be managed sustainably so that pension savings for current generations do not have a negative impact on future generations, who shall also have a future worth looking forward to. We strive to be a courageous pathfinder within sustainable investment.

Our vision states clearly and in simple terms what is most important to us: satisfied customers.

Our business segment **Savings** consists of products that encompass pension savings without interest rate guarantees. This

includes defined contribution pensions in Norway and Sweden, asset management, and banking products for private individuals.

The **Insurance** business segment consists of the Group's risk products in Norway and Sweden. This comprises health insurance in the corporate and retail markets, employer's liability insurance and pension-related insurance in the corporate market as well as property, accident, and personal risk insurance products in the Norwegian retail market.

**Guaranteed Pension** consists of products that include long-term pension savings, where customers have a pre-set guaranteed return. This area includes occupational pension schemes in Norway and Sweden, independent personal pensions and pension insurance.

The result for Storebrand ASA is reported in the Group's annual report in the "**Other**" segment. This also includes other companies within the Storebrand Group, including small subsidiaries of Storebrand Life Insurance and SPP.



## 5.2 Asset Management in Storebrand

Storebrand Asset Management AS ("SAM") is a fully owned subsidiary of Storebrand ASA. SAM is Norway's largest private asset management company according to total assets under management.

SAM is licensed under the Norwegian Securities Funds Act and Alternative Investment Funds Act to manage securities funds and alternative investment funds, but also to deliver active portfolio management to clients.

At the end of the third quarter of 2021, the company had 179 employees (excluding subsidiaries) and more than NOK 1.058 billion invested in companies throughout the world in a broad range of asset classes. SAM uses its experience and expertise in managing captive assets from the Group's life insurance companies to create a complete management concept with a clear sustainable profile that is offered to institutions, pension funds, distributors, and private customers.

The products offered include securities funds, alternative investment funds and active management in most asset classes. This includes traditional equity and fixed income products as well as alternative asset classes, such as private equity, private debt, infrastructure and real estate. The asset management company has a clear strategy in the delivery of products to external clients through a multi-brand boutique setup that ensures solid client

value and economies of scale through a joint operational platform.

SAM is a major player in the Nordic institutional market with an increasing footprint in selective European markets. Our client base includes pension funds, municipalities, insurance companies, family offices, organisations and foundations. We also provide retail products within the securities fund space. The SAM Group manages its own securities funds and alternative investment funds under the brand names Storebrand, Delphi, SKAGEN, SPP Fonder and Cubera. As of 30.9.2021, SAM has also acquired the Danish real estate manager Capital Investments.

SAM's subsidiary **SKAGEN** offers actively managed, value-based funds in addition to a large selection of external funds and investment solutions. SKAGEN's goal is to provide customers with the best possible risk-adjusted return, service, and client experience. The company is based in Stavanger, Norway, with local branches in the United Kingdom, Germany, Denmark and Sweden.

Cubera Private Equity AS ("**Cubera**") is offering investors wide and diversified exposure to the Nordics and global private equity. The investment activity focuses on fund investments in Nordic buyout funds through both secondary and primary programs, and fund investments in global buyout funds mainly through primary programs. Cubera is also active in co-investments and fund restructuring. Cubera operates out of Oslo and Stockholm.

Other established subsidiaries to SAM are SPP Fonder AB and Storebrand Fastigheter AB, both located in Stockholm, Sweden. SAM has also established branches in Sweden and Denmark.

SAM products are distributed from the Storebrand Group and through external distributors and platforms. Several funds are also available through NASDAQ in Denmark. In addition to the Norwegian and Swedish domiciled funds, SAM also offers funds to international and Nordic investors through SICAV structures in Luxembourg. This includes a Nordic Real Estate Fund (established in 2020) and an Infrastructure fund established in 2021. SAM has in 2021 also established a CFF structure in Ireland offering selective ESG strategies.

The functional organisation of the SAM Group is included in figure 1.

### 5.2.1 Nordic Distribution

Nordic Distribution is the department that services SAM's institutional clients within the Nordic market. The client segment is mainly characterized by investors having

considerable assets under management, a high level of expertise and stringent internal and external requirements. The department has broad expertise in insurance and pension regulations as well as in general asset management. The expertise is leveraged to advise and guide clients on the design of investment strategies, active management setups and investment mandates. It provides information on the Group's fund products and any other investment products supplied by Storebrand as well as the administration services delivered by SAM through the concept of Storebrand Investments Operations Services ("SIOS"). Also, the department is responsible for all relations with SAM's external distributors.

### 5.2.2 International Institutional

International Institutional lies within the SKAGEN organisation and services the markets outside of the Nordics. Along with existing clients and business generated for SKAGEN's own securities funds, a footprint of new clients including Storebrand branded products are also on the rise.

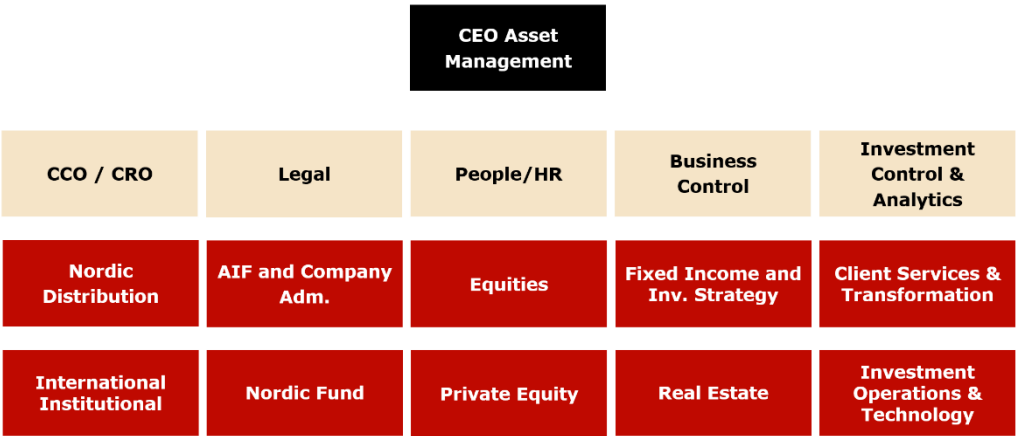


Figure 1: Functional organisation chart

As for the Nordic Distribution, the international client segment is mainly characterized by investors having considerable assets under management, a high level of expertise and stringent internal and external requirements.

The expertise is leveraged to advise and guide clients on the design of investment strategies and investment mandates.

### **5.2.3 Equity Management**

This department is responsible for managing equities in securities funds and actively managed portfolios. Cost-effective access to the markets is ensured through a separate team that applies model-based asset management services in factor and passively managed products. Also included in the department are actively managed equity funds specialised in the Norwegian stock market. Finally, the Solutions-team is responsible for managing equity products where investments are concentrated to companies that bring ESG solutions to market.

Within the Equity Management department is also the Risk & Ownership team that is responsible for maintaining and developing the Group's standards and criteria for sustainable investments. This team is heading up the efforts into active ownership. For more information on the efforts into sustainable investing, please review chapter 5.3.

### **5.2.4 Fixed Income, Alternatives, and Investment Strategy**

The Fixed Income, Alternatives, and Investment Strategy department handles the company's overall fixed income and credit management activities, strategic and tactical allocations, portfolio management,

and management of Norwegian, Swedish, and global Fixed Income investments in funds and portfolios. The department is responsible for the overall management of the client's investment portfolios, including the management of complex portfolios, including currency hedging. It also manages alternative investments - infrastructure and private debt.

### **5.2.5 Real Estate**

The Real Estate department is responsible for managing the Group's real-estate portfolios and alternative investment funds that invest in real estate in the Nordic region. The Norwegian domiciled fund Storebrand Eiendomsfond Norge KS (SEN KS) gives institutional clients exposure to a well-diversified and fully developed real-estate portfolio in Norway and was established in 2010. The SAM Group also offers a Swedish domiciled fund that gives institutional clients exposure to a well-diversified real-estate portfolio in Sweden and a Luxembourg domiciled fund with Nordic exposure. Included in this department is now the newly acquired Capital Investment in Copenhagen, Denmark.

Any specific processes and systems necessary for Real Estate management will not be a part of the scope of this report.

### **5.2.6 Private Equity**

SAM's private equity business lies with Cubera, with existing private equity fund-of-fund products under the Cubera brand in addition to private equity fund-of-fund products under the Storebrand (SIPE) brand.

Cubera is a major player among Nordic asset managers in this asset class. Different

strategies are offered to clients both located in the Nordics looking for private equity exposure globally, as well as international based investors looking for Nordic exposure. Any specific processes and systems necessary for Private Equity management will not be a part of the scope of this report.

#### **5.2.7 Investment Operations and Technology**

The Investment Operations and Technology (“IOT”) department is responsible for providing SAM with the joint operational platform that ensures efficient processes and systems.

Central areas of responsibility are management of technology deliveries, asset servicing, settlement of securities, reconciliation of financial instruments and bank accounts, and fund pricing.

#### **5.2.8 Client Services and Transformation**

The Client Services and Transformation (“CST”) department is responsible for managing the onboarding process for all operational departments to ensure that all customers and clients receive the agreed services and deliveries.

The department is also responsible for processing client orders through our unit holder registry, operational customer support, client reporting and accounting. Additionally, the department is leading and coordinating the SAM development program.

#### **5.2.9 Investment Control and Analytics**

The Investment Control and Analytics (“ICA”) department is responsible for ensuring independent control of all operational processes and investments.

Central areas of responsibility and expertise include valuation of financial instruments, performance, and risk calculations, reporting and analytics, pre-trade and post-trade investment compliance monitoring and reporting, and data contracts and governance.

#### **5.2.10 Nordic Fund**

This department is responsible for securities fund products for the retail and institutional markets, including external funds. It publishes long-term savings recommendations for the Nordic market, makes product recommendations, and arranges for the development of internal and external advisors' expertise.

#### **5.2.11 AIF and Company Administration**

This department is responsible for alternative investment fund (“AIF”) products managed by SAM, and it must ensure compliance with requirements. It is also responsible for various administrative tasks in the company, including attending to the formalities and governing bodies, securing that necessary guidelines relating to SAM's licences are in place, regulatory issues, and management of different agreements between bodies in the Group.

### 5.2.12 Compliance and Risk Management

Compliance and risk management are internal control functions that drive the company's internal control process – whether concerning the maintenance and updating of routines, or job instructions and risk assessments.

The Storebrand Group and SAM use a risk management model based on three lines of defence.

As the first line of defence, managers at all levels are responsible for compliance with relevant regulations, and for assessing, managing, and handling risks in the company.

The second line of defence in SAM consists of separate independent risk- and compliance functions. The Chief Risk Officer (CRO) and Chief Compliance Officer (CCO) reports directly to the CEO and have independent reporting lines to SAM's BoD.

The CCO and CRO roles support the BoD and management responsibility for compliance with laws, provisions, and

other relevant regulations by giving advice, monitoring, and supervising the company's most important regulations. This role also monitors compliance with the rules concerning employees' own-account trading in financial instruments.

The CCO and CRO roles are also responsible for ensuring that requirements to risk management and control functions are met. The CCO and CRO shall ensure that important risks in the company are identified, assessed, and reported, and monitor the first line of defence's risk handling and control. The CCO and CRO must analyse important risks and prepare an overview of the company's overall risks and ensure that the Board of Directors is given the necessary information on important risks that affect or may affect the company.

Both the first line and the second line of defence are supported by ICA through services within controls, reporting and analytics.

The third line of defence is the company's internal auditor who assesses the effectiveness of the organisation's management of risks.

### 5.2.13 Outsourced activities

Storebrand has a long-term strategic outsourcing agreement with Cognizant Worldwide Ltd ("Cognizant"), where Storebrand can benefit from Cognizant's global operating model. Cognizant is a world-leading player in the fields of information technology, advisory services, and sourcing. The partnership model has been gradually improved since 2015, and an extensive management structure has

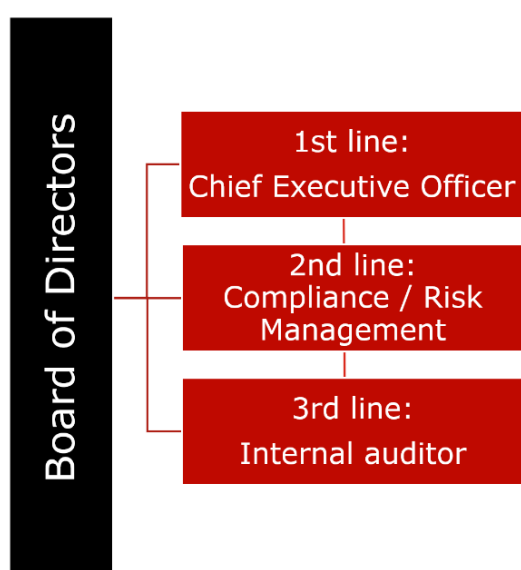


Figure 2: Three lines of defence

been established to ensure that the contractual obligations and requirements are followed up sufficiently on all levels.

Each company in the Storebrand Group has the necessary direct involvement and influence over the services provided by Cognizant. SAM has outsourced certain business processes to Cognizant and these outsourcing arrangements have been reported to Finanstilsynet (the Financial Supervisory Authority of Norway) in accordance with the applicable regulations. Finanstilsynet is also ensured access to all the information relating to the outsourced services in the form of onsite supervision.

Detailed guidelines, routines, and descriptions of responsibilities for tasks carried out by Cognizant on behalf of SAM have been established, and controls and spot checks of the outsourced activities are conducted regularly. The personnel at Lysaker in Norway and the delivery centre meet regularly, and Cognizant reports weekly on delivery according to agreed SLA levels (Service Level Agreement) and reports any incidents and operational deviations as they occur.

SAM has outsourced selected processes and key controls to Cognizant's delivery centre in Vilnius in Lithuania. As of the end of the third quarter of 2021, the Vilnius centre mainly carries out processes and key controls set in chapters 8.4 and 8.5. These cover the areas of transaction reconciliation, custody reconciliation, bank account reconciliation, corporate actions, compliance/risk control, performance control, and several reporting processes. Processes and controls related to Fund

pricing and input data / master data were transferred back from Cognizant ODC to SAM, Lysaker during 2021.

The processes and key controls referred to do not necessarily represent all the services provided by Cognizant. This report only refers to the outsourced activities which are relevant for the end-delivery to clients stated in chapter 1.

Apart from the outsourcing of business processes and controls, infrastructure operations for the company's core systems are outsourced. Infrastructure operations include operations of all the hardware and processes necessary to deliver the infrastructure required to operate SAM's core systems.

