storebrand
Asset Management

UK Stewardship Code Application

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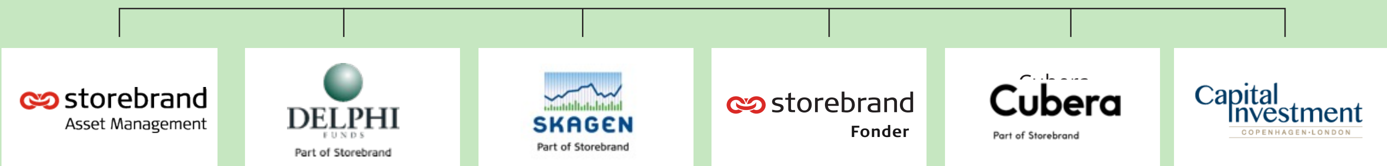
Principle 1

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Storebrand Asset Management (hereafter abbreviated to SAM) is a wholly owned subsidiary of Storebrand ASA listed on the Oslo Stock Exchange (ticker STB). The Storebrand Group has roots dating back to 1767 and is a leading player in the Nordic market for long-term savings, pensions, banking and insurance. SAM owns several asset managers, collectively forming an asset management group with total assets under management of £91.9bn. All SAM entities are bound by a framework, which consists of a comprehensive set of exclusion criteria (norm-based and product-based) and principles that the respective entities must adhere to in their investment processes.

The SAM Group consists of:



Storebrand's vision is of a future that our clients can look forward to. Our key contribution is to seek to generate the best possible risk-adjusted returns for our clients, whilst not compromising the ability of future generations to meet their own needs.

Furthermore, 10 percent of our assets are invested in solution companies that contribute to the UN's Sustainable Development Goals, green bonds and certified green property investments. In addition, almost 40 per cent of assets under management at the end of 2020 were invested in fossil-free funds.

Storebrand relies on the trust of clients, partners, authorities, shareholders, and society at large. This trust is only gained by acting with high ethical standards and all employees shall act with due diligence and accountability. Storebrand uses e-learning for training in ethics, anti-corruption, anti-money laundering and anti-terror financing, as well as privacy and digital trust. These employee courses are mandatory each year to ensure responsible business practices in line with our Code of Conduct. Our managers are responsible for setting clear objectives and for encouraging employees to collaborate with peers about how to achieve both collective and individual goals.

We enable effective stewardship by adhering to a three-pronged approach:

1. Exclusion (further information under Principles 7 and 11)
2. Engagement, including voting (further information under Principles 7-12)
3. Solutions investment (further information under Principle 5)

Our ambition is to build a learning culture characterised by psychological safety. We strive towards having a culture where you canexperiment, make mistakes, be open about what you master, and create a safe space to provide input, express different perspectives and receive feedback. Phychological safety is a prerequisite for innovation in a hybrid work model. We urge employees to contribute to the learning of their colleagues, and we aspire to achieve a genuine team spirit that exceeds the desire for individual success.

In 2021, we selected a group of employees from different parts of the Group to share their views on psychological safety on our internal social media channels. Group members published weekly posts about what psychological safety meant to them and how each employee could contribute to cultural improvements. The program was well received and evolved into a workshop titled "Psychological safety - what, why and how?", and more than 30 management teams and business units have later completed this workshop. The content was further converted into an e-learning course for new employees as part of their digital onboarding program.

As we put lifelong learning and development on the agenda, we also conducted in-depth interviews with employees to understand their experiences about learning. We focused primarily on learning and development experiences during change and digital transformation. We interviewed more than 100 employees and 20 managers across more than 20 teams and conducted follow-up conversations with managers to discuss how to meet employees' expectations and needs.

