storebrand

Storebrand Asset Management Human Rights Due Diligence

Storebrand performs its human rights risk due diligence based on the UN Guiding Principles on Business and Human Rights (the Protect, Respect and Remedy Framework) and the guidance on the implementation of the Framework as described in the OECD Guidelines for Responsible Business Conduct for Institutional Investors. This work has been reinforced by recent regulation in the EU requiring to focus on specific Principal Adverse Impacts across industries (EU Sustainable Financial Disclosure Regulation as well as upcoming EU Directive for Corporate Sustainability Due Diligence). General human rights due diligence requirements from the Norwegian Transparency Act (*Åpenhetsloven*) also complement our approach.

1. Embedding Responsible Business Conduct (RBC) in investor policies and management systems

Storebrand Group Sustainability Investment policy describes how we work with responsible investments and requires observance of international norms and conventions within human rights, the environment, governance/anti-corruption as well as guidelines such as OECD Guidelines. The policy also describes implementation methods such as due diligence, portfolio screening, exclusions, active ownership and integration. The policy has also recently been updated to refer to new EU Sustainability regulation requiring disclosure on how we apply due diligence in our portfolios, including the measuring of certain Principal Adverse Impacts (EU Sustainable Finance Disclosures Regulation).

The Storebrand Sustainability Policy is approved at the highest management level at Storebrand Asset Management and is posted on our website.

2. Identifying actual and potential adverse impacts

<u>Identifying actual human rights adverse impacts- Incident screening</u>

We identify RBC risk and assess if companies breach the Storebrand standard, our minimum requirement to invest in a company. The Storebrand standard describes in detail international norms and conventions within human rights and international law, the environment, governance/anti-corruption, as well as guidelines that we expect companies to follow.

Since we invest in all sectors, salient issues may vary from sector to sector. Therefore, we do not focus on a few human rights issues when mapping our portfolios in order not to miss any potentially human rights negative impacts. For specific rights gathered in international norms, conventions, declarations on human rights and international law that we expect companies to respect, please see Storebrand criteria for human rights and international law. As a general principle, we expect companies to respect labour rights in core operations, but also within their supply chains. We also expect them to respect the human rights of communities impacted by their operations and vulnerable groups such as for example indigenous peoples, children and minorities, as well as all consumers impacted by their product and services. We also expect companies not to contribute to conflict with their products and services and thus, respect the rights of civilians in conflict zones. Therefore, we expect companies to carry out meaningful human rights due diligence in accordance with the UN Guidance Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, as well as EU and Norwegian regulation as referenced above.

The standard does not distinguish between passive and active investments and applies to all asset classes. The Storebrand standard is available on our website.

We monitor all companies in our investment universe, over 4000 companies, for potential breaches of our Storebrand standard through our external data providers Sustainalytics and ISS/Ethix. We do additional in-house research for all alerts from Sustainalytics and ISS/Ethix that have a medium to a high severity score.

Storebrand also screens and excludes companies based on the production of certain products. These products are: tobacco, both production and distribution (right to health), and controversial weapons (right to health and life). In addition, companies that contribute extensively to climate change and that have a significant revenue from unsustainable products like coal, oil sands or commodities such as palm oil, timber, soya and rubber may also be excluded, based on revenue thresholds. The impacts of climate change on ecosystems and human settlements are undermining access to clean water, food, shelter, and other basic human needs, as well as interfering with livelihoods and displacing people from their homes.

Identifying potential adverse human rights risk in our portfolios- ESG risk data analysis

Storebrand may also detect possible RBC risk while carrying out sustainability analysis of companies. and industries that have not appeared in our incident screening. At least once a year, we carry out a mapping of all portfolios to identify potential human rights risks in the industries we are the most exposed to. A risk assessment of the most salient human rights issues within these industries is conducted so we can inform and prioritize our proactive engagements with these industries. The rationale is to avoid or prevent controversies, but also to lift industry human rights standards, and therefore mitigate human rights risks related to our investments. We use data from our sustainability data providers that assess country risk, industry risk and company risk. This information is further used to map and identify industries that are exposed to higher human rights, as well as countries that present a higher likelihood of human rights violations. This, together with an ESG risk analysis at a company level, guides us in prioritizing proactive human rights engagement themes.

Identifying specific Principal Adverse Impacts within our investments as required by the EU Sustainable Finance Disclosure Regulation

In addition, and in order to comply with new EU regulation, we will continuously be mapping our portfolios for specific Principal Adverse Impacts (PAIs) as defined by the EU Sustainable Financial Disclosure Regulation (SFDR) to identify non-complainant companies with the help of PAI data from our Sustainability data providers.

Specific Social Principal Adverse Impacts we focus on are: Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises; Lack of processes and compliance mechanisms to monitor compliance with UN Global

Compact principles and OECD Guidelines for Multinational Enterprises; Unadjusted gender pay gap; Board gender diversity; Supplier Codes of Conduct.

For further information, please see our Principal Adverse Impact Statement here.

3. Assess

Assessing incidents

If we find a potential breach of our Storebrand criterion on Human Rights or International law, we analyze the potential breach by using an assessment table for companies. This table is for internal use only, and covers the following topics:

- Violations: Type and seriousness of violation.

- Company responsibility:

    o Link between the violations and the company's operations or Link between the company and the acts of the perpetrator of the violation

    o Knowledge of the violation by the company

    o Group/ (vulnerable groups) affected/amount of people affected

    o Risk the violations will also take place in the future

- Geographical/Time context: if conflict area or high Human Rights risk countries. Time of the incident.