In Q2 2021 the infrastructure was heavily modernized as all applications were migrated from the old "On-premises" infrastructure at Basefarm, Stavanger Data Centre and Green Mountain into Microsoft Azure, making SAM the first major player in the Norwegian market with a complete asset management platform in the cloud. This major lift puts SAM in a position where the company can capitalize on several key advantages leveraging cloud technology, such as cloud-native tools, infrastructure as a code, pay as you go pricing model and instant security updates.

The cloud transition also means that the outsourcing partner has changed to Storebrand Livsforsikring AS ("SBL") during the control period, as the services

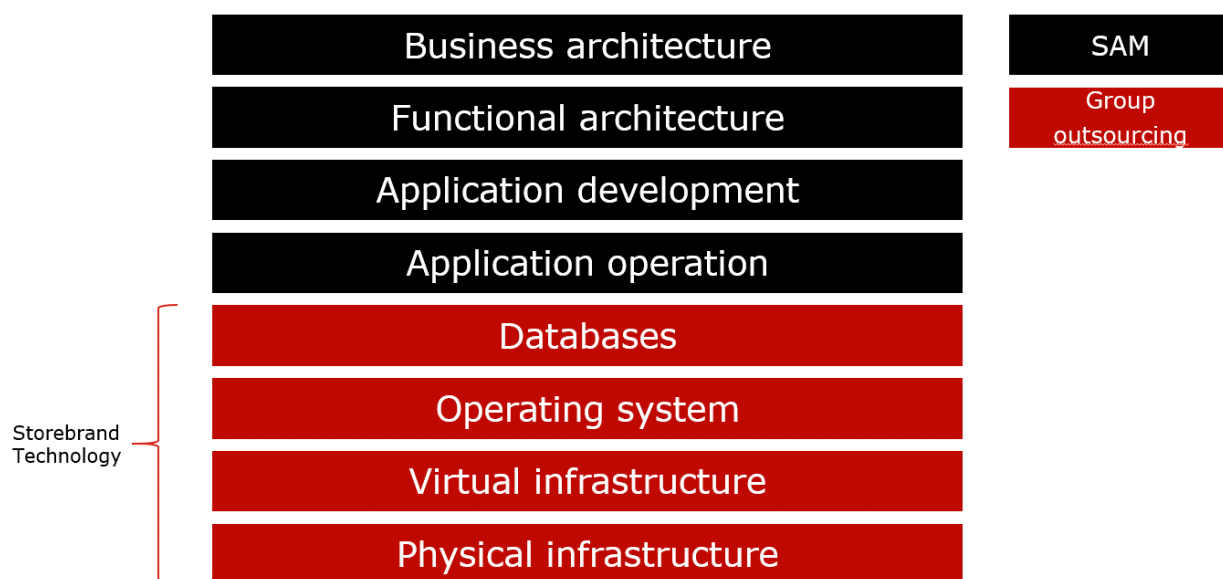


Figure 3: Operating model for IT-stack

previously outsourced to Basefarm, Stavanger Data Centre and Green Mountain are now operated by a new department in Storebrand Livsforsikring AS, named Cloud and Infrastructure ("Storebrand SRE").

This outsourcing has also been reported to Finanstilsynet and is managed according to the ICT Regulations.

The key controls on the old infrastructure setup in Basefarm, Green Mountain and Stavanger Datacenter is tested throughout June of 2021, and the new infrastructure setup is tested from the migration date in June. Both sets of controls are described in chapter 8.7, see figure 3.

In November 2021, SAM also outsourced the application operation and development of the company's core systems to SBL. This is after the control period covered by this report, all controls are conducted on the old structure and the change will be described in more detail in next year's report.



## 5.3 A holistic approach to sustainability

Storebrand Asset Management (SAM) takes an integrated approach to achieve sustainability in our work. We have an explicit corporate commitment to sustainability, guided by clearly defined principles, and executed by applying defined tools in a structured manner, to create sustainable value through the company's processes, products, and services.

The intention behind this approach is to create better returns for our customers while achieving the biggest possible real-world impact towards sustainability. It allows us to employ a wide range of tools to apply towards our sustainability goals, within a clear and transparent process that both our customers and our investee companies can understand.

By implementing this approach, SAM and Storebrand have consistently won international recognition for our work on sustainability within asset management. In November 2021, the company was included in the Dow Jones Sustainability Index recognising the world's top 10% most sustainable companies, for the second year in a row.

### 5.3.1 Guiding principles

Storebrand Asset Management is governed by Storebrand's sustainability principles, updated in 2018:

- We base our business activities on the UN Sustainable Development Goals

- We help our customers to live more sustainably. We do this by managing our customers' money in a sustainable manner, in addition to providing sustainable financing and insurance
- We are a responsible employer
- Our processes and decisions are based on sustainability – from the Board and management, who have the ultimate responsibility, to each employee who promotes sustainability in their own area
- We collaborate to achieve the UN Sustainable Development Goals with our customers, suppliers, authorities, and partners
- We are transparent about our work and our sustainability results

### 5.3.2 Strategies and tools

Our investing approach integrates strategies aimed at both:

- a. reducing the adverse sustainability impact our investments may cause
- b. contributing to positive sustainability impact by allocating more investments in sustainability opportunities

#### a. Reducing adverse sustainability impact

To reduce adverse sustainability impact, carry out an active engagement policy as part of our ownership responsibilities, and integrate sustainability risk ratings into our investment decisions.

### Screening and exclusion

The standard, based on product and norms of behaviour, covers the following themes: human rights and international law, corruption, corporate criminality, severe climate and environmental damage, controversial weapons (landmines, cluster munitions and nuclear weapons) and tobacco. In addition, companies with low sustainability ratings (in high-risk industries) are also covered. We do not invest in companies excluded from the Norwegian Government Pension Fund Global (GPF) by Norway's central bank.

We apply extended criteria to selected funds and saving profiles. The extended criteria apply to screen for involvement in fossil fuel production and distribution; alcohol, adult entertainment, arms and gambling; and green bond standards.

If we, through our third-party monitoring services, or other sources, identify a company in our portfolio as potentially violating our stated norms, we begin a process of qualitative assessment and dialogue. This process may end up with a decision to divest from the company and exclude it from our portfolio. Potential product-based exclusions are assessed and decided by our risk management team. For norm-based exclusion cases, our risk management assesses them, then refers them to our investment committee for a final decision on exclusion.

### Active Ownership

We ensure this gets done, through engagement in direct dialogue with the management and board of directors; engagement in multi-stakeholder dialogue and cooperation involving other investors, civil organisations, and governments; and voting directly or via proxy at corporate general meetings.

Our underlying general principles for engagement are:

- Seeking to create shareholder value through a focus on sustainability
- Aiming for constructive dialogue towards realising positive results
- Seeking to maximise impact through a Nordic approach
- Collaborating for multi-stakeholder engagement where relevant
- Utilising targeted engagement where ownership provides leverage

To maximize the impact of our investment in engagement activities, we periodically define engagement priorities, based on several factors, including periodic ESG materiality assessments, our investment exposure, leverage, and historical factors. Our most recent assessment has defined four prioritized engagement themes for the period 2021-2023:

- The race to net-zero: Storebrand is committed to achieving net-zero greenhouse gas emissions across all its assets under management by 2050
- Biodiversity and ecosystems: Storebrand Asset Management

aims to operate an investment portfolio that does not contribute to deforestation, by 2025. We will not knowingly finance illegal operations, fail to protect high conservation value forests/land, or violate the rights of workers and local people.

- Resilient supply chains: respect for labour rights in company supply chains has been an important engagement theme for Storebrand for many years. Addressing these issues helps build corporate value through resilient supply chains while allowing for the eradication of other social issues such as poverty, child labour, forced labour and low-living standards
- Corporate sustainability disclosure: as an investor that focuses on sustainability, Storebrand believes that all companies should report on standardized and company-specific sustainability metrics. We are therefore highlighting the importance of consistent, reliable, and verifiable reporting on sustainability indicators, in our dialogue with our portfolio companies during the 2021-2022 period.

If a company potentially is in violation of the Storebrand Standard, we use our role as an owner to enter a structured dialogue with the company regarding improvements. If this engagement process is not successful, we would then exclude the company from our investment portfolio.

### **Integrated sustainability risk ratings**

We work to reduce adverse sustainability impacts by integrating sustainability risk ratings in our investment decisions. Using Sustainalytics' ESG Risk Rating tool, we measure material ESG risk or the risk of causing adverse sustainability impact in all the companies we invest in. The ESG Risk Ratings measure the degree to which a company's economic value is at risk driven by ESG factors, or the magnitude of a company's unmanaged ESG risks. The ESG Risk Rating feeds into the Storebrand Sustainability Score assigned to all the companies we invest in - and is available for our portfolio managers to integrate into their investment decisions.

This enables us, within all given risk classes and investment strategies, to direct capital towards companies with lower sustainability risk and move it away from high sustainability risk companies.

### **b. Contributing to positive sustainability impact**

We implement a strategy to further increase our positive contribution to sustainability, by allocating more of our portfolio into investments that are aimed at solving universally prioritized sustainability challenges, as defined by the UN Sustainable Development Goals (SDGs). One of our targets is to invest 15 % of all our assets under management in "solutions", by 2025, including green bonds and infrastructure.

We do this in several ways, including implementing sustainability scoring across all investments, directing investments towards SDG "Solutions" companies.

## Sustainability scoring

Since 2012, Storebrand has developed and integrated a sustainability score for investment decisions, by ranking the companies on operations, products, and services. In this way, we can effectively identify companies that have the potential to deliver good returns, while helping to solve sustainability challenges.

The score is comprised of two main building blocks: ESG risks and SDG opportunities. On the ESG risk side, the score assesses companies' exposure to, and management of, financially material sustainability risks. On the SDG opportunities side, we analyse sustainability data sources and use internal research on solution companies to find companies whose products and services contribute positively to the achievement of financially relevant SDGs.

Portfolio Managers at Storebrand Asset Management can access the score on several levels. Total Score, Risk Score, SDG Score, and scores for underlying themes within these building blocks, are all readily available.

The data sources underpinning the scores are external sources from quality-controlled data providers, coupled with internal research. We currently use the following providers:

- ESG Risks: Sustainalytics ESG Risk Rating (50%)
- SDG Opportunities - Products & Services: FTSE Russell Green Revenue Streams plus internal research (40%)

- SDG Opportunities - Operations: Equileap data on Gender Equality (10%)

Implementation of the score is dependent on the style and risk profile of the fund/portfolio in question. The score can be used to better assess the ESG risk of a particular investment, for identifying companies with an attractive SDG positioning, or for assessing the overall exposure on ESG risk and opportunities of a portfolio. Implementation of the score is dependent on the style and risk profile of the fund/portfolio in question. In addition, the score is used to optimize portfolios towards better-performing companies and to calculate an internal fund rating.

## Solutions database

Through analysis, Storebrand Asset Management identifies what we classify as "Solution companies" - ones with business models that contribute to achieving the SDGs through their products and services, without causing significant harm. Solution company investments are one of several ways that we help shift capital towards alignment with the Paris Agreement, in particular paragraph 2.1.c): *"Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development"* and the SDGs, including social and climate solutions. A solution company should be compliant with the EU Taxonomy on Sustainable Finance if it is eligible for the classification system on sustainable business activities.

We assemble these identified companies into a "Solutions database" that is available for fund managers in their research for

investment ideas. The research and identification of solution companies is information that is also fed back to and represented in the sustainability score, ensuring an important feedback loop of information being made available to portfolio managers.

Our Solutions database also serves as a basis for our thematic portfolios, i.e., on climate solutions or smart cities, both as part of a larger investment portfolio or as thematic investment products. SAM provides broader solutions-oriented investment products, investing across the themes we have defined to be material, to achieve the overall ambition of the UN Sustainable Development Goals.

### **Green bonds**

We invest in green bonds, which enable fixed income funds to shift their exposure to projects with a dedicated focus on sustainability. The green bonds we invest in are for companies that meet our standard sustainability criteria, are aligned with the international standard Green Bond Principles and the upcoming EU Green Bond standard and are compliant with the ICMA framework. The sustainability of each project is verified by a third party.

### **Infrastructure**

We direct capital to Infrastructure investments, enabling the transition to a green economy, which directly requires long-term private sector investment that is largely supported by regulation within each identified category. For example, during the period through 2027, the European Commission's Investment Plan for Europe aims to mobilize €650bn of investments – mainly from the private sector – into

renewable energy infrastructure. Before investment and during project execution, all our infrastructure investments are assessed according to Storebrand's Sustainable Investment Policy, which ensures rigorous due diligence regarding potential environmental, social and governance risks. We exclude all infrastructure investments that do not conform to the Storebrand Standard.

### **Real Estate**

Our experience is that the integration of sustainability aspects in real estate has a positive effect both for society and our tenants while providing higher returns on property investments. We integrate sustainability throughout our property portfolio and aim to be the Nordic region's leading player in the sustainable management of real estate investments.

Environmental management systems ensure that environmental considerations are maintained at all stages, and third-party certifications document the quality of the sustainability work in property management. Through the environmental certification and environmental classification of individual properties in connection with refurbishment and new construction, we cover the entire spectrum of relevant environmental aspects: Energy, materials, water, transportation, health and indoor environment, land use, ecology, waste and pollution.

International benchmarking of sustainability gives us another evaluation that is valuable both for continuous improvement in management and for the investors' evaluations.

Our certification and rating include 100% environmentally certified property management:

Eco Lighthouse, ISO 14001, BREEAM NOR In-Use Environmental classification of individual properties: BREEAM NOR. Minimum requirements "Very Good" for refurbishment and "Excellent" for new construction.

International sustainability rating of asset management:

Global Real Estate Sustainability Benchmark – GRESB. Our three portfolios are in second, third, and fourth places respectively among similar portfolios in the Nordic region.



**«We regard sustainability as a significant driver of corporate value»**

Companies that manage current and future environmental and social opportunities and risks will emerge as leaders and are more likely to create a competitive advantage and long-term stakeholder value.

– Jan Erik Saugestad, CEO, Storebrand Asset Management



## 5.4 Internal governance and controls

Internal governance and controls include everything a company does to achieve its objectives within the defined risk appetite. Internal controls involve more than just control measures. It includes ensuring cost-effective operations, reliable reporting, and compliance with internal and external regulations. Based on the company's strategic plans, SAM works systematically to identify risks and implement necessary risk-reducing actions to ensure that the company's objectives are achieved. The management of assets is carried out reliably and according to the client's mandate, and the client is ensured correct reporting.

A governance and control structure has been established for all SAM's management processes and covers the processes from the signing of client agreements until the execution of the individual trades in the portfolios and funds. Each Portfolio Manager in SAM has mandates assigned to them by the Chief Investment Officers to ensure that the responsibility is as clear as possible and with solid segregation of duties between Portfolio Managers and between the different Front Office teams.