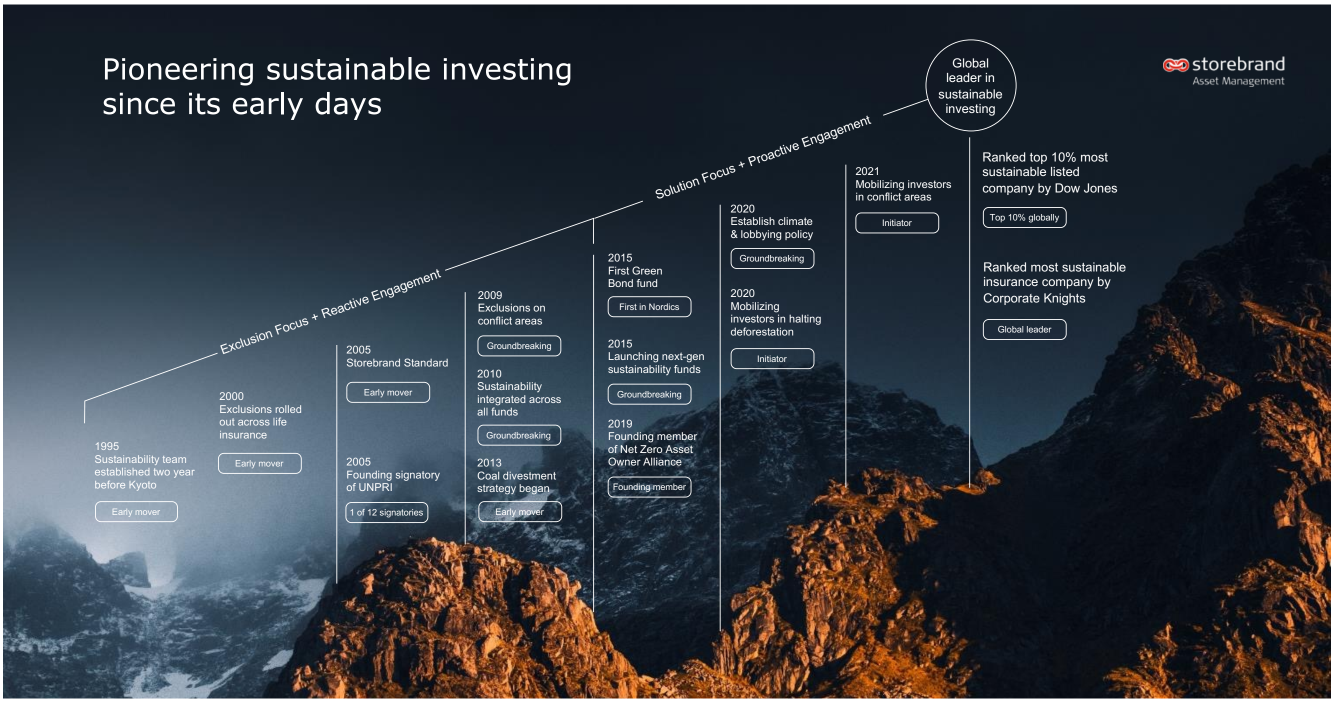
We continued our work to further develop digital competence among our employees, and we see that successful hybrid working models depend on efficient use of digital tools for knowledge sharing and collaboration. Storebrand expects managers to take responsibility for self-development and continuous development of leadership skills. Managers can choose between a range of courses and programs tailored to support different roles and needs. In 2021, we offered a digital leadership development program called Storebrand Leadership Weekly, which focused on trust and change management.

In 2021, we launched Storebrand Inclusive Leadership, a programme designed to raise awareness of how leaders can foster and develop teams with employees of diverse backgrounds and competencies.

Storebrand also facilitated informal arenas where leaders could come together to reflect and share experiences. Examples included a practical leadership lunch, an onboarding program for new managers, and a buddy program. In addition, Storebrand hosted management meetings within the various business units and all.

In 2021, we offered more than 200 courses through Campus Storebrand, our digital learning platform. More than 2,000 employees participated in one or more of them. Employees completed 7,185 hours of e-learning, averaging 3.63 hours of learning per person. In addition, employees completed digital courses via external webbased platforms. These courses do not show up in the statistics above.

We use the employee survey provider Peakon to distribute regular employee surveys to ensure frequent and continuous feedback on employee satisfaction. In 2021, the score for development increased from 7.8 to 8.0 out of 10. The score for guidance increased from 8.0 to 8.1 out of 10, while the score for career development increased from 7.5 to 7.7, and the score for learning increased from 8.1 to 8.3.



Sustainability is of paramount importance to Storebrand; we started investing sustainably in the mid-1990s when we became the first Norwegian asset manager to establish a dedicated ESG team. In 2005, we introduced minimum standards for all our investments through the Storebrand Standard, our group-wide exclusion policy, and in 2010 we integrated sustainability into all our funds through a proprietary ESG rating methodology.

Principle

2

Signatories' governance, resources and incentives support stewardship.

Business unit goals and targets are reviewed three times a year by the executive management group and semi-annually by the Board of Directors in order to align investment strategy and culture with stewardship responsibilities. SAM's Board:

- approves the framework and principles for active ownership that the Risk and Corporate Governance Team develops
- approves and decides on the Group's policy for active ownership

Responsibility for execution of corporate governance in SAM's funds lies with the Board of Directors of the respective fund management company. The daily execution is delegated to the portfolio managers of each fund and activities are reported back to the Board. The Board annually evaluates the execution of corporate governance and seeks to identify areas for improvement.

SAM's Board of Directors also oversees administrative management of the Group, maintaining insight into the Storebrand Group's financial position, and ensuring that business activities, accounting and asset management are subject to proper scrutiny. It is important to note that all directors are independent and do not have significant business relations with Storebrand and all shareholder-elected directors are non-managerial staff. Independent directorship is important to our company so that we remove any potential conflicts of interest and are able to always put the clients' interests first.