- Company's improvement signs

If we find there is a link between the company and the violation, we engage with the company. If the company has credible measures (or is working on measures) to avoid that the violation reoccurs, we may engage with the company.

If the dialogue is unsuccessful, and the company does not show will to improve behavior, the sustainable investment team may write a recommendation for exclusion.

Assessing potential adverse human rights risk in our portfolios- ESG risk data analysis

As explain above under 2 (Identifying actual and potential adverse impacts), at least once a year we carry out a mapping of all portfolios to identify potential human rights risks in the industries we are the most exposed to. Once the risks and the industries are identified, a risk assessment of the most salient human rights issues within these industries is conducted so we can inform and prioritize our proactive engagements with these industries. The rationale is to avoid or prevent controversies, but also to lift industry human rights standards, and therefore mitigate human rights risks related to our investments.

Assessing specific Principal Adverse Impacts within our investments as required by the EU Sustainable Finance Disclosure Regulation

We continuously assess any potential adverse environmental, social or governance impact from activities in investee companies. For companies with heightened risk of potential adverse human rights impact, we will make an in-depth analysis of the issue and decide on any further action, such as engagement or recommendation for exclusion based on a labeling system of PAI Leaders, PAI

Intermediate performers and PAI laggards. For more detailed information, please visit our PAI statement here.

4. Mitigate and Prevent

Mitigating and preventing Incidents
We mitigate Storebrand's exposure to human rights risk in our portfolio by first engaging with the, but if there is no sign of improvement, and the risk of recurrence persists, the Storebrand Investment Committee may decide, based on a recommendation from the sustainability team to exclude the company.

The Investment Committee is composed of several representatives of the two top management tiers at the Storebrand Group. The Committee meets on a quarterly basis and cases are presented to the Committee anonymously to avoid possible conflicts of interest.

Regarding product screening, if a breach is found, the company is divested on the basis of external data deliveries, without extensive further assessment.

Mitigating and preventing potential adverse human rights risk in our portfolios- ESG risk data analysis

As explained above, at least once a year, we carry out a mapping of all portfolios to identify potential human rights risks in the industries we are the most exposed to. Once the risks and the industries are identified, a risk assessment conducted to inform and prioritize our proactive engagements with these industries, it is time to mitigate by engaging with the companies in these industries. Usually we do this in a collaborative manner with other investors for more leverage sometimes via organisations such as the Investor Alliance for Human Rights and the PRI or by forming our own investor coalitions. The rationale is to avoid or prevent controversies, but also to lift industry human rights standards, and therefore mitigate human rights risks related to our investments.

Information on prioritized proactive engagements can be found here. Please note that we are also engaging with companies on other human rights themes, although they do not appear as the main prioritized themes. Please also see our quarterly Sustainable Investment Review, the latest of which can be found here.

Mitigating by voting at AGMs

Storebrand also votes at companies' AGMs and supports and may file shareholder resolutions as a way of escalating dialogue with companies in order to advance sustainability issues including Human Rights issues. More information about how we vote can be found in our Voting Guidelines available on our website as well as our voting statistics.

Mitigating by engaging with standard setters and policy makers

Storebrand also discusses ESG issues including human rights issues with standard setters and regulatory bodies, policy makers, organizations and other stakeholders who might help in promoting the agenda for human rights. More information about our voting statistics can be found on our websites.

Mitigating specific Principal Adverse Impacts within our investments as required by the EU Sustainable Finance Disclosure Regulation

As explained above, we will continuously assess any potential adverse impacts. For companies with heightened risk of potential adverse human rights impact, we will make an in-depth analysis of the issue and decide on any further action such as engagement or recommendation for exclusion based on a labeling system of PAI Leaders, PAI Intermediate performers and PAI laggards.

As the quality of PAI indicators data improves and becomes available, we will be considering a range of methods to mitigate adverse impact. These methods will be applied taking into consideration the type of strategies that best fit specific portfolios' sustainability objectives and Storebrand's general sustainability strategies that apply across all asset classes. For more detailed information, please visit our PAI statement here.

5. Tracking progress

We track the progress of all engagements and exclusions since we follow if the companies meet our expectation for re-investment.

We assess which strategies work or do not and if as a result of a dialogue we should divest from a company, reinvest in the company or continue engagement either reactive (due to an incident) or proactive.

Storebrand defines objectives for its individual engagements and sets objectives and milestones to be achieved by companies together with other investors in collaborative engagements. Storebrand monitors progress against defined objectives and tracks the progress of action taken when original objectives are not met, revisits them and, if necessary, revises objectives or escalates engagement if the outcome of the company engagement does not meet our expectations by for example: raising the issues at the board level if senior management is not responsive; expressing our views publicly by issuing a public statement or proposing, filing, or co-filing resolutions at the annual general meeting. As a last resort, where the company is in violation of Storebrand Investments standards and there is a risk of recurrence, the case will be presented before the Sustainable Investment Committee, to make a final decision on whether to exclude the company from our investments. If excluded, the company is always informed of the decision, and contacted regularly afterwards to encourage improvement and a potential inclusion.

Please see Sustainable Investment Policy for more detail about our engagement process, how we set objectives, assess progress, decide to escalate, or terminate engagements.

6. Communication

All our exclusions may be found on our website. In addition, our main engagement initiatives with our engagement focus areas are posted on our website, with a description of the type of ESG issues addressed, the objectives of the engagement and the results or progress made. We also release sustainability quarterly reports where we inform about exclusions, engagements, voting and other activities carried out to address responsible business conduct in our portfolios.

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