A good control environment is based on culture, awareness, attitude, value, and integrity. The company's principles governing internal controls and the administration of activities are intended to support internal governance and controls.

This is reflected in the clear segregation of duties between the various teams, sections, and departments:

- The Nordic Distribution and International Distribution departments initiate contact with new clients and establish agreements with clients,
- The Client Deliveries section within CST is responsible for establishing the take on assignments needed after an agreement has been signed, and is also responsible for deliveries related to accounting information,
- The Front Office departments are responsible for the client's assets being managed according to the mandates. This includes buying and selling securities and other financial instruments within the objective of creating the highest possible return within the defined risk appetite documented in the client agreements,
- The Real Estate Management department is responsible for managing the properties in the segregated accounts and real-estate fund according to the respective mandates, including buying and selling properties to ensure the optimal geographical and segment distribution within risk frameworks established in the alternative investment fund's partnership agreement,
- The Private Equity Management organised in Cubera is responsible



for managing fund-of-funds in the asset class private equity according to descriptions and limitations in the fund's prospectuses,

- The ICA department is responsible for ensuring that the asset management is conducted in compliance with regulatory requirements, agreements with the client, internal requirements, and market practice. Also, the department ensures that the client receives correct and relevant information. This requires responsibility for an independent valuation of securities, daily checks of compliance with the mandate, and performance measurements and reporting.
- The Investment Administration section within IOT is responsible for settling trades initiated by internal and external managers/clients, ensuring correct information in the systems' internal book of records, and for processing corporate actions. This section arranges for bank accounts to be established for

the client and reconciliation of these.

- The Fund Pricing section within IOT is responsible for the calculation of net asset value for all securities funds.

Ensuring good internal controls is a continuous process carried out by the BoD, the company management and the employees, and is an integrated part of the company's operations. Good internal control depends on a clear division of responsibilities and good communication and exchange of information between various levels in the organisation. It is also necessary to have regular control activities that also include the outsourced processes.

#### 5.4.1 The internal control process

SAM's BoD has the formal responsibility for ensuring that the company's internal governance and controls are satisfactorily designed and complied with.

The company's internal audit function submits an annual report to the BoD to give the internal audit's overall assessment of governance, internal control, compliance, and risk & capital management, including how key risks are handled.



Figure 4: Internal rules and guidelines for management

The CEO is responsible for establishing and maintaining adequate internal governance and controls, based on guidelines determined by the BoD, and for providing the assessment of relevant risks that the company is exposed to. The established control processes and systems must be clearly set out and documented in a systematic manner across business units. The CEO submits a report to the board on the established internal governance and controls, identified risks, and risk-reducing measures by the end of December at the latest. The CEO's report is submitted to the BoD at the same time as the internal audit function's report and forms part of the annual planning process.

All the company's managers, irrespective of their level, have an independent responsibility for internal governance and controls within their area of responsibility, and must regularly assess the execution of the internal control activities. At least once a year, the managers must conduct a summarising assessment of whether the internal control work has been carried out satisfactorily.

All the company's employees must carry out their work in a manner that is following the goals, policies, standards, and guidelines that have been set in the Group and the company.

SAM is subject to several laws regulating the financial activities and products delivered to clients and customers. The most important of these are the Securities Funds Act, the Alternative Investment Funds Act ("AIF"), and the Securities Trading Act. All the applicable laws have sets of regulations that also apply. The

company complies with Group principles and guidelines in the areas of accounting, finance, information, corporate social responsibility, HR policy, and the handling of legal issues. It also has rules and routines relating to business continuity, information security, money laundering, and economic crime. Also, SAM has its guidelines for employees, employees' own-account trading in financial instruments.

The risk management and control process relating to management services can be divided into two categories:

- Pre-trade controls – control of administrative tasks, including controls addressing the necessary setup, and
- Post-trade controls – control and follow-up of the restrictions and requirements established in the mandate and based on the client agreement

#### 5.4.2 Pre-trade controls

The pre-trade controls relate to portfolio administration and are necessary to deliver services to the clients according to the agreement, including:

- the handling of the client agreements
- the settlement of client subscriptions and redemptions in Securities Funds as well as the reconciliation of bank accounts related to unit holder transactions
- the establishment of the operational assignments ("Take on") within the departments in the

operational value chain (IOT, CST, and ICA)

- the establishment of investment mandates and trading authorizations
- the methodology for ensuring sustainable investments
- internal routines for handling conflicts of interest
- HR policy, ethical rules, and internal routines for employees' own-account trading

All management services provided are formalized in the form of a written agreement between SAM and the client, as illustrated in figure 4. An investment mandate from the client to SAM is included as an attachment to the agreement. The investment mandate states guidelines and restrictions for portfolio management. The trading authorization sets limitations for each

Portfolio manager and the portfolio in which he or she can trade on behalf of the client.

When the client agreement has been signed, the operational assignments are established ("Take on process") by the Client Deliveries section within the CST department. Central assignments to be handled in the take-on process are the establishment of a client portfolio in SAM's portfolio management system SimCorp Dimension (SCD) including associated bank and custody accounts, the setting up of reports and setting the definition of instrument types that can be traded and held in the portfolios.

Structures for following up compliance and risk and measuring performance are also established in the take-on process.

The investment mandate delegates authority to trade from the Chief Investment Officers to the Portfolio managers. The investment mandates are intended to ensure that the composition of securities and risks in the various portfolios is in line with the client agreement.

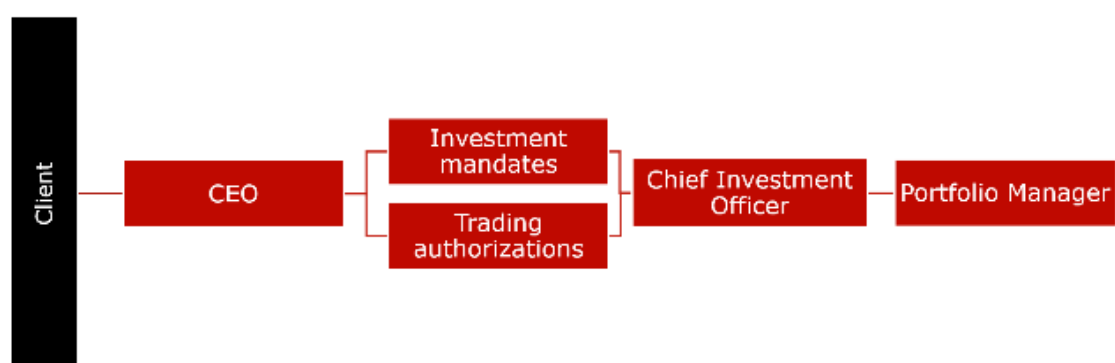


Figure 5: Authorisation structure for management assignments

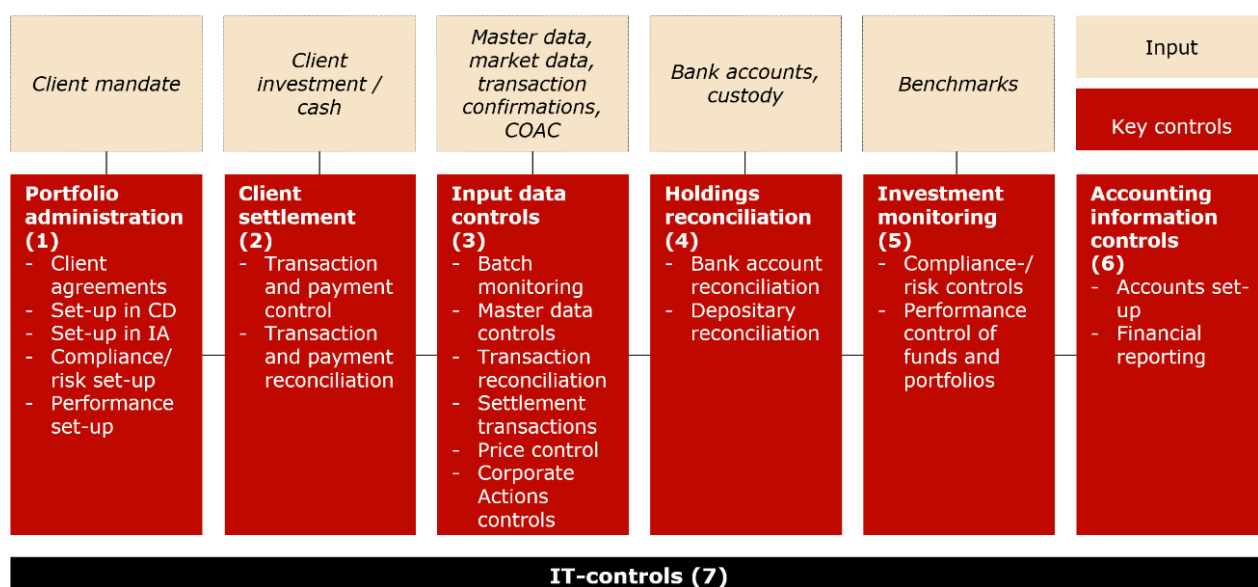


Figure 6: Process diagram showing relevant key controls in a management assignment

The investment mandate authorizes the Portfolio manager to make investment decisions and carry out market operations on behalf of the client. The Portfolio manager's trading authorization defines the financial instruments that can be traded on behalf of clients.

SAM regulates the individual Portfolio manager's authority through instructions in which the employee is assigned responsibilities, authorizations and guidelines for the execution of his or her tasks. The instructions state that the client portfolios are to be managed in compliance with applicable laws and regulations and accordance with the investment philosophy and other guidelines.

SAM bases its operations on a high ethical standard and requires all employees to comply with this standard. The company and its employees are subject to the Group's ethical rules, which include guidelines on confidentiality, relationships with business associates, employees' own trading and handling of gifts.

SAM also places great emphasis on developing its employees' expertise by offering courses and support for further and higher education. Taking part in projects and programs, job rotation schemes and internal training along with a continuous exchange of experiences are also important for developing expertise. Employees are, together with their manager, responsible for personal development and training plans.

The most important control mechanisms are the employees themselves, who are crucial to how well the controls functions in general. All employees must sign a declaration confirming that they have become acquainted with and will comply with the laws, rules and guidelines that are relevant to the function they perform in the company. Annual training exercises are conducted in key areas to keep employees updated and mindful of their responsibilities.

### 5.4.3 Post-trade controls

Figure 6 provides a simplistic overview of the processes and controls directly related to services provided to a client and of the relationship between the controls. Portfolio administration consists of control activities before trading can be carried out and is part of the pre-trade controls described in the previous paragraph. Further control activities are mainly post-trade controls carried out after the investment mandate has been implemented. The list of items refers to the key controls in chapter 8.

The post-trade controls consist of controls of input data, holdings and portfolio monitoring, including:

- Master-data controls
- Transaction reconciliations
- Settlement transactions
- Price controls
- Handling of Corporate actions
- Bank account reconciliations
- Custody reconciliations of financial instruments
- Compliance/risk controls
- Performance controls
- Controls of accounting Information

Post-trade controls are primarily carried out by Investment Administration ("IA") and Fund Pricing ("FP") in IOT, Client Deliveries ("CD") in CST, and ICA. These carry out assignments that ensure the proper handling of the client's assets according to the set agreement.

IA is responsible for the following controls:

- Master data controls that ensure the data are complete and accurate
- Transaction reconciliations between SCD and trading confirmations from the counterparties
- Manual settlements in which two employees always instructs and approve payment
- Controls of corporate actions, which are carried out by correctly and timely registration in the portfolio system
- Bank account reconciliations that identify and correct any deviations between the transactions and balance in SCD and the banks' accounting information
- Custody reconciliations that are carried out to ensure the correct holdings in the portfolios

FP is responsible for the following controls:

- Price controls that ensure that financial instruments are priced accurate and according to internal valuation principles
- Performance controls of the securities funds' net asset values (NAV) to identify any errors related to pricing, transactions, and corporate actions
- Master data controls that ensure the data are complete and accurate

CD is responsible for the following controls:

- The reconciliation of accounting information to check that accounting reports sent to clients are in accordance with accounting transactions generated in SCD

ICA is responsible for the following controls:

- Valuation principles that ensure the pricing methodology and the price controls are appropriate and correct
- Mandate controls that ensure compliance with restrictions, risk appetite, and other restrictions based on the clients' agreements
- Performance controls that ensure performance setup for the individual client, performance measurement, and the structure of the performance reporting.
- Portfolio performance controls that are largely based on a comparison with discretionary portfolios' benchmarks

#### **5.4.4 Internal-audit function**

Each autumn, the company's internal auditor, in cooperation with company management, prepares a plan setting the areas in which the internal audit function should review during the next calendar year. These areas are chosen based on a risk assessment that has been conducted so that areas with the biggest risk, including a combination of probability and consequence, are prioritized.

During the test-period (1 October 2020 – 30 September 2021), the internal auditor presented the following projects to SAM's BoD addressed to the Group, SAM, and SKAGEN:

- SAM 2020/20: Investment advice
- SAM Group 2020/12: ESG - Data and Monitoring
- SAM - Uavhengig vurdering av godtgjørelsesordningen i Storebrand Asset Management 2018 (Remuneration scheme)
- SAM - Uavhengig vurdering av godtgjørelsesordningen i Storebrand Asset Management 2019 (Remuneration scheme)
- Storebrand Group 2020/03: AI Model Governance (Styring og kontroll automatiske beslutningsmodeller)
- Storebrand Group 2019/18: Active Directory analysis
- SBL and SAM 2020/08: Risk mapping of system vulnerability
- SAM - Follow-up 2020/26.4: Internal audit of compliance with AML-CTF requirement
- SAM 2021/26: Uavhengig vurdering av ICAAP
- Storebrand Group 2020/29: Læring beredskapshåndtering Covid-19
- SAM Group 2020/16: NAV process – phase 2
- Storebrand Group 2021/04: Sikkerhetskultur innen informasjonssikkerhet

- SAM 2021/18: Review of sales material
- Storebrand Group 2021/33: Internrevisjon av tilnærming og strategi for sikkerhetskultur – fase 2
- Storebrand Group 2021/01: Etterlevelse ISMS innen utkontraktert IKT virksomhet
- Storebrand Group 2021/21- CEP Design of technical solution to ensure privacy when sharing data (Privacy by design)
- SKAGEN – 2021/21: Konsernintern utkontraktering (Group outsourcing)
- Storebrand Group – 2021/17: Godtgjørelsesordningen (Remuneration scheme)
- SAM/SKAGEN – 2021/20: Investment Advice

The internal auditor recommends improvements if weaknesses are revealed, and the administration implements the recommended measures according to agreed deadlines.

The company's internal audit function submits an annual report to the BoD to give the internal audit's overall assessment of governance, internal control, compliance, and risk & capital management, including how key risks are handled.