The Board has appointed four committees to support its role:

1. Audit Committee

Assists the Board by reviewing, evaluating and, where necessary, proposing appropriate measures with respect to the Group's overall controls, financial and operational reporting, risk management/control, and internal and external auditing. The Audit Committee held nine meetings in 2020, including a joint meeting with the Risk Committee. The external and internal auditors participate in the meetings. The majority of the Committee members are independent of the company.

2. Compensation Committee

Assists the Board by monitoring 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. The Compensation Committee held three meetings in 2020.

3. Strategy Committee

The main task of the Strategy Committee is to assist the Board strategically, 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 decisions and targets. The Strategy Committee was established in August 2020 and held one meeting during the year.

4. Risk Committee

The main role of the Risk Committee is to prepare matters to be considered by the Group's Board of Directors in the area of risk, with a special focus on Storebrand's risk appetite and risk strategy, including the investment strategy. The Committee should contribute forward-looking decision-making support related to the Board's discussion of risk taking, financial forecasts and the treatment of risk reporting. The Risk Committee held seven meetings in 2020, including a joint meeting with the Audit Committee.

Sustainability is integral to our investment strategy of long-term returns for clients whilst not harming the ability of future generations to meet their own needs. By taking a longer-term view of investments, we believe we can be effective stewards of our clients' funds. SAM dedicates resources to integrate ESG risks into our analysis of companies and management of investment portfolios.

Our method for the exclusion of companies is defined by the Storebrand Standard which applies to all assets we manage. The exclusion process is extensive and involves both internal and external data and evaluations conducted by experts in the field. Another core element is to be good stewards and owners of those companies and assets in which we have invested through active monitoring, engagement and advocacy. In our experience the best results are achieved through collaborative engagement with other investors and targeted engagement with companies where our ownership level is highest. We also voice our opinion through exercising our voting rights (further information on this under Principle 12).

Profiles of the Risk and Ownership team

Kamil Zabielski

Head of Sustainable Investment

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

Tulia Machado-Helland

Head of Human Rights and Senior Sustainability Analyst

Machado-Helland joined Storebrand Asset Management's sustainable investments team in 2008. Her specialty areas are human rights, labour rights, indigenous peoples' rights and international humanitarian law. She is responsible for Storebrand's overall active ownership strategy and company engagement. In addition, she engages with companies mainly on social issues but also on environmental issues when these overlapped social issues. Previously, she has worked at the Council on Ethics for the Norwegian Government Pension Fund – Global, the Ministry of Finance in Norway and as an attorney in the US. She holds a Juris Doctor's Degree and a Texas State Attorney license. She also holds a Master in International Relations and Development.

Emine Isciel

Head of Climate and Environment

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

Andreas Bjørbak Alnæs

Senior Sustainability Analyst

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

Vemund Olsen

Senior Sustainability Analyst

Olsen joined Storebrand Asset Management's sustainable investments team in 2021. He previously worked as Special Adviser for Responsible Finance at Rainforest Foundation Norway, where he engaged with global financial institutions on management of risks arising from deforestation, climate change, biodiversity loss and human rights violations. Before that he worked with the United Nations High Commissioner for Refugees in Venezuela and with human rights organizations in Colombia. He has an M.Phil in Human Rights Law from the University of Oslo.

Victoria Lidén

Senior Sustainability Analyst

Lidén joined Storebrand Asset Management's sustainable investments team in 2021. Based in Stockholm, she works with ESG analysis and active ownership, with a focus on the Swedish/Nordic market. On behalf of Storebrand Fonder AB, she is also a member of corporate board nomination committees. Prior to joining Storebrand, Victoria has 7 years of experience in sustainability within the financial industry. She holds a B.Sc. in Business Administration and Economics (major in finance) from Stockholm University, including a semester at National University of Singapore. In addition, she has taken courses in sustainable development at CSR Sweden and Stockholm Resilience Centre.

The Risk and Ownership team is responsible for setting the framework and principles for active ownership and commitment in SAM. The team prioritise the themes that are particularly relevant for engagement each year (please see engagement themes under Principle 9), and with special focus on where proactive involvement is needed. This is also discussed with the Group's forum for active ownership (see below). The team also decide on the everyday priorities, based on available resources, relevant themes and the corporate governance policy. The team receive information about potential cases of interest, primarily from data suppliers, but can also take up cases for analysis based on things that are noticed in the media, by customers or by other parts of the group (managers, communications, etc.).

The Group's forum for active ownership consists of the Head of the Risk and Corporate Governance team, ESG analysts and the CIO. This forum meets once a quarter, or more regularly if needed, and reports annually to SAM Board of Directors. The forum for active ownership is an advisory forum that discusses the priorities and strategy for active ownership, what progress has been made and what needs to be done more in the future.