5.5 System overview

5.5.1 Organisation of the IT functions

SAM's IT functions are organized in the IOT department and have the responsibility for all operational processes and issues, including application operations, application management and ICT policy, which is assigned to dedicated roles and employees in this department. This is also the case for the responsibility for IT development and IT architecture. The department resolves minor IT development issues using an agile methodology.

The Transformation Management (TM) section in CST is responsible for the overall change program in SAM and for executing major projects according to business goals. These projects involve both internal IT employees and external suppliers.

In Q2 2021, SAM migrated to a future-proof and scalable IT infrastructure based on state-of-the-art cloud technology, as described in section 5.2.13. The migration

consolidated the IT infrastructure for SAM Group.

**SimCorp Dimension (“SCD”)** is SAM's most important core system. It is an integrated portfolio management system with integration to data and applications both upstream and downstream. Data from SCD is the foundation for portfolio management, control activities, accounting information, settlement and reporting. The system is based on a two-layer client/server solution and uses Oracle as its database platform. The production environment is mostly run on servers, but some users have local installations on their workstations.

Minor changes to the system are carried out by TM after thorough testing. There are usually two system upgrades each year. Since the system provider now releases four versions per year,

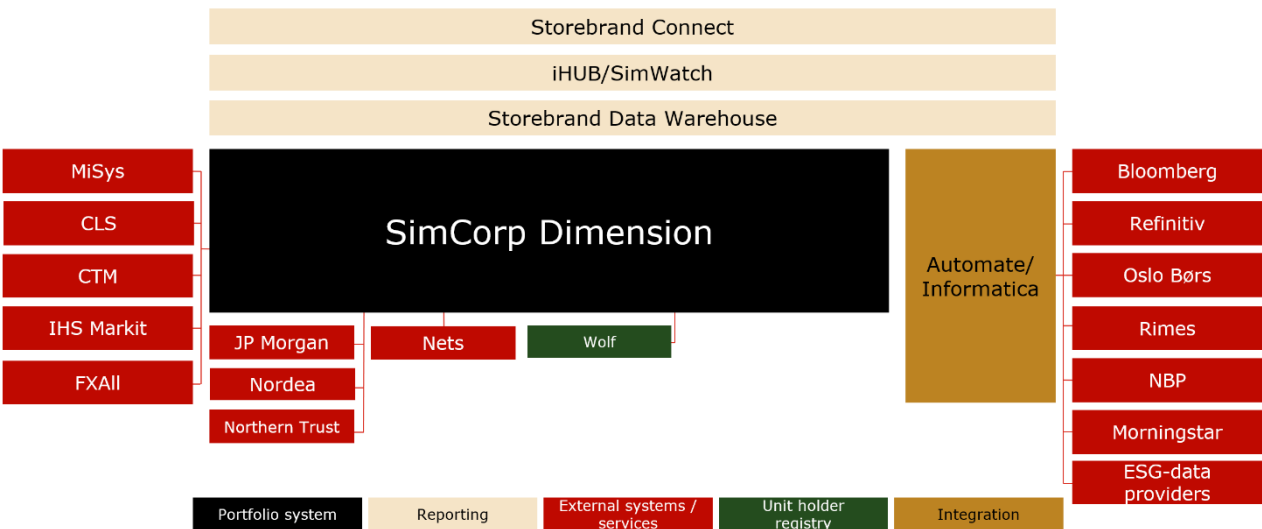


Figure 7: Systems, applications, and data

SAM will consider how many, and which upgrades to carry out. Unit testing takes place through a SimCorp service called "Validation and Test Management". The integration and acceptance tests are managed by TM with the participation of affected business departments. Formal approval of the test result and production setting plan takes place before a new version is implemented. Support and maintenance of the system are provided by the system provider, SimCorp AS.

**Wolf** is SAM's unit holder registry for SKAGEN, SPP, Storebrand and Delphi funds. It is an in-house built system originally developed by SKAGEN. A dedicated team of Storebrand developers are operating and developing the system based on business needs and a strategy of fully automated processes. The system is used through a user portal, K3S.

The system has integrations with other internal systems like the portfolio management system, SimCorp Dimension.

**Informatica and Automate** are SAM's ETL (Extract, Transform, Load) tools, and are used to integrate data and transfer it between SAM's core systems.

**SAM's Data warehouse** has been developed in-house and is based on Oracle database technology with Informatica PowerCenter facilitating the ETL process. It loads and historicizes data from SCD and Wolf using a star schema architecture to store and structure data. This data is exposed to interested parties through several mediums including iHub (reporting), Power BI and Oracle views. To continue modernizing and automating

SAM's technology platform an initiative to build a new data platform based on Snowflake and DB replication tools started in 2021. The new data platform will enable SAM to leverage and distribute data in a future proof way, both internally and to clients.

**iHub** is a reporting tool used to generate and distribute reports in SAM. OpenText Analytics Designer is an associated development tool used to develop Data Objects, reports, and Dashboards. ITS develops Data Objects, reports, and Dashboards. Client Deliveries manages iHub and Cockpit (a specially developed interface for managing the creation of reports) and provides access to the reporting solution. External clients are given access to the reports through the web portal, [www.storebrand.no/connect](http://www.storebrand.no/connect)). Internal users are given access to the reports via the intranet through iHub's web interface. iHub is delivered by OpenText via ReportSoft. OXX AS has developed the reporting portal/web nodes, [www.storkunde.net](http://www.storkunde.net).

**SimWatch Web** is an in-house developed tool. SimWatch obtains basic data from SCD via SQL and makes it available in finally defined views that can easily be exported to a chosen medium. The data is used for analysis purposes by Portfolio managers, CST, IOT, and ICA.

**Omgeo Central Trade Manager (CTM)** is used to obtain contract notes for shares and bonds from SAM's counterparties. CTM carries out automatic reconciliation against transactions in SCD. The application applies the Straight Through Processing

(STP) principle. CTM also includes settlement instructions.

**Alert** is a central database delivered by Omgeo. This database is shared by all counterparties/banks that use Omgeo-CTM and is available to SAM via the web.

**Continuous Linked Settlement (CLS)** is a global system for settling FX trades. SAM is not a direct member but has a third-party solution via Nordea, which has direct membership. The system automatically reconciles FX trades from external counterparties with transactions from SCD and sends automatic settlement instructions on the settlement date, with payment versus payment.

**Misys** is used for deposits and to obtain contract notes for FX trades in cases where the client and/or currency does not use CLS. For FX trades, the reconciliation with SCD is automated via an STP process. Deposits are manually reconciled with SCD.

**MarkitWire** is used to obtain trading confirmations for Interest Rate Swaps (IRS) and Forward Rate Agreements (FRA). Reconciliation takes place manually.

**FxAll** is used by managers for foreign exchange trading.

## 5.6 Subcontractors

SAM uses subcontractors in several areas. Below is a description of key subcontractors. Please note that the strategic collaboration with Cognizant and associated outsourcing is described in chapter 5.2.13 – in addition to the outsourcing of infrastructure.

### 4.6.1 Bank connections – securities settlements

SAM uses several Norwegian and foreign banks for securities settlements. The company has relations with Nordea, Danske Bank, JP Morgan, Northern Trust, and Handelsbanken. SAM has entered into an agreement with JP Morgan on the centralized settlement of listed derivatives and the administration of securities lending program for SAM and SPP funds. The collateral management agreement with JP Morgan has been moved in-house to SAM during 2021 and will be terminated upon project completion. SAM also uses the mentioned to obtain information about corporate actions.

### 4.6.2 Custody and Depositary

Securities funds and alternative investment funds must have a custody bank according to the regulation governing these funds. The custody's role is to ensure that the fund's assets are stored safely and that the fund's investments comply with the guidelines and investment restrictions that have been communicated to investors and according to applicable legislation.

SAM uses JP Morgan Norway and Sweden as the custody for its securities funds. SKAGEN used Handelsbanken for its securities funds until the migration to JP Morgan Norway in November of 2020. DNB is used as the custody bank for alternative investment funds in the private equity and real-estate sectors.

### 4.6.3 Unit-holder register

SAM is responsible for keeping a unitholder register for its Norwegian securities funds and real-estate funds. Furthermore, SPP Fonder AB has similar responsibility for the

Swedish securities funds. Wolf is used as the unitholder register in both Norway and Sweden. The Norwegian Central Securities Depository (Verdipapirsentralen (VPS)) is used as the unit holder register for Storebrand's Alternative Investments funds that have been established on the Cayman Islands. Cantor is used as the unitholder register for real-estate funds.

#### **4.6.4 Master data and prices**

Information on individual securities (master data) is obtained from the following sources, among others: Bloomberg, Reuters, Nordea, Oslo Børs

Informasjon, Nordic Bond Pricing AS (NBP) and Stamdata AS.

SAM uses Refinitiv (previously Thompson Reuters), Bloomberg, Markit, and NBP to automatically download the prices of individual securities. The prices of listed bonds are obtained from NBP and Bloomberg. Swap curves are quoted by and obtained from Thompson Reuters and Bloomberg and form the basis for theoretically calculated prices. Index data is provided by different benchmark providers through Rimes. External valuation is used for properties in real-estate funds in Norway and Sweden.

## 6. Overview of control objectives linked to the main processes

### 6.1 Client administration and setup

Provide adequate certainty that the mandate is handled in accordance with the client agreement and that portfolios are established according to the client mandate and relevant regulations. The client must receive the agreed and relevant reports.

### 6.2 Client settlement

Ensuring that client investments are handled according to instructions and maintained in a timely and correct manner.

### 6.3 Input-data controls

Ensure that data imported or entered into the system are timely and correct. Input data are all the data necessary to keep SCD updated with the correct data – market data, master data, transaction data, and data that is necessary for trading, transaction handling, reporting, and control activities.

### 6.4 Holdings reconciliation

Ensure that the holdings owned by an investor are correctly booked in SCD. The controls also ensure that transactions, collateral, and corporate actions are being handled correctly and that funds and portfolios are correctly valued.

### 6.5 Investment monitoring

Ensure that the clients' assets are managed in accordance with restrictions in the agreement, and other internal and external regulations.

To ensure the correct measurement and reporting of performance and values of securities funds, discretionary portfolios, and total client portfolios.

### 6.6 Accounting-information controls

To ensure integrated and correct financial reports, including reports to clients and authorities, and timely and correct presentation of the annual accounts of securities funds and private-equity funds.

### 6.7 IT controls

To ensure there is no unauthorized use of applications and underlying infrastructure, and that physical access to computer rooms and office premises is limited to authorized personnel.

To ensure that all systems can be restored and are available if an emergency arises.

To ensure that changes to the application portfolio have been sufficiently tested, approved, and documented so that they do not affect the application's stability. Ensure that all systems can be restored and will be available if an emergency arises.

## 7. PwC's test methodology and results of auditing procedures

### 7.1 Description of PwC's test methodology

#### 7.1.1 Executed tests

Below is a description of the type of test actions that have been carried out to assess whether the key controls in chapter 8 are satisfactorily designed and implemented and have functioned effectively in achieving the control objectives.

#### 7.1.2 Inquiries

Inquiries consist of obtaining information from knowledgeable persons in the company. It is an auditing procedure extensively used throughout the audit. Types of inquiries can vary from formal, written inquiries to informal, verbal inquiries. Assessing the replies to inquiries is an integral part of the process.

#### 7.1.3 Inspections

Inspections entail an examination and assessment of the documentation showing that the control activity has been carried out in a way that is effective for achieving the objectives.

#### 7.1.4 Observations

The key control is observed through a visual examination and a description of its execution. An observation provides audit evidence that a process, routine, or control activity has been carried out, but is limited to the point in time when the observation takes place.

#### 7.1.5 Reperformance of routines or controls

A reperformance process means re-performing the control activity and comparing the test results against the results of the original control activity.

#### 7.1.6 Scope and selection

The test scope is adapted to the frequency of the various key controls. The test selection is spread among the various clients, but not all clients will be included in the test selection.

#### 7.1.7 Restrictions

Several key controls are automated or based on information generated by various systems. Our work does not include a technical review of the systems' logic and functionality and the quality of generated information, including valuation methods, performance calculations, risk calculations and calculations relating to mandate controls. Our work does not include an assessment of factors relevant to compliance with laws and regulations relating to services provided.

The descriptions in chapter 5.6 refer to the use of subcontractors in several areas. These subcontractors' relevant control objectives and associated controls are not included in the descriptions and our work does not include any assessment or test of the control

environments of these subcontractors of Storebrand Asset Management AS ("SAM"). SAM has outsourced tasks to Cognizant Worldwide Ltd (Cognizant) and the controls in chapter 8 also cover key controls carried out by Cognizant on behalf of Storebrand Asset Management AS. Our work solely comprises the controls described in chapter 8, and we have not conducted any assessments or tests of the rest of Cognizant's internal control environment.

Our work does not include assessments or tests of whether prices and information from external suppliers provide satisfactory certainty that the portfolio's less liquid assets are valued at the price that would be achieved if an asset was sold or if an amount was paid to transfer an obligation in an orderly transaction between market participants on the measurement date.

## 7.2 Results of the tests conducted by PWC

During our review of the internal management and controls relating to the financial reporting of management assignments, we have found some areas where we have been unable to conduct the planned tests and some areas where our tests have identified deviations in relation to the achievement of objectives. Below, we comment on identified deviations or areas where we have been unable to conduct planned actions that may be of interest to SAM's user organizations and their auditors when assessing whether they can build on the internal management and controls established in SAM. A rather more detailed description of the identified deviations is provided in chapter 8. The tests that have been conducted are described for all key controls. In case deviations were revealed, these have also been described.

### 7.2.1 Bank account reconciliation

Bank balances are reconciled with custody bank balances daily. We observe an improvement related to the follow-up of deviations. However, during testing, it was not possible to verify the completeness of the performed reconciliation as the reconciliation files were saved early in the morning and did not include any adjustments performed during the day.

### 7.2.2 Custody reconciliation

Some deviations were revealed related to custody. Deviations are related to missing evidence on performed reconciliation or/and missing evidence on performed follow-up.

### 7.2.3 IT-controls

One deviation related to physical access approval was revealed related to an external user.



## 8. Main processes with key controls and the auditor's conclusion from test activities

### 8.1 Client administration and setup

**Control objective:** Provide adequate certainty that the mandate is handled in accordance with the client agreement and that portfolios are established according to the client mandate and relevant regulations. The client must receive the agreed and relevant reports.

#### 8.1.1 Handling of client agreements

The Client Deliveries (CD) section in the CST department plays a key role in the portfolio administration. Before the client agreement is signed, the client's mandate is reviewed to ensure it is operationally manageable, including reporting requests, and that any client set restrictions can be monitored and complied with. The management fee and structure must also be clarified. The process of onboarding new clients or changing client setup is called "take-on" including all operational tasks to be carried out.