Further to the Risk and Ownership team and the Group's forum for active ownership, stewardship may also be exercised by fund managers and the Investment Committee:

- Fund managers: managers may choose to open a dialogue with companies based on the decided corporate governance principles.
- Investment Committee: meets once a quarter to decide about norm-based exclusions and whether companies should be included on Storebrand's observation list, excluded or reintroduced to the investment universe are made here (further information under Principle 11). Key focus is exclusions but companies that are placed on the observation list require engagement and the committee sometimes needs to assess when active ownership has not yielded the desired result. Examples to show how we assess cases of active ownership is under Principle 11.

Resources

Storebrand invests heavily in systems, processes, research and analysis to ensure stewardship standards are upheld.

service provider we use:

ISS-Ethix: used as the Group's supplier for proxy voting at general meetings internationally. We use ISS-Ethix (product, standard and controversy) to conduct ESG screening on exclusions of controversial weapons, tobacco, cannabis, alcohol, pornography, weapons, commercial gaming activities, exposure to fossil fuels and our standard-based screening based on ISS-Ethix Norm Screen and identifies and red flags companies that violate the UN Global Compact.

Sustainalytics: we monitor all companies in our investment universe (4,500 approx.) via Sustainalytics (product screen, controversies and global standards screen) to receive their ESG risk rating; this rating corresponds to up to 50 points out of the maximum of 100 points that we give to a company in our sustainability rating. We also access Sustainalytics Global Standards Screening (GSS) which identifies companies that violate or risk violating international standards under the UN Global Compact (just like ISS-Ethix). Sustainalytics will also be our supplier of taxonomy data.

FTSE Russell: our supplier for data on 'green revenues', where income exposure for products that deliver environmental solutions is classified and measured. This data is then integrated into our sustainability rating and accounts for 40 of the 100 points a company can receive.

Equileap: our supplier for gender equality data which represents 10 of the 100 points for our sustainability rating.

Trucost: we buy data on carbon footprints and analyse it for exclusions based on fossil fuels from this provider.

Morningstar Direct: Used to analyse and monitor the sustainability of internal and external funds, as well as collect fund holdings for external funds. It is not used for screening but to check data when needed.

Bloomberg: we use this as an ad hoc supplementary source, rather than for exclusions and ratings.

InfluenceMap: Storebrand recently implemented a new climate policy which states that we will not invest in companies that actively oppose and lobby against the Paris Agreement and climate legislation, in addition to other norms and product criteria. Data on this is taken from InfluenceMap, which evaluates the extent to which a company works against regulations aimed at achieving the Paris Agreement.

MercerInsight: used for qualitative valuation of external fund managers to complement our view of how our external managers work with sustainability.

Other: for government bond exclusion we use publicly available sources such as Transparency International and The World Bank Worldwide Governance Indicators (data on corruption), UN Security Council sanctions list and Freedom House (human rights).

Incentives

All Storebrand fund managers have sustainability within their action plans, to varying degrees depending on which products they manage. By focusing on longer-term sustainability of companies, we believe that we can be the most effective stewards on behalf of asset owners for long-term growth within their investments. In practice, this means that fund managers are continuously assessed on the following:

- work goals, to further develop sustainability for client value creation
- application of ESG criteria in the investment process
- documenting processes and updating materials used for reporting and client meetings

Some managers also have enhanced sustainability objectives explicitly in their mandate e.g. sustainability optimisation, in the Plus funds and identifying companies that will be necessary to lead a low carbon transition such as Storebrand Global Solutions.

SAM incentivises all board members, employees and other relevant personnel to integrate stewardship and investment decision-making. Please see below for some examples of our approach:

- All members of the Board and senior management complete an annual course in ethics, anti-corruption, anti-money laundering and terror financing, and privacy and digital trust.
- We use an external third-party notification channel through an auditing company to enable employees to anonymously challenge processes.
- Creation of the Courageous Pathfinder Award; this award celebrates innovative thinking and allows employees to challenge practices, internally across the business
- We conduct regular employee surveys (every two weeks or monthly) to measure workplace engagement and satisfaction with work, management, collaboration and sustainability. The objectives are strategically anchored and followed up by the group management.
- E-learning courses for all employees.

Assessment of governance structures and processes

Our governance structure is anchored at the top-level, i.e. Storebrand Group, so there is uniformity and coordinated efforts between all committees and fund managers. Policies are approved at the highest level which sets the mandate for the Risk and Ownership team's work and steers each team towards effective stewardship.

Other efforts which support stewardship include the forum for active ownership; this forum has helped with integration in the front-office. We also dedicate resources to continuously review and update documents so that we can monitor stewardship activities.

Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Asset owners and asset managers cannot delegate their responsibility and are accountable for effective stewardship. Stewardship activities include investment decision-making, monitoring assets and service providers, engaging with issuers and holding them to account on material issues, collaborating with others, and exercising rights and responsibilities. Capital is invested in a range of asset classes over which investors have different terms and investment periods, rights, and levels of influence. Signatories should use the resources, rights and influence available to them to exercise stewardship, no matter how capital is invested.

Conflicts policy:

Storebrand Asset Management (SAM or the Company) has adopted an internal policy for handling conflicts of interest related to stewardship. The policy covers the management of conflicts of interest in SAM and specifies the group-wide Conflicts policy within the Storebrand Group.

The purpose of the policy is to ensure that the Company handles various conflicts of interest in a way that safeguards the customers' interests and ensures compliance with relevant provisions of legislation or regulations in line with requirements in domestic regulations (and EU regulations).

The policy should help the Enterprise organise and manage its activities in a way that minimises potential conflicts of interest, contribute to the Enterprise establishing satisfactory internal control measures to identify and manage conflicts of interest, and help the Company to manage conflicts of interest in a way that safeguards its customers' interests in the best possible way. In addition to complying with legislation and licensing requirements that apply, it is important that all employees have the necessary expertise to identify possible conflicts of interest so that these are handled in accordance with this guideline.

The policy requires the Company to identify conflicts of interest in different relations to prevent conflicts of interest from having negative consequences for the Company's or the Group's customers. These cover relations:

1. between Clients, including between different funds/ portfolios and clients
2. between the Company/Group and its customers,
3. between the company's employees/employee representatives and customers, and
4. between legal and operational responsibilities and between roles/functions in the Group.

Certain principles prevail, such as the enterprise's customers/ portfolios shall be treated equally, and the interests of the customers/portfolios shall take precedence in relation to the interests of the Enterprise, or the Company's associated persons. Further, customers shall receive information about any conflicts of interest that, despite measures, are considered to affect the service the customer receives. Such information shall be provided in a durable medium and may be provided in a standardised format. Unitholders may, for example, receive such information in fund prospectuses, and active management clients may receive such information in the Enterprise's terms of business or in the management agreement.

SAM has identified the following main groups of potential conflicts of interest:

1. Between clients, including between funds/portfolios and clients

- Differential treatment of funds/portfolios/clients in the event of a shortage of available investment, or in the event of a shortage of buying interest in the market
- Cross-subsidisation of unitholders:
  - between clients in the event of uncertain prices for internal trading between funds/portfolios managed by the Company
  - between unitholders in the event of uncertain prices for instruments in collective portfolios
  - between unitholders at subscription and redemption

2. Between the Company/Group and its customers

- Trades in the Group's own products on behalf of funds/portfolios/clients
- Trading in financial instruments issued by companies in the Storebrand Group on behalf of funds/portfolios/clients
- Advising or trading in products from which the Company/ Group will benefit financially contrary to the customer's best interest
- When choosing a counterparty

3. Between the company's employees/employee representatives and customers

- Employees' own trading/own holdings in financial instruments
- Remuneration of employees
- Impartiality among the enterprise's employees/employee representative

4. Conflicts of interest between different roles/functions within the Group/Group companies

- Through the organisation of different roles/functions, conflicts of interest may arise.
- Processes are being carried out to identify these, as well as document how these can be handled. Through job descriptions, clear responsibilities and reporting lines have been established within the Group's legal structure. Where roles/functions provide services to several group companies, this is regulated in intercompany agreements.

Example Outcomes:

Within each of the potential areas related to conflict of interest above, the Company's measures to limit these have been addressed. There tailor-made measures have been introduced within the Real Estate and Manager Selection, in addition to the measures introduced in the asset management activities related to equities and bonds. In the following we point to examples of how some actual or potential conflicts have been addressed. Initially we would like to give an overview of the areas of such specific resolution:

General - equal treatment of clients/portfolios/funds

- Subscription and redemption of shares
- Time stamping of orders
- Aggregate order
- Anonymisation of customers
- Time stamping of orders - management
- Internal trades
- Pricing of financial instruments
- Pricing of funds

With respect to detailed examples, please see a small selection below:

General - equal treatment of clients/portfolios/funds

- The overriding principle when buying and selling financial instruments is equal treatment of funds/portfolios/ customers. The undertaking shall prevent special treatment and ensure that transactions comply with normal business terms and principles. Front-running shall not occur.

Subscription and redemption of shares

- Subscription and redemption of units shall take place at an unknown price to prevent customers from exploiting market movements and potentially inflicting losses on other unitholders. The company's Routine for subscription of units in mutual funds requires that a price is given at the first price determination after the fund has gained access to the subscription amount, or after there is satisfactory assurance that the fund will have access to the subscription amount within the settlement period in the relevant securities in which the fund is invested. If subscription and redemption requirements can be made up to (or just before) the price calculation date, and be allocated this price, there is a risk that there will not be sufficient time to carry out the necessary purchase/sale of securities that meet net subscription/redemption in the fund on the day in question. In a rising/falling market, this will entail a risk of a beneficiary of the person who subscribes/redeems at the expense of the fund's other unitholders. The enterprise's procedures for subscription and redemption of units ensure that the subscription/redemption requirement is submitted in time in relation to the fund's price calculation date. In the case of net purchases in a fund, the fund will (on the margin) buy into the securities in which the fund is invested, and similarly sell when there are net redemptions in the fund. This in turn generates transaction costs that in principle should not be passed on to the fund's existing unitholders but covered by the unitholders who have subscribed or redeemed. This applies in particular to those situations where the net subscription or net redemption has a certain scope. In order to ensure the most equal treatment of unit-holders who enter or leave a fund and other unitholders, the fund shall be compensated in accordance with the separate Routine for compensation of mutual funds.

Time stamping of orders

- When placing orders in funds managed by the Enterprise, orders shall be given priority according to the time of receipt and allocation shall follow the principles for equal treatment of customers. A register shall be kept of all drawings with the time of receipt of the subscription order. The company's routines for subscription and redemption of shares ensure that orders are prioritized correctly, and that allocation follows principles for equal treatment of customers.

Insider information

SAM is dependent on access to information about investee companies in order to assess any challenges companies have with their corporate governance. It is also important to retain flexibility with respect to funds' investments so that one can act in the best interests of the unit holders. SAM has a clear understanding of information provided to us by third parties, and its relation to the rules on inside information, also in relation to the exercise of corporate governance. It is expected that investee companies, and their advisors, also have an awareness of this legislation and do not put SAM in an insider position without consent. If in doubt it should, as far as possible, be clarified by the declarant whether the relevant information is inside information before it is received. When working with other investors to influence companies, SAM will be acutely aware of conflicts of interests and of being put in an insider position.

Whistleblowing

Whistleblowing is important for the Group and society, represents an alternative reporting channel that is open to anyone if breaches are observed. The individual employee is encouraged to notify unacceptable circumstances, because this can help to develop the Group, but normally does not have an obligation to notify. The employees are obliged to notify about criminal matters and about conditions in which life and health are at risk. Employees can notify Storebrand's partners internally or externally. This ensures confidentiality and anonymity. Further information on our guidelines are publicly available on our website.[1)]

[1)] *Guidelines for Whistleblowing*

Principle

4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

SAM promotes a well-functioning financial system as a global investor by addressing risks through a mature internal risk management framework and healthy external collaborations. It is in the best interest of all market participants to have a level playing field in place where no single entity benefits at the cost of other participants. Storebrand is an active contributor protecting the integrity and sustainability of the financial markets for our investors, clients, counterparties and other stakeholders' long-term interests.

Overview of Risk Management

Internal governance and controls include all activities a company conducts in order 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.

A governance and control structure has been established for all of Storebrand'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 structured and solid control environment is based on culture, awareness, company values, 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 teams, sections, and departments.

Roles and responsibility

The Board of Storebrand ASA and the Board of SAM (the Board) are the accountable entities and assume the overall responsibility for establishing the company's risk appetite and monitoring of these risks. The boards will annually reaffirm frameworks and guidelines for the company's risk-taking, receive reports on the actual risk level and have a forward-looking review of the overall risks at least twice a year.

The system for risk management and internal control has 3 lines of responsibility.

1. Business line / Management
2. Independent control functions for risk management, regulatory compliance, information security, privacy and anti-money laundering
3. Internal audit

The Board carries the overall responsibility for ensuring that the company has established an effective and appropriate system for risk management of all investments in funds and portfolios that the company manages and ensures that the management company has appropriate systems in place for risk management to address the nature, scope and complexity of the business, the portfolios that are managed and their risk profile.

The business line / CEO is responsible for risk management and approves and monitors the implementation of the guidelines for risk management, including following up on risk appetite at fund and portfolio level. All business line managers are responsible for risk management within their area of responsibility and authority. Risk assessment and management must be appropriately integrated into the daily business processes.

The Chief Risk Officer is responsible for the control, analysis and reporting of the risk that the Company manages. The internal audit is an independent and objective monitoring function that identifies and assesses whether the risk management framework works appropriately and effectively.