The Nordic Distribution (ND) department ensures that proof of identity and a trading authorization is submitted and that a copy of these is properly stored. The client agreement is stored electronically in the ND's archive. All agreements are stored physically in the company archive. Any changes to the client agreement and the investment mandate must be notified in writing. Documentation of changes is stored together with the agreement.

When establishing new portfolios, instructions are given to the parties involved to ensure that the necessary preparations are made.

#### **Key control (1)**

CD ensures that ND has filed the correct Take-on template in SharePoint for new or changed mandates, and that these have been checked to ensure operational manageability. Any deviations from the reporting standard must be clarified. A copy of identity documents must be stored electronically.

Frequency: When required

Responsible: Client Services & Transformation

#### **Tests conducted by PwC and any significant deviations**

*A walk-through of the control was performed with Client Services & Transformation. For a selected sample of new or amended mandates, it was verified that the routine was carried out. No deviations were revealed.*

**Key control (2)**

CD monitors that responsible parties carry out their tasks to operationalize a new client mandate or amendments to an existing client mandate. A warning is automatically generated and distributed to the correct party if deadlines set in the system are not signed off by the correct party.

Frequency: When required

Responsible: Client Services & Transformation

**Tests conducted by PwC and any significant deviations**

*A walk-through of the control was performed with Client Services & Transformation. For a selected sample of new or amended mandates, it was verified that the routine was carried out. No deviations were revealed.*

**8.1.2 Client Deliveries setup**

Client Deliveries (CD) is responsible for creating the necessary portfolios in SCD. CD establishes the client reporting structure in the reporting tool "iHub" and checks that the reports are in line with the take-on form.

**8.1.3 Investment Administration setup**

Investment Administration (IA) in IOT is responsible for operational take-on tasks such as entering into bank agreements involving the opening of custody accounts, establishment of settlement instructions with banks and counterparties, and the necessary setup in SCD for trading in all relevant instruments.

**8.1.4 Compliance and risk monitoring setup**

ICA implement new or changed mandates in a separate SharePoint database, SAM's Mandate database. The mandate restrictions are programmed as rules in the system module Compliance Manager for daily monitoring and control. The most common of these restrictions are within the following categories:

- Allocation rules with quantitative restrictions on the percentage of the portfolio's assets that can be invested in different asset classes.
- Credit risk rules for Fixed Income portfolios. Examples of this are a minimum credit rating for the portfolio and maximum limitations per rating class or issuer within a rating class.
- Interest rate risk rules, which are normally stated as the maximum limits for interest-rate sensitivity.
- Market risk rules, in the form of deviations from the benchmark, are expressed as an ex-ante Tracking Error.
- Currency risks, stating the investments to be hedged, how the currency hedging is to be carried out, and the applicable hedging ratio.

- Sustainability requirements e.g., the Storebrand standard, with a list, updated quarterly, of the companies that must at any time be excluded from the investment universe. Any deviations to this standard are reported as an investment breach.

#### **Key control (1)**

The Mandate Database is automatically sending out notifications to the Portfolio manager and the Chief Investment Officer in case of any new or changed mandates. They have an option through the automated link to give input on changes or reject the mandate within seven days.

Frequency: When required

Responsible: Investment Control & Analytics

#### **Tests conducted by PwC and any significant deviations**

*A walk-through of the control was performed with ICA. For a selected sample of new or amended mandates, it was inspected that mandate is signed by the manager in the mandate database. No deviations were revealed.*

#### **Key control (2)**

Mandate restrictions are programmed into Compliance Manager and checked against the mandate by another person in ICA then carried out the change – four-eyes principle.

Frequency: When required

Responsible: Investment Control & Analytics

#### **Tests conducted by PwC and any significant deviations**

*The control was discussed with ICA. For a selected sample of agreements, it was tested that the mandate restrictions were correctly registered in the Compliance Manager in SCD and verified by another person. No deviations were revealed.*

### **8.1.5 Other risk monitoring**

SCD Risk Analysis Manager is used as a tool for monitoring the risk in funds and portfolios. Calculations in this module form the basis for the internal and external reporting of risk exposure. New portfolios are entered into the system to provide results from risk calculations. Typical key figures and outputs that can be delivered by the Risk Analysis Manager are Value at Risk (VaR) modelling and stress testing on different parameters or scenarios.

Any results from risk calculations can also be used as a basis for post-trade compliance monitoring and control.

### **8.1.6 Performance setup**

ICA establishes a performance setup (Performance Measurement), including benchmarks, for clients in SCD according to the investment mandate. Based on the performance setup, a basis

for performance reports is defined in SCD, which is transferred to the Data Warehouse for client reporting.

For clients without an investment mandate, SAM uses an asset-weighted reporting of the benchmark based on the official index of each underlying securities fund.

Changes are registered in a separate log in Excel along with an updated overview of changes in the clients' performance setups.

**Key control (1)**

New or changed performance setups are checked against the mandate by another person in ICA then carried out the change – four-eyes principle.

Frequency: When required

Responsible: Investment Control & Analytics

**Tests conducted by PwC and any significant deviations**

*The control was discussed with the department of Investment Control & Analytics. For a selected sample of new or materially amended performance set-ups, it was inspected that the performance set-up has been reconciled against the mandate by another person. No deviations were revealed.*

## 8.2 Client settlement

**Control objective:** Ensuring that client investments are handled according to instructions and maintained in a timely and correct manner.

Fund Administration in CST is responsible for maintaining the unitholder registry and handling all client orders and instructions. Data on the client level must be secure and correct so our clients can trust the information on their investments in SAM.

### **Key control (1)**

One person registers the transaction and a second approves it. Application control is implemented to ensure this segregation of duties – 4 eyes control. No one can approve their transactions/payments.

Frequency: Continuously

Responsible: Client Services & Transformation

### **Tests conducted by PwC and any significant deviations**

*The control was discussed with the Client Services & Transformation. We observed on the screen that the control operator was not able to approve his/her transaction/payment. No deviations were revealed. The application control ensures segregation of duties.*

### **Key control (2)**

Automatic system reconciliation based on given rules and manual reconciliation of the rest.

When manually reconciling the accounts for SKAGEN, there is manual control of open items to ensure that settled client transactions match incoming/outgoing payments on the fund's bank account. If payment is not matched, the team will investigate further.

Frequency: Daily

Responsible: Client Services & Transformation

### **Tests conducted by PwC and any significant deviations**

*The control was discussed with the Client Services & Transformation. For a selected sample of days, it was inspected that reconciliations were performed and that mismatches were resolved. No deviations were revealed.*

**Key control (3)**

To make sure that all payments are only made to clients who have fulfilled the identification requirements, experienced persons are responsible for checking transactions.

Frequency: Continuously

Responsible: Client Services & Transformation

**Tests conducted by PwC and any significant deviations**

*The control was discussed with Client Services and Transformation. For a selected sample of days, it was inspected that reconciliations were performed and that mismatches were resolved. No deviations were revealed.*

## 8.3 Input data controls

**Control objective:** Ensure that data imported or entered into the system are timely and correct. Input data are all the data necessary to keep SCD updated with the correct data – market data, master data, transaction data, and data that is necessary for trading, transaction handling, reporting, and control activities.

### 8.3.1 Batch monitoring

**Control objective:** All daily, monthly, and annual batches are run timely and correctly so that systems are updated to include information to ensure stable operational processes and outcomes.

**Key control (1)**

All data integrations are monitored in accordance with instructions. These integrations will include all data being loaded from external parties into SAM's systems, integration between SAM's systems, and data being loaded to external parties from SAM's systems.

In case of any deviations, incidents are registered in the JIRA incident system. In the case of major deviations, a separate incident report is created in accordance with SAMs incident notification routines.

Frequency: Continuously

Responsible: Investment Operations & Technology

**Tests conducted by PwC and any significant deviations**

*The control was discussed with Investment Operations & Technology. It was observed that the monitoring of file transfers was performed in accordance with formalised instructions. For a selected sample of incidents, it was inspected that the follow-up was performed in accordance with the routine. No deviations were revealed.*

### 8.3.2 Master data controls

**Control objective:** Ensure that master data is complete and correct.

Master data is static information, mainly related to the individual financial instrument, that is necessary to correctly handle trading, transactions, reporting, and control activities.

The master data for listed securities and issuers are imported from Bloomberg based on the demand from Portfolio managers and the need for detailed information in benchmarks. For Norwegian fixed income securities, key master data is automatically imported from Stamdata AS. When new Norwegian fixed income securities are traded, they are complemented by manual registration of additional master data. For other financial instruments, templates are used that automatically generate master data when transactions are booked.

Discrepancies in master data are uncovered when transactions are reconciled with external transaction confirmation (matching) and when Investment Administration carries out bank reconciliations. See key controls in chapter 8.3.3 transaction reconciliations and chapter 8.4.1 bank account reconciliations. Any errors will be reported to the master data team, which makes the necessary corrections.

For OTC derivatives master data is created based on templates set up in SCD, defined by ICA. Errors in static data will be uncovered by transaction price controls.

SIOS clients instruct Fund Pricing to register master data when needed. Confirmation of the registered information is sent to the client and Client Deliveries.

#### **Key control (1)**

FP controls the master data to ensure that the necessary data fields have been filled.

Frequency: Daily

Responsible: Investment Operations & Technology

#### **Tests conducted by PwC and any significant deviations**

*The control was discussed with the Investment Operations & Technology. For a selection of days, it was inspected that the control was carried out and deviations had been followed-up. No deviations were revealed.*



**Key control (2)**

Every quarter, reconciliation on defined data fields are carried out against relevant external sources.

Frequency: Quarterly

Responsible: Investment Operations & Technology

**Tests conducted by PwC and any significant deviations**

*The control was discussed with the department of Investment Operations & Technology. For randomly selected quarters, it was inspected that master data was checked against external sources and that all mismatches were followed-up. No deviations were revealed.*

**8.3.3 Transaction reconciliation**

**Control objective:** Ensure the correct trading information and settlements so processing of transactions is done correctly and in accordance with counterparties trading confirmations.

Before settling a trade, controls to ensure trading information in SCD booked by Portfolio managers is in accordance with the transaction confirmation from the counterparty are carried out. Examples of matching fields are trade date, settlement date, portfolio, counterparty, ISIN, SEDOL, quantity, costs, accrued interest, and settlement amount. For most of the trading volume, system solutions are used for automatic reconciliation with the counterparty. Transactions are automatically reconciled with the counterparty and preparations are made for automatic settlement. Where there are deviating information between the transaction and the trading confirmation from the counterparty, the Portfolio manager and/or counterparty are contacted to correct any deviation from agreed terms.

**Key control (1)**

In the case of **listed shares, bonds, and securities funds (ETF)**, the transaction confirmation from the counterparty is received in the transaction matching system, CTM (OMGEO CTM). A Swift notice containing information on the trade is sent from SCD to CTM. The system administrator is the only one that can alter the matching criteria. The confirmation is automatically matched with SCD and filed in the CTM archive.

Frequency: Continuously

Responsible: Investment Operations & Technology

**Tests conducted by PwC and any significant deviations**

*The control was discussed with the Investment Operations & Technology. It was inspected that transactions that were automatically matched by the system (OMGEO CTM), matched the counterparty confirmation and the SWIFT notice from SCD. Further, it was inspected that unmatched transactions were followed up and resolved within one day. No deviations were revealed.*

**Key control (2)**

SCD Asset Manager generates an order with a unique order ID for units in **internal securities funds**. This order is sent to the unit holder registry (Wolf) at the same time as the order becomes visible to the funds' Portfolio Manager. Completed orders are returned from the unit holder registry with the same order number and matched with the order, and the transaction is created in SCD.

Frequency: Continuously

Responsible: Investment Operations & Technology

**Tests conducted by PwC and any significant deviations**

*The control was discussed with the Investment Operations & Technology. The process of creating a transaction in SCD was observed. Furthermore, it was inspected for one random transaction in SCD for internal securities funds, that the transaction matches with the portfolio order and the order registered and confirmed in Wolf. No deviations were revealed.*

**Key control (3)**

For manually executed trades in **external funds** and internal funds outside of the unit holder registries (private equity and real estate), a contract note is received by email. Reconciliation is carried out manually. For trades executed in external funds through Fund Order Routing and Settlement Service (JPM FORSS), the Order Confirmation is received through SFTP. These transactions are reconciled automatically.

Frequency: Continuously

Responsible: Investment Operations & Technology

**Tests conducted by PwC and any significant deviations**

*The control was discussed with Investment Operations & Technology. The reconciliation of a selected sample of transactions in internal and external funds was inspected. No deviations were revealed.*

**Key control (4)**

For the majority of **FX trades**, transaction confirmations are received from counterparties in CLS. Information on the trade is sent from SCD to CLS using Swift messaging. The system matches the trade automatically with data from SCD and files it with CLS. On the settlement date, CLS instructs the banks to make payment versus payment. FX trades are continuously monitored throughout the day to ensure that all trades are confirmed to the counterparty before the cut-off times.

Frequency: For each transaction

Responsible: Investment Operations & Technology

**Tests conducted by PwC and any significant deviations**

*We discussed the control with Investment Operations & Technology. Reconciliation in CLS was observed. Follow-up of non-conformities was further inspected. No deviations were revealed.*

**Key control (5)**

For **other FX trades** that are not handled by CLS and for **deposits**, transaction confirmations are received in Misys. Trades are sent from SCD to Misys and matched/reconciled in Misys towards counterparty. For deposits, the reconciliation is done manually.

Frequency: For each transaction

Responsible: Investment Operations & Technology

**Tests conducted by PwC and any significant deviations**

*The control was discussed with Investment Operations & Technology. A live list of transactions in the system was inspected. No FX trades or deposits were unmatched for the selected sample of days.*

**Key control (6)**

For **FRA (Forward Rate Agreements) and interest swap contracts**, transaction confirmations are received in MarkitWire and by email, reconciled manually and the confirmations are filed in a local archive.

Frequency: For each transaction

Responsible: Investment Operations & Technology

**Tests conducted by PwC and any significant deviations**

*The control was discussed with Investment Operations & Technology. For a selected sample of FRAs and swap contracts, we inspected the existence of transaction confirmation and reperformed reconciliation with data registered at SCD. No deviations were revealed.*

**Key control (7)**

For **futures and listed options**, a file containing trades is uploaded from SCD to JP Morgan. A report of trades that deviate from the trading confirmation from JP Morgan is followed up through contact with the Portfolio manager and counterparty.

Frequency: Daily

Responsible: Investment Operations & Technology

**Tests conducted by PwC and any significant deviations**

*A walk-through for a randomly chosen daily reconciliation was performed. For a selected sample of transactions, it was tested that the transactions were reconciled and that deviations were followed-up.*

**8.3.4 Settlement transactions**

**Control objective:** Settlements are carried out correctly and on time.

The reconciliation of transactions is the most important control for ensuring settlements are carried out correctly and on time. Additional key controls related to settlement transactions are described in 8.4.1, Bank account reconciliations.

When a transaction has been approved, the custody bank is instructed. For most of the trading volume, the settlement is automated based on automatic transaction reconciliation with the counterparty. For transactions that form part of a broker settlement for equities, bonds, and ETF, settlement instructions are received via "settlement notifications" sent as Swift messages from CTM to the various custody banks, based on settlement instructions to the counterparty in Omgeo's central database, Alert. Trades not part of the broker settlement are handled manually. For FX trades that are matched in Misys, the settlement is carried out manually. Settlement for internal mutual funds is automated, while settlement for external funds and internal funds outside the unit holder systems (private equity and real estate) is carried out manually. For deposits and OTC derivatives not cleared in a CCP, the settlement is carried out manually. For futures contracts, listed options, and cleared OTC derivatives, the settlement is carried out by the clearing broker (JP Morgan).

**Key control (1)**

Manual settlements must always include two employees acting jointly for instruction and approval.

Frequency: Continuously

Responsible: Investment Operations & Technology

**Tests conducted by PwC and any significant deviations**

*The control was discussed with Investment Operations & Technology. For a selected sample of transactions, it was inspected that approval was given jointly by two Investment Administration employees. No deviations were revealed.*

### 8.3.5 Price control

**Control objective:** All financial instruments are correctly valued in accordance with SAM's Valuation principles.

The Valuation team in ICA determines valuation methods, including principles for choosing price sources. These principles are documented in "Valuation principles for financial instruments". The valuation methodology and price source identifiers are managed operationally through setup and registration in SCD.

#### **Key control (1)**

Price controls are carried out for all positions to identify any missing prices, unchanged prices, and major price changes. Indications of errors are reviewed, often in dialogue with ICA, and any errors are corrected manually. All corrections are commented on.

Frequency: Daily

Responsible: Investment Operations & Technology

#### **Tests conducted by PwC and any significant deviations**

*The control was discussed with Investment Operations & Technology. For a selected sample of days, it was inspected that a complete checklist, confirming that missing and changed prices, as well as significant fluctuations in prices, have been followed-up, exists. No deviations were revealed.*

#### **Key control (2)**

As extra control to ensure correct valuation, the prices of securities that have a long period without an updated price, stale price, transactions in the past, and of securities funds with a pricing time-delay are compared to prices from external sources at the end of the month.

Frequency: Monthly

Responsible: Investment Operations & Technology

#### **Tests conducted by PwC and any significant deviations**

*The control was discussed with Investment Operations & Technology. For a selected sample of months, it was ensured that price controls have been carried out and any non-conformities have been followed-up. No deviations were revealed.*

### 8.3.6 Corporate actions

**Control objective:** Corporate actions are identified and booked correctly and on time as the basis for correct transactions.

Corporate actions are events that affect the holdings. These may, for example, be payments in the form of dividends, coupons, mergers, and demergers.

Information on corporate actions is primarily sent out by custody banks. Investment Administration receives and books corporate actions manually, but the allocation of dividends and determination of floating-rate coupons are automated. In the case of corporate actions that require a decision to be made by the Portfolio manager, the Portfolio manager in question will be contacted and the decision will be sent to the custody bank according to the relevant deadline. Corporate actions that relate to external funds and internal funds outside the unit holder systems (private equity and real estate) will be received directly by the fund company.

The bank account reconciliation and custody reconciliation referred to in 8.4 also function as important key controls for corporate actions.

#### **Key control (1)**

Daily control of corporate actions has been implemented to check the information reported to Bloomberg by custody banks. The holding is uploaded to Bloomberg and checked against all published corporate actions. If corporate actions from custody banks are missing, this will be picked up and booked based on information from Bloomberg. The input of dividends from custody banks is checked against the dividends published by Refinitiv and any missing dividends are identified. Dividends are also checked against the daily detailed benchmark information provided by the different benchmark providers through Rimes.

Frequency: Daily

Responsible: Investment Operations & Technology

#### **Tests conducted by PwC and any significant deviations**

*The control was discussed with the Investment Operations & Technology. For a selection of days, it was inspected that corporate actions and dividends were reconciled with external sources and that mismatches were followed-up. No deviations from the control routines were noted.*

## 8.4 Holdings reconciliation

**Control objective:** Ensure that the holdings owned by an investor are correctly booked in SCD. The controls also ensure that transactions, collateral and corporate actions are being handled correctly and that funds and portfolios are correctly valued.

### 8.4.1 Bank account reconciliation

#### **Key control (1)**

All bank balances are reconciled between SCD and custody banks in Reconciliation Manager in SCD. Bank cash transactions are reconciled in Reconciliation Manager in SCD. Bank transactions are prioritized and followed up based on amount thresholds and any deviations are reviewed manually, investigated, and solved or commented on.

Frequency: Daily

Responsible: Investment Operations & Technology

#### **Tests conducted by PwC and any significant deviations**

*The control was discussed with the Investment Operations & Technology. For a selection of days, it was inspected that all bank balances were reconciled between SCD and custody banks and any variances were followed up. No deviations were identified. However, it was not possible to verify the completeness of the performed reconciliation as the reconciliation files were saved early in the morning and did not include any adjustments performed during that day.*

### 8.4.2 Custody reconciliation

Custody reconciliations of securities and other financial instruments identify any deviations between holdings in SCD and external holdings. The frequency of reconciliation depends on the type of instrument.

#### **Key control (1)**

For **listed shares and bonds**, reconciliation with holdings in custody banks is conducted daily. The reconciliation is automated, and any deviations are manually reviewed, investigated, and solved or commented on. Assets are reconciled in View General Reconciliations in SCD.

Frequency: Daily

Responsible: Investment Operations & Technology

#### **Tests conducted by PwC and any significant deviations**

*The control was discussed with the Investment Operations & Technology. For a selection of days, it was inspected that for listed shares and bonds, reconciliations with holdings in custody banks were conducted. All deviations were manually reviewed, investigated, and solved or commented on.*



**Key control (2)**

For **unlisted shares and bonds**, reconciliation with available documentation is carried out manually once a year.

Frequency: Annually

Responsible: Investment Operations & Technology

**Tests conducted by PwC and any significant deviations**

*The control was discussed with Investment Operations & Technology. Annual reconciliation of unlisted bonds and shares was inspected. No deviations were revealed.*

**Key control (3)**

Holdings and variation margins for **cleared OTC positions and listed derivatives** are reconciled daily against information from the clearing broker (CCP).

Frequency: Daily

Responsible: Investment Operations & Technology

**Tests conducted by PwC and any significant deviations**

*The control was discussed with Investment Operations & Technology. It was not possible to inspect daily reconciliations from the period before April 2021 as the system could only retrieve data approximately 180 days back in time. For a selection of days for futures and listed options mismatches were not followed up according to the procedures. For interest-rate swap reconciliations, no deviations were revealed.*

**Key control (4)**

**Bilateral OTC** holdings are reconciled daily against information from the counterparty. Breaks are reviewed and commented on by IOT.

Frequency: Daily

Responsible: Investment Operations & Technology

**Tests conducted by PwC and any significant deviations**

*The control was discussed with the Investment Operations & Technology. For a selected sample of days, it was inspected that reconciliations were performed. No deviations were identified. However, for 11 days in the sample reconciliations were not available. The reason is claimed to be the transfer of reconciliation responsibility from JPMorgan to SAM. Due to reliance on compensating controls 8.3.3.4 and 8.3.3.5 deviations were considered to be insignificant.*

**Key control (5)**

**Securities funds registered in the Norwegian Central Securities Depository (VPS), Fund Order Routing and Settlement Service (FORSS), TCM, and Wolf** are reconciled with the holdings in SCD each month. The reconciliation is semi-automated and any deviations are manually reviewed, investigated, and solved, or commented on.

Frequency: Monthly

Responsible: Investment Operations & Technology

**Tests conducted by PwC and any significant deviations**

*The control was discussed with the Investment Operations & Technology. For a selection of months, it was inspected that reconciliations were carried out and that any deviations were followed-up in a timely manner. No deviations were revealed.*

**Key control (6)**

**Other Securities funds and alternative investment funds**, such as Storebrand's private equity and real estate funds, are reconciled with holdings statements sent by email or ordinary post. A few fund managers only send out annual or quarterly holdings statements. A large percentage of such funds have a time delay in sending out statements. The reconciliation is conducted monthly, but with data that has 3 months lag to minimize lack of data issues.

Frequency: Monthly

Responsible: Investment Operations & Technology

**Tests conducted by PwC and any significant deviations**

*The control was discussed with the Investment Operations & Technology. For a selection of months, it was inspected that reconciliations were carried out and that any deviations were followed-up in a timely manner. No deviations were revealed.*

**Key control (7)**

SAM provides a **collateral management** service to all clients with bilateral OTC holdings. Backoffice exchanges collateral with counterparties depending on varying market value and in accordance with the CSA agreement. Calls are reconciled and agreed upon in Acadia. Agreements were migrated from JPMorgan in 2021. Mutual funds were migrated from February to March. Pension funds were migrated in June and July.

Frequency: Continuously

Responsible: Investment Operations & Technology

**Tests conducted by PwC and any significant deviations**

*The control was implemented as of 01.01.2021. It was discussed with Investment Operations & Technology. For a selected sample of calls, it was inspected that the market value for the OTC instrument was calculated, that pledge was accepted by both parties and that exchange of collateral was in accordance with the CSA agreement. No deviations were revealed.*

## 8.5 Investment monitoring

### 8.5.1 Compliance and risk controls

**Control objective:** Ensure that the clients' assets are managed in accordance with restrictions in the agreement, and other internal and external regulations.

See 8.1.4 for reference to the most common rule types.

#### **Key control (1)**

All mandate restrictions are controlled daily in SCD to identify breaches of the restrictions and limitations set in the mandate and internal and external regulations and guidelines. Potential deviations are identified by the portfolio system and alarms are generated for further analysis by the Compliance team. If a deviation is identified due to missing or wrongful master data, a different category of alarm is triggered in the system. All alarms must be handled and commented on so that the list of all new alarms is empty at the end of the business day. Any actual breach is reported in accordance with principles for breach reporting.

Frequency: Daily

Responsible: Investment Control & Analytics

#### **Tests conducted by PwC and any significant deviations**

*The control was discussed with ICA. For a selected sample of days, it was inspected that all new alarms have been followed up. No deviations were revealed.*

#### **Key control (2)**

Storebrand standard for exclusions, The Observation list and NBIM Exclusions are applied for all securities, funds and portfolios managed by SAM Group. Additional SAM Sustainable rules such as Ethical exclusions, Fossil free, Market-oriented screening, Green bonds fossil and Government bonds - Excl countries, are applied for all funds where the restrictions have been specified in the mandates. The exclusion lists are updated every quarter, but compliance monitoring is done daily. Potential deviations are identified by the portfolio system and alarms are generated and any breaches are reported in accordance with principles for breach reporting.

Frequency: Daily

Responsible: Investment Control & Analytics

#### **Tests conducted by PwC and any significant deviations**

*The control was discussed with ICA. It was inspected that investment exclusion lists exist. For a selected sample of days, it was inspected that all new alarms have been followed up. No deviations were revealed.*

**Key control (3)**

Currency exposure that exceeds the permitted hedging ratios is identified and an alarm is created in Compliance Manager. Alarms generated in the system are gathered in a separate dashboard that is accessible to the relevant team in Front Office. All alarms that involve a qualified deviation or that have been in breach for longer than two days are followed up with the relevant Portfolio manager to be corrected. In addition, an extract of the dashboard is sent to the team by e-mail.

Frequency: Daily

Responsible: Investment Control & Analytics

**Tests conducted by PwC and any significant deviations**

*The control was discussed with ICA. For a selected sample of days, it was inspected that foreign exchange exposures above/below the threshold value have been followed up. No significant deviations were revealed.*

**Key control (4)**

Chief Compliance Officer informs ICA of any entries into the insider lists during last month, and controls on transactions are done post-trade on all companies to ensure that no trading has been executed in companies where one or several Portfolio managers have received inside information. Any potential concerns or potential breaches are raised with Front Office. Chief Compliance Officer receives a report on any findings.

Frequency: Monthly

Responsible: Investment Control & Analytics

**Tests conducted by PwC and any significant deviations**

*A walk-through of the control was performed with ICA. For a selected sample of monthly lists, it was verified that controls were performed for companies where PMs had received inside information. No deviations were detected.*

**Key control (5)**

Spot checks on equity transactions are carried out every month to ensure best execution for the client. Multiple parameters are controlled to ensure that no conflict of interest has affected the trading. Any potential concerns and qualified deviations in price between the transaction price and volume-weighted average price are raised with Front Office. Chief Compliance Officer receives a report on any findings.

Frequency: Monthly

Responsible: Investment Control & Analytics

**Tests conducted by PwC and any significant deviations**

*The control was discussed with ICA. For a selected sample of months, it was inspected that spot checks have been performed and that findings have been reported to the Chief Compliance officer when necessary. No deviations were revealed.*

**Key control (6)**

Changes in swing factor and threshold for securities funds are approved after quarterly review.

Frequency: Quarterly

Responsible: Investment Control & Analytics

**Tests conducted by PwC and any significant deviations**

*The control was discussed with the ICA. For a selected sample of changes in swing factors, it was inspected that the proposals for changes were approved by the head of the ICA unit and the head of the Investment Administration. No deviations were revealed.*

**Compliance control of alternative investment funds**

The private equity funds' prospectuses set the investment restrictions and limitations that apply when the fund is fully committed to the sub-funds. All private equity funds are checked regarding the investment restrictions set in the prospectuses. After any unclear items and errors have been corrected, any deviations are reported to the Chief Compliance Officer.

**Liquidity control of the private-equity funds**

Each quarter, the liquidity of the private equity funds is controlled to identify short- and long-term liquidity risks in the funds and to ensure that the risk is identified and handled properly. The relevant Front Office-team reports based on information gathered from the portfolio system and ICA controls that the quantifiable risk is correct. After any unclear issues and errors have been corrected, the liquidity risk in the private equity funds is reported to the Chief Risk Officer.

**Compliance control of real-estate funds**

Real-estate funds are subject to the legislation applicable to alternative investment funds. SAM manages one alternative investment fund: Storebrand Eiendomsfond Norge KS (SEN). An

annexe to SEN's partnership agreement sets the investment mandate restrictions. Restrictions are controlled quarterly.

### **Onboarding and evaluation of brokers and counterparties**

When the need for new brokers arises, the onboarding follows a defined process to make sure any operational, risk or legal issues are handled. The process is usually initiated by one of the Front Office-teams. Necessary agreements are handled by the AIF and Company Administration department and the Investment Administration section sets up the systems to handle the correct handling of orders and registration of transactions in SCD. As a final and formal step, the ICA department reviews the process execution and that all relevant steps are taken.

At least once a year the all the brokers and counterparties are reviewed on all relevant parameters to ensure the best possible terms for the clients according to best execution requirements.

SAM maintains a list of authorized traders that are sent to the brokers and counterparties when any relevant changes occur. In that way, SAM is making sure that no unauthorized can make trades on behalf of SAM's securities funds or clients.

#### **Key control (7)**

All new brokers must be approved by the Investment Director. Investment Administration checks and verifies operational setup. ICA holds the master list of approved brokers and includes new entities.

Frequency: Continuously

Responsible: Investment Control & Analytics

#### **Tests conducted by PwC and any significant deviations**

*The control was discussed with Investment Control & Analytics. For a selected sample of new brokers, it was ensured that the approval was performed according to the control description. No deviations were identified.*

### **8.5.2 Performance control of securities funds (NAV control)**

**Control objective:** Ensure correct measurement and reporting of the securities funds' performance.

Ensuring that a securities fund's performance and valuation (NAV = Net Asset Value) is correct is prioritized timewise over other portfolios because of reporting deadlines, given that the prices of securities form the basis for daily trading and because this provides a crucial basis for a significant part of the valuation and performance reports at client level. The NAV control is an integrated part of the daily calculations of the fund's official prices.

Most of the captive assets managed for the Group's life insurance companies are set up in an internal fund structure - so-called building blocks, that are dealt with in the same way as



securities funds. Like securities funds, daily prices are determined for the building blocks that form part of the further valuation and performance reports at profile level.

**Key control (1)**

The securities funds' daily performance is compared to the benchmark or other relevant benchmark performance. Any deviations in the performance above the defined threshold value require an analysis to identify possible errors. The threshold values are based on volatility, tracking errors, or consist of fixed values. The performance control breaks down the return on individual securities to reveal errors linked to pricing, transactions or corporate actions, or any other administrative errors.

Frequency: Daily

Responsible: Investment Operations & Technology

**Tests conducted by PwC and any significant deviations**

*The control was discussed with Investment Operations & Technology. For a selected sample of days, it was inspected that the securities funds' daily performance was compared to the benchmark. A sample of performance deviations above the threshold was followed-up with analysis to explain the deviation. No control exceptions were revealed.*

**Key control (2)**

The pricing of most of the equity funds is controlled daily using an attribution analysis of the funds' performance. This is used as a tool for identifying and correcting minor errors related to securities funds' performance.

Equity funds with direct investments form part of the daily attribution control, and the fund's performance compared to that of the benchmark is analysed in detail. This also functions as a subsequent check of the daily fund pricing and correct handling of corporate actions. The control requires daily input of extensive benchmark information at constituent level. Errors in the daily input may, therefore, lead to that the control in some cases being conducted over a time interval of more than one day. The control is designed in a way that ensures that all time intervals are properly controlled.

Frequency: Daily

Responsible: Investment Operations & Technology

**Tests conducted by PwC and any significant deviations**

*The control was discussed with Investment Operations & Technology. For a selected sample of days, it was inspected that an attribution analysis has been conducted and that any non-conformities have been followed up. No deviations were revealed.*

**8.5.3 Performance control of portfolios**

**Control objective:** To ensure correct measurement and reporting of portfolio returns.

Most of SAM's asset management is based on securities funds or building blocks that are included in the NAV control. In addition, some portfolios are managed individually. Many of these portfolios have similar content to the securities funds, but some contain less liquid investments for which it can take a long time to obtain up-to-date information on transactions and official valuations. Our internal private-equity funds are also exposed to a time delay in valuation given that they are compiled of external private-equity sub-funds.

Client portfolios may also contain bank accounts, external securities funds, units in real estate funds, and other investments that are not managed by SAM - as well as currency hedging instruments.

The performance of many client portfolios is controlled and reported daily, while others are only controlled and reported every month.

**Key control (1)**

Performance controls of client portfolios are initiated by a check of transactions that are registered with trade dates older than the beginning of the current month. This gives a basis to assess the reasonableness of that part of the performance since the last performance control was performed. The performance control can be carried out before the price control of individual investments has been completed.

Each fund is compared to its relevant benchmark and established threshold values. This control is performed for all customer portfolios. Any identified errors that are significant, (above a specified threshold), are corrected before the performance report is prepared and made available to the client.

Frequency: Daily

Responsible: Investment Control & Analytics

**Tests conducted by PwC and any significant deviations**

*The control was discussed with Investment Control & Analytics. For a selected sample of days inspected the excess return and back-in-time controls were performed. No deviations were revealed.*

**Key control (2)**

For clients that do not have daily performance reports, the controls are done monthly. These clients have normally only invested in SAM's securities funds and comparing the client's reported returns to these funds' monthly returns works as an effective control. Any identified deviations that are in the control are investigated and any errors are corrected before the performance report is prepared and made available to the client.

Frequency: Monthly

Responsible: Investment Control & Analytics

**Tests conducted by PwC and any significant deviations**

*The control was discussed with Investment Control & Analytics. The control was tested for a selection of months. It was inspected that all identified deviations were followed up. No significant findings were identified.*

### **Early performance reports for the Portfolio managers**

Early in the morning, Portfolio managers receive reports containing the previous day's unverified values of and returns on securities funds, building blocks, and discretionary portfolios. The Portfolio managers may use these reports as a tool that allows them to quickly react to deviations from the expected performance and helps to quality assure the reported performance.

### **Analysis of transactions from previous accounting periods**

The monthly accounting periods are closed after two working days in a new month. If transactions are created or changed with a trading date earlier than the first day of the new month, it may lead to inaccuracies or errors in the performance report and create a deviation in the financial report.

At the end of the month, accounting transactions registered in the month in question with a trading date before the month are extracted. This information is structured and analysed at the portfolio level. Through this analysis, the need to redo the performance calculations for earlier periods to ensure the quality of the performance report is analysed and assessed.

This functions as a transaction control on a spot-check basis in that the transactions that are registered too late may be the result of issues related to the internal processes. The control will in this way function as a basis for improving processes.

### **Monthly performance report for securities funds**

A separate automated performance calculation in SCD forms the basis for a detailed report on the performance of and key figures for all securities funds. This is monthly the basis for an extensive report that is distributed to a large number of internal users. Their feedback contributes to quality assurance. Extracts from SCD allow more detailed analyses to be tailor-made based on this report.

### **Attribution analyses**

Monthly attribution analyses are prepared for most of the equity funds, some fixed-income funds, and some discretionary fixed income portfolios.

Detailed attribution analyses are made available to the Portfolio managers each month as fundamental information for evaluating their achieved performance compared to the applicable benchmark. The performance is broken down into sector and securities levels and helps to ensure high-quality performance measurement. Any wrongful handling of transactions or corporate actions will be visible in attribution analyses. For fixed-income funds and portfolios, attribution analyses help to assess the reasonableness of the actual performance compared to changes in the interest rate.

## 8.6 Accounting-information controls

### 8.6.1 Accounting information setup

**Control objective:** To ensure correct financial reporting.

To ensure correct financial reports, it is important that all transactions in SCD are dealt with and booked correctly for accounting and tax purposes. Client Deliveries (CD) is responsible for all transactions being handled correctly for accounting and tax purposes, in accordance with the clients' requirements. SAM has prepared a standard accounting plan that is used by most clients. Some clients want to use their accounting plan and arrangements are made for this. The types of transactions are divided according to the types of securities. Separate types of transactions have been established for transactions that are not linked to securities.

#### **Key control (1)**

The correct posting and mapping of the accounting plan in Finance Accounting Methods, Finance Accounting Principles, Finance Schemes, and Finance Account Assignments in SCD.

Frequency: When required

Responsible: Client Services & Transformation

#### **Tests conducted by PwC and any significant deviations**

*The control was discussed with Client Services & Transformation. A sample of finance schemes and finance account assignments in SCD was inspected for authorization to perform changes in the mapping of accounts. No deviations were revealed.*

CD is responsible for the periodization of the transactions to the correct accounting period. This is done by closing the accounting periods in SCD. New or corrected transactions with a trading date in the last period will be posted in the new accounting period after the third working day.

For securities funds, the accounting period is closed daily when the fund price is set. This means that the accounting period for all changes to transactions will be the next day. This methodology is used for all securities funds and clients that use SCD's fund setup.

**Key control (2)**

Control that the end of months (EOM) batch has been run. In addition, controls of reasonability are carried out.

Frequency: Monthly

Responsible: Client Services & Transformation

**Tests conducted by PwC and any significant deviations**

*The control was discussed with Client Services & Transformation. For a selected sample of months, EOM batches were inspected for creation and communication according to the control description. A reasonableness assessment of the number of batches compared to historical data was also performed. No deviations were revealed.*

**8.6.2 Financial reporting**

**Control objective:** To ensure correct and timely reporting to clients and authorities.

A standard client report is prepared each month for institutional clients. This report contains information on the holdings, transactions, balance sheet and performance, and an overview of the results. CD carries out an overall control for all clients. More complex clients receive monthly financial accounting reports with corresponding information.

CD is also responsible for preparing information for clients' notes requirements. CD delivers notes containing tax information to selected clients. More detailed reports giving clients information to prepare their notes are prepared for more advanced clients.

**Key control (1)**

Controls for reasonability are conducted at the overall level to check that the reports are correct. For internal clients, the Monthly Financial Accounts are reconciled with Agresso (the client's accounting system). For external clients, the Monthly Financial Accounts are reconciled with Fin Trans (an extract from SCD for the financial accounts). Notes are reconciled with presented accounts, balance sheets, and profit and loss accounts. For internal clients, the notes are reconciled with Agresso.

Frequency: Monthly

Responsible: Client Services & Transformation

**Tests conducted by PwC and any significant deviations**

*The control was discussed with Client Services & Transformation. It was ensured that the financial reports provided were reconciled. The documents relevant for this control were manually prepared and updated when needed. Reasonability controls on the overall level were conducted. No deviations from the control routines were found.*

**Control objective:** To ensure the correct and timely presentation of the annual accounts of securities funds and private-equity funds.

CD is responsible for preparing the annual accounting of Norwegian securities funds and the basis for the annual accounting of Swedish securities funds. In addition, this section is responsible for preparing the annual accounting of the private-equity funds.

CD is responsible for keeping up to date with laws and regulations that regulate the annual accounts of Norwegian securities funds, and the laws and regulations that regulate the private-equity funds (the private-equity funds are registered as securities funds under the Cayman Islands' monetary authority legislation). For Swedish securities funds, CD will receive information relating to changes to laws and regulations when SPP Fonder (the client) presents annual accounts/half-yearly accounts.

**Key control (2)**

The assets are checked against the fund price (NAV) as of the 31<sup>st</sup> of December. Checklists are used to ensure that the accounts contain the correct information.

Frequency: Annually

Responsible: Client Services & Transformation

**Tests conducted by PwC and any significant deviations**

*The control was discussed with Client Services & Transformation. Checklists for all funds in the company's portfolio were inspected as of 31.12.2020. No deviations were identified.*

CD is responsible for clients receiving correct information to be reported to the authorities regarding securities. This applies both to sales and various holdings statements. It is the client's responsibility to inform CD of any changes to the authorities' reporting requirements based on the client's needs. CD is responsible for making adaptations to comply with Solvency II reporting, FORT reporting, and various reports to Norges Bank, Statistisk Sentralbyrå in Norway, Statistikmyndigheten in Sweden, and the Financial supervisory authorities in Norway and Sweden. Some of the reports are basic, while others are finished reports to be submitted directly by us or the client.

CD is also responsible for preparing and submitting tax papers for Norwegian securities funds and the private-equity funds. CD has a responsibility to remain up to date on the authorities' reporting requirements for these clients.

**Key control (3)**

All reports are controlled and reconciled with the accounts, balance-sheet figures, and/or profit/loss figures that have been submitted. Regarding internal clients, the reports are reconciled with Agresso. Tax papers are to be reconciled with audited annual accounts.

Frequency: Quarterly

Responsible: Client Services & Transformation

**Tests conducted by PwC and any significant deviations**

*The control was discussed with Client Services & Transformation. Tax settlements for 2020 were obtained and inspected. Reconciliation of relevant reporting to the tax authorities was reviewed. No deviations were revealed.*



## 8.7 IT controls

### 8.7.1 Security and access

**Control objective:** To ensure no unauthorized use of applications and underlying infrastructure, and that physical access to computer rooms and office premises is restricted to authorized personnel.

Access to applications and underlying infrastructure is regulated by the Group's information security policy. The authorization level in all main applications depends on the department to which the individual employee belongs. Each employee is linked to at least one authorization profile. These authorization profiles determine the level of access to the core systems. Users will not be assigned rights that exceed their work requirements. Work requirements are documented by the individual employee's job instructions and departmental belonging.

#### **Key control (1)**

Server rooms in the Data Centre(s) that host SAM's infrastructure are physically secured. If the server infrastructure is outsourced, any breaches or deviations must be reported to SAM.

Relevant for SAM's data centres before migrating to Azure cover Basefarm, Stavanger Data Centre, and Green Mountain.

Frequency: Continuously

Responsible: Investment Operations & Technology / Basefarm

#### **Tests conducted by PwC and any significant deviations**

*Due to cancelled agreements with Basefarm and Green Mountain during 2021, it was not possible to physically observe and test the security accesses to the locations this year. We have therefore inquired Investment Operations & Technology at Storebrand Asset Management about changes in Basefarm locations after 2020 and security of the rooms drifted by Green Mountain. It was confirmed that security accesses functioned as during the previous year and that server rooms were physically secured.*

**Key control (2)**

Access to the data centres which host SAM's infrastructure has established access controls. SAM must approve external personnel who are given access to SAM's servers. External personnel must always be accompanied by an authorised employee of the data centre. Any breaches or deviations must be reported to SAM.

Relevant for SAM's data centres before migrating to Azure cover Basefarm, Stavanger Data Centre, and Green Mountain.

Frequency: When required

Responsible: Investment Operations & Technology / Basefarm

**Tests conducted by PwC and any significant deviations**

*The agreements with Basefarm and Green Mountain were cancelled before the testing was performed. It was therefore not possible to physically verify that access controls were according to the agreements. However, an inquiry to relevant employees in Investment Operations & Technology has been performed and confirmation about no changes in control after 2020 was received.*

**Key control (3)**

Employees of the data centres who leave the company must have their access cards blocked for further usage.

Relevant for SAM's data centres before migrating to Azure cover Basefarm, Stavanger Data Centre, and Green Mountain.

Frequency: When required

Responsible: Investment Operations & Technology / Basefarm

**Tests conducted by PwC and any significant deviations**

*The control was reviewed with Basefarm and Investment Operations & Technology. For a selected sample of earlier employees, it was tested that access cards were blocked for further use upon resignation. No deviations were revealed.*

**Key control (4)**

Assessing the conformance of Microsoft Corporation's defined ISMS as an accredited certification body bound by the procedures detailed within ISO/IEC 27006:2015, ISO/IEC 17021-1:2015, IAF MD 4:2018, and IAF MD 1:2018 (collectively, the "audit criteria").

From October of 2021, findings and conclusions will be discussed in regular Service Delivery meetings between SAM and Storebrand SRE.

Frequency: Annual

Responsible: Investment Operations & Technology / Storebrand SRE

**Tests conducted by PwC and any significant deviations**

*The control was implemented on the 20th of June 2021. It was discussed with the Storebrand SRE. The attestation of conformance with the ISO/IEC 27006:2015, ISO/IEC 17021-1:2015, IAF MD 4:2018, and IAF MD 1:2018 (collectively, the "audit criteria") requirements was inspected. No deviations that would indicate non-conformance with the requirements of the ISO/IEC standards was detected.*

**Key control (5)**

Temporary staff and consultants in SAM and SKAGEN must be issued company access cards following the approval of their line manager in the respective unit.

Frequency: Continuously

Responsible: Line managers in SAM & SKAGEN

**Tests conducted by PwC and any significant deviations**

*The control was discussed with SAM. For a selected sample of temporary employed staff / external consultants, it was tested that physical admission is approved by the line manager. One approval was not possible to track, but as it was confirmed to be valid. We, therefore, consider deviation to be insignificant.*

**Key control (6)**

Access to functionality inside the key business systems of SimCorp and Wolf must first be authorized by the relevant department manager and secondly by the system owner. Authorizations are at a user group level and are managed by registering/deregistering the employee as a member of the group.

Frequency: Continuously

Responsible: Investment Operations & Technology

**Tests conducted by PwC and any significant deviations**

*The control was discussed with Investment Operations & Technology. For a selected sample of given accesses to SCD and Wolf, it was tested that accesses were according to the authorization matrix. No findings of wrong processing were identified.*

**Key control (7)**

The number of administrators, with corresponding write access at the database level, is kept at an absolute minimum. Credentials for system users are securely stored and only available to a restricted number of personnel, on a need-to-know basis.

Frequency: Continuously

Responsible: Investment Operations & Technology / Storebrand SRE

**Tests conducted by PwC and any significant deviations**

*The control was discussed with Investment Operations & Technology. Extract from the database with database administrators was obtained. The extract from the password management application showed that only a restricted number of personnel had access to the credentials for the system users. No deviations were identified.*

**Key control (8)**

Logical partitions, by using micro-segmentation in network design, have been established between SAM and Storebrand's other business areas, different application and between SAM and the rest of the world. These logical partitions consist of firewall technology, own OUs in the domain, and SAM's access administration. Access to the logical partitions are following existing procedures for access control so that only authorized services and users have access and only authorized parties can enter orders.

Frequency: Continuously

Responsible: Storebrand SRE

**Tests conducted by PwC and any significant deviations**

*The control was reviewed with Storebrand SRE at Storebrand. Through inquiries and observations, it was ensured that logical differences have been established against Storebrand's other business areas and the outside world. A list of personnel with firewall order access was also obtained, investigated and evaluated. No deviations were identified.*

**Key control (9)**

All servers, applications and services are updated with critical security updates from the vendors. Patch and vulnerabilities management is handled according to procedures.

Storebrand SRE is responsible after migrating to Azure.

Frequency: Monthly

Responsible: Storebrand SRE

**Tests conducted by PwC and any significant deviations**

*The control was discussed with Storebrand SRE and Investment Operations & Technology. Before the migration to Azure, the routines at Basefarm and Skagen were different. Due to terminated agreements with Basefarm during 2021, it was not possible to inspect data related to patching as all data had been deleted. At Skagen, for a selected sample of months, it was ensured that security updates were conducted. A list of performance updates was provided and communicated for the months controlled for Skagen servers.*

*After the migration when all servers were merged, we inspected a selected sample of months and ensured that security updates were conducted and critical vulnerabilities were followed-up. No deviations were revealed.*

**Key control (10)**

Access to the Storebrand Group network (Storebrand, SKAGEN) for new employment and/or changes in role/role description is based on formal requests from the supervisor. No changes are done to access without a formal request from the supervisor.

Frequency: Continuously

Responsible: Department leaders in SAM & SKAGEN

**Tests conducted by PwC and any significant deviations**

*The control was discussed with SAM & SKAGEN. For a selected sample of new accesses, it was ensured that approval was provided by the department leader. No deviations were identified.*

### 8.7.2 Availability Management

**Control objective:** To ensure that all systems and data are available for the users.

#### **Key control (1)**

Monitoring of business-critical applications, services and network components are implemented and managed according to procedures. Includes both preventive (e.g., disk about to fail), and detective monitoring.

Information/Warning/Alerts are automatically issued based on severity.

Storebrand SRE responsible after migrating to Azure.

Frequency: Continuously

Responsible: Storebrand SRE

#### **Tests conducted by PwC and any significant deviations**

*We discussed the control with Storebrand SRE. Monitoring of business-critical applications, services and network components is implemented and managed according to the procedures. No deviations were identified.*

#### **Key control (2)**

A list of all applications, with corresponding service levels (for relevant systems), are documented in our CMDB, JIRA Insights. The information is updated as part of our review of operational documentation.

Frequency: Bi-annually

Responsible: Investment Operations & Technology

#### **Tests conducted by PwC and any significant deviations**

*The control was discussed with Investment Operations & Technology. We have inspected that the application list is updated regularly. No significant deviations were identified.*

**Key control (3)**

Continuous monitoring of new incidents and requests so that User Support, SRE or application teams may categorize, track, and resolve Incidents Requests within acceptable time frames. The IR's are prioritized and assigned to relevant infrastructure personnel.

Storebrand SRE is responsible after migrating to Azure.

Frequency: Continuously

Responsible: Storebrand SRE

**Tests conducted by PwC and any significant deviations**

*The control was discussed with the Storebrand SRE. It was observed that incident- and service requests were monitored, categorized, tracked and resolved within a reasonable timeframe and prioritized and assigned to relevant infrastructure personnel. No deviations were identified.*

**Key control (4)**

Incoming incidents are monitored to evaluate and possibly escalate to full problem (multiple incident) management. Incidents are automatically escalated based on a breach of SLA. The incident Manager on Duty receives an automatic notification via email of any escalated incidents.

Storebrand SRE is responsible after migrating to Azure.

Frequency: Continuously

Responsible: Storebrand SRE

**Tests conducted by PwC and any significant deviations**

*The control was discussed with Storebrand SRE. Evidence verifying that incoming incidents were monitored, evaluated and escalated to full problem (multiple incident) if needed was obtained. Notifications were communicated via e-mail. No control deviations were identified.*

### 8.7.3 Change Management

**Control objective:** To ensure that changes to the core systems are sufficiently tested, approved, and documented so that changes do not affect the application's stability.

#### **Key control (1)**

All changes are categorized according to written change management procedures. Three classifications of changes are identified:

**Projects** – A project must contain a project description (a mandate) and a risk evaluation.

Responsible: Head of Transformation Management

**Changes related to in-house developed systems:** All non-standard changes related to in-house developed systems, isolated to a single system and which will not impact systems not managed by the development team, are subject to acceptance testing prior to approval. The production setting of the change has been planned and risk assessed

Responsible: Investment Operations & Technology

#### **Changes not related to in-house developed systems**

All non-standard changes not related to in-house developed systems, isolated to a single system and which will not impact systems not managed by the development team, are subject to acceptance testing prior to approval.

Responsible: Investment Operations & Technology

Frequency: When required

#### **Tests conducted by PwC and any significant deviations**

*The control was discussed with those responsible for the procedures related to the three classifications of changes.*

*Projects were discussed with Transformation Management. For a randomly selected project, it was inspected that the project contained a project description and a risk evaluation. No deviations were revealed.*

*Changes related to systems (in-house developed and other) were discussed with Investment Operations & Technology. For a selected sample of changes, it was inspected that acceptance testing was performed prior to approval. No deviations were revealed.*



**Key control (2)**

Test and development environments are established. This ensures that the prerequisites for proper testing before the production setting is in place as well as ensuring development are not performed in a production environment.

Storebrand SRE is responsible after migrating to Azure.

Frequency: Continuously

Responsible: Storebrand SRE

**Tests conducted by PwC and any significant deviations**

*The control was discussed with Storebrand SRE. It was observed that a test and development environment exist. This ensured that the prerequisites for proper testing prior to production setting were in place. No deviations were revealed.*

**8.7.4 Continuity and disaster management**

**Control objective:** To ensure that all systems can be restored and will be available if an emergency arises.

**Key control (1)**

A Disaster Recovery Site has been established at Basefarm to ensure that data is continuously available from external premises. The recovery and procedure for starting to use this must be tested at least annually.

Frequency: Annually

Responsible: Storebrand SRE / Basefarm

**Tests conducted by PwC and any significant deviations**

*The control was reviewed with SAM's service manager at Basefarm. It was ensured that the Disaster Recovery Plan (DRP) was established. However, due to ended agreement with Basefarm, no formal testing of the DRP was planned for 2021.*

*As for Skagen, no formalized DRP was established or planned tested during the period. However, monthly installations and patching prove that the setup works and should ensure recovery in case major incidents occur.*

**Key control (2)**

The Business Continuity Plan in SAM covering operational processes across the SAM Group is tested or performed at least annually.

Frequency: Annually

Responsible: Head of Business Continuity Management

**Tests conducted by PwC and any significant deviations**

*The control was reviewed with the Head of Business Continuity Management. The continuity plan was inspected. Functionality test results were prepared and presented. No deviations were revealed.*

**Key control (3)**

Assessing the Business Continuity Plan validations and testing activities for Microsoft Online Services. From October of 2021, findings and conclusions will be discussed in regular Service Delivery meetings between SAM and Storebrand SRE.

Frequency: Quarterly

Responsible: Storebrand SRE

**Tests conducted by PwC and any significant deviations**

*The control was implemented on the 20th of June 2021. It was discussed with Storebrand SRE. A selected sample of Business Continuity Plan validations and testing activities for Microsoft Online Services was inspected. No deviations were revealed.*

**Key control (4)**

SAM's systems are backed according to recovery point objective values. Monitoring that the backup has been carried is part of the agreement with any third-party data centres. Any major deviations will be handled.

Storebrand SRE responsible after migrating to Azure.

Frequency: Daily

Responsible: Storebrand SRE / Basefarm

**Tests conducted by PwC and any significant deviations**

*The control was reviewed with SAM's service manager at Basefarm and Stavanger Data Centers. It has been tested that notification routines have been established for SAM in case of errors and that the errors have been followed up before and after the migration to Azure. No deviations were revealed.*

## 9. Governance in the Storebrand Group

The General Assembly elects the external auditor. The external auditor conducts a financial audit and provides an auditor's report related to the annual financial report and conducts a limited audit of the interim financial reports.

The Board of Directors ("BoD") hires an internal auditor, who reports to the BoD in the Group's respective companies. Annual plans for the internal audit are set by the BoD, based on the auditor's assessment and the management's risk assessment for the respective companies. The audit includes an analysis of the risk situation, an assessment of the company's measures to deal with relevant risks, and the testing of how these measures are implemented. The result of the work is reported to the BoD and the company management. The reports are discussed at quarterly BoD meetings.

Reports of special investigations initiated by the internal audit function or management and relating to possible breaches of ethical rules must be reported immediately to the Chair of the audit committee, the Group CEO and company CEO, with a copy to the Head of legal affairs and Head of People. Internal audit instructions have been prepared according to applicable laws and regulations and international standards.

The Group Board of Directors is responsible for the Group's management and for monitoring the administration of the Group. The Board has established four committees: The Strategy Committee, the Audit Committee, the Risk Committee and the Remuneration Committee. The composition ensures a thorough and independent consideration of matters that concern internal control, financial reporting, risk assessment, and remuneration of executive personnel. The committees are preparatory and advisory working committees and assist the Board with the preparation of items for consideration. Decisions are made, however, by the full Board. The committees may hold meetings and consider matters at their initiative and without the participation of company management.

The main task of the Strategy Committee is to prepare the board management in the strategy area, with particular attention to the Group's work on strategy, including mergers and acquisitions. The Committee shall provide forward-looking decision support related to the board's discussion of the company's strategic choices and targets.

The Audit Committee assists the Board by reviewing, evaluating, and proposing appropriate measures concerning the Group's overall controls, financial and operational reporting, risk management/control, and internal and external auditing. The external and internal auditors participate in the meetings.

The main task of the Risk Committee is to prepare matters to be considered by the Group's Board of Directors in the area of risk and investment strategy, with a special focus on Storebrand's risk appetite and risk strategy. The Committee should contribute with forward-

looking decision-making support related to the Board's discussion of risk-taking, financial forecasts and the treatment of risk reporting.

The Remuneration Committee assists the Board with all matters concerning the Chief Executive Officer's remuneration. The Committee monitors the remuneration of Storebrand's executive personnel and proposes guidelines for fixing executive personnel remuneration and the Board's statement on the fixing of executive personnel remuneration, which is presented to the General Meeting annually. In addition, the Committee safeguards the areas required by the Compensation Regulations in Norway and Sweden. SAM has a separate remuneration committee with members from the SAM board that supervises SAM's compensation system and safeguards the areas required by the Compensation Regulations in Norway.

The Group nomination committee reviews the annual evaluation of the Group board and proposes candidates and remuneration for the board and nomination committee by making recommendations to the general meeting. The nomination committee proposes candidates based on fixed criteria and separate instructions issued by the general meeting. SAM has a separate nomination committee with members independent from Storebrand. The committee nominates unit holder representatives for the SAM board.

The CEO is responsible for the company's internal control and risk management. Risk assessments and internal control reporting are an integrated part of the strategy and planning process. The CEO is responsible for conducting an annual review of significant risks and of internal control measures which ensure the company complies with legislation, rules, and provisions imposed on the company by public authorities. The management groups in the various business areas identify risk areas and risk-reducing measures based on the company's goals and strategy. The work is summarised in an internal control report that is discussed by the audit committee and the BoD. If major changes to risk factors occur or there is a major failure in the presumed control system, the CEO ensures that the control system is improved so that errors or potential losses can be avoided. The board is to be informed of any major changes to the presumed control system.