Principle risk categories

SAM has identified the following principle risk categories relevant to our business:

1. Business risk – Unexpected changes in terms and conditions for operating the business, such as social conditions, economic fluctuations, etc. Business risk includes strategic risk, reputational risk and other unexpected changes due to external conditions.
2. Financial risk - Risk of changes due to financial market fluctuations or volatility beyond expectations.
3. Liquidity risk – Risk of not being able to meet payment obligations in a timely manner.
4. Operational risk - Risk of financial loss, reputational damages or sanctions related to breaches of internal or external regulations as a result of ineffective, inadequate or failing internal processes or systems, human error, external events or non-compliance with rules and guidelines.
5. Compliance risk - The risk of incurring public sanctions, financial loss, compensation claims and/or loss of reputation due to non-compliance with external and internal regulations.

Market wide and systemic risk

Several of the categories of risk listed above are relevant to SAM`s participation in the financial markets. Several of them include a wide variety of subcategories, but all of them are in their own way relevant to SAMs investors, clients, counterparties and other stakeholders as they must be addressed to ensure SAM is a robust and resilient service provider and market participant.

We choose to focus on three specific risks as they are highly relevant and relevant to today's market and risk landscape in this report.

I. Business continuity and operational resilience

Key to addressing market wide and systemic risk is the robustness and resilience of the market participants. If the market participants don't reliably meet agreed-upon obligations and terms, there will be no well-functioning financial markets.

SAM has operated in the global financial markets as a licensed entity with the Norwegian FSA ("Finantilsynet") since 1981. Through more than 30 years we have experienced both positive sentiments and crisis. This experience has provided a solid base for continuous improvements in all processes – from investment processes in Front Office to settlement processes in Back Office. Being reliable and robust is at the core of Storebrand's more than 250 years of experience as a provider of financial services in Norway.

In the last couple of years, there have been challenging times for the markets and the market participants due to uncertainty in operational conditions. The Covid-19 pandemic has been a real stress test on the robustness and resilience of processes and organizations where we had to operate our business using mostly working from home ("WFH") as the only feasible way of working. The operating terms were changing fast and so was the need for a response. Our key priorities in a business continuity situation have one clearly defined goal; "secure life and health, manage assets and perform business critical tasks". More than two years after the initial hit from government regulation, we can happily declare that our response was swift, effective and in line with our goals. SAM had zero days of downtime and was able to shift our way of working as fast as needed. This benefited our clients and our counterparties in the markets. Even though we now see the effectiveness of our response, we have used this experience to further improve our business continuity framework from both lessons learned internally, but also through third party independent evaluation of our effort. Our business continuity plans and mechanisms for crisis responding is now more resilient than ever. We will keep on improving our plans while also making sure that relevant training and exercises are a key part of our annual plans.

II. Liquidity risk

Liquidity risk is defined as the risk of not meeting payment obligations in a timely manner. For SAM this could materialize in several ways – both for SAM as a company and for the products and portfolios that SAM manages for our clients. For the latter, monitoring and addressing liquidity risk in our portfolios is vital for clients but is also key to addressing any market wide and systemic risk.

Identifying and addressing liquidity risk is a natural part of our investment processes and a key factor in our day-to-day monitoring of markets, issuers and portfolios. Addressing liquidity risk in daily processes is important, but so is longer term monitoring of changes in this specific risk. SAM has taken several steps in the last year to address this need for longer term monitoring of liquidity risk in our funds and portfolios through regular calculation and aggregation of liquidity profiles and through regular stress tests. Any findings or major changes in liquidity risks are raised by our CRO. The BoD receives reports on the development of liquidity risk in funds and portfolios.

III. ESG and sustainability risk

Storebrand is one of the founding investors joining the Principles for Responsible Investment at its start in 2006 and has been an active member since then. The United Nations-backed Principles for Responsible Investment Initiative (PRI) is a network of international investors working together to integrate ESG factors into their investment decisions and contribute to the development of sustainable capital markets by putting the six Principles for Responsible Investment into practice:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

The Principles are founded on the conviction that ESG issues can be material to the financial interests of investors, affect the performance of investment portfolios and are therefore important to fiduciary duty. They also promote long term investment as long-term performance while integrating ESG issues into their daily investment practices leading to stable more suitable capital markets. By achieving this, the principles shape the future of investing.

Our investment policy and Storebrand standard are used as guidance on how to perform engagement and exclusion of companies and thus inform all our initiatives. Our policies and standards are aligned with the PRI. The Storebrand Standard for sustainable investments includes the following eight criteria:

1. International Law and Human Rights
2. Corruption and Financial Crime
3. Environmental Damage
4. Controversial Weapons
5. Tobacco
6. Cannabis
7. Physical Risk
8. Transition Risk

Sustainability risk

In addition to our efforts to set a clear policy and standard for engagement and exclusion of companies Storebrand also integrates sustainability risk ratings into investment decisions to avoid or invest less in companies with high-risk sustainability rates and prioritise investment in companies with low sustainability risk. Storebrand measures material ESG risk or the risk of causing adverse sustainability impact through ESG Risk Rating; this measures a company's risk with an ESG focus by looking at three key building blocks:

1. Corporate governance: applies to all companies irrespective of the subindustry they are in and reflects the conviction that poor Corporate Governance poses material risks for companies
2. Material ESG issues: assessment of material ESG issues occurs at the sub-industry level and examines issues based on the typical business model and business environment a company is operating in
3. diosyncratic ESG issues: unexpected and unrelated to the specific sub-industry and the business models that can be found in that sub-industry

The final ESG risk rating is a measure of unmanaged risk and the Risk and Ownership team carry-out an exclusion process to decrease our vulnerability to these risks (further information available under Principle 11). Each company is assessed on the risks but also subsequent management of those risks because we understand risk is inherent to certain industries. Storebrand assigns a sustainability/risk score to all companies we invest in and the score is available for our portfolio managers to integrate in investment decisions.

We are committed to moving capital away from high sustainability risk companies to companies with lower sustainability risk. The Risk and Ownership team also use the rating when identifying and prioritising thematic adverse impacts for specific industries and used when engaging with individual companies to better assess where there is more need for corporate sustainability improvement or when considering voting for sustainability shareholder resolutions.

Industry collaboration

SAM have in many years been a vital asset manager in the Norwegian fund industry and has through the Norwegian Fund and Asset Management Association ("VFF")[2)] been an influential member for many years. The VFF is a well-functioning association where the industry is able to discuss industry matters and establish industry standards. All members of the association are expected to comply with the standards set by the Board of Directors of VFF but are also asked to comply with any softer norms as guidelines. The Norwegian Fund and Asset Management Association works to promote healthy development of the Norwegian Fund and Asset Management industry where key activities include:

1. Developing industry wide standards for market practice and advising members on fund management and regulatory issues.
2. Monitoring adherence to industry wide standards and administering sanctions on actions not compliant with these standards and/or the best interest of the industry
3. Representing the industry in relations with the authorities, media and other external stakeholders
4. Promoting knowledge of and interest in mutual fund investments in the Norwegian savings and pensions market
5. Facilitating and promoting the exchange of knowledge and best practice between members through cooperation (within the boundaries of Norwegian competition legislation)
6. Monitoring practice and development of the international fund and asset management industry, principally through regular contact with sister associations abroad

Through various working groups, such as but not limited to Compliance, Risk Management, Fixed Income, ESG etc., the members may raise issues experienced in their own processes and the need for clarification – both through discussions and through documented industry standards. The working groups prepare and suggest any new or changing industry standards. Along with supporting resources from the VFF, these working groups consist of industry experts in specific fields and SAM have representatives in all established groups. As a member of the VFF, SAM must report compliance with specific industry standards on an annual basis. This ensures a robust setup of standards that is respected in the industry and contributes to a reliable environment for conducting business.

Another important association for the finance industry in Norway is Finance Norway. They advocate the views of the industry towards different groups in Norwegian society; politicians, government, consumer authorities, international collaborators and decision-makers and consumers. SAM is always striving to contribute to efforts that support the industry in our clients' best interest.

[2)] The Norwegian Fund and Asset Management Association

Principle

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Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Storebrand defines objectives for its individual engagements and sets objectives and milestones to be achieved by companies together with other investors in collaborative engagements. Progress of engagements are discussed in monthly meetings held by the Risk and Ownership team; engagement is assessed and discussion of escalation is covered (further information available under Principles 9, 10 and 11).

Storebrand monitors progress against defined objectives and tracks the progress of action. If original objectives are not met, an assessment is made as to the appropriateness of the original objective and an assessment of processes. If the original objective needs revision, Storebrand will do so or if the unachieved objective is process-rooted, then remediation will be exercised.

Our policies and standards are continuously being revised to ensure effective stewardship is enabled. Each document is marked with the date they were last updated and previous versions are accessible so we can monitor progress over time. This is the case for all of our Storebrand standards regarding our different criteria for human rights, the environment or corruption. Our investment policy and voting policy also show when they were last revised. Lately many, if not all, of our documents have been edited to adapt to the language required by new EU sustainability regulation. Following the adaptations, it is even easier for our customers to understand how we work with sustainability and are responsible stewards of their investment.

Our stewardship policies and practices have stood up to external scrutiny; PWC are the current external auditor.[3] Storebrand is a signatory to the PRI (Principles for Responsible Investment), which also means that we are assessed on an annual basis by PRI. The assessment aims to identify how signatories can improve their responsible investment practices and facilitate learning and development by outlining how signatories' implementation of responsible investment compares year-on-year, across asset classes, and with peers at the local and global level by providing a confidential report. To ensure transparent communication, and to let stakeholders follow up on the implementation of our Sustainable Investment policy, we are committed to fulfil PRI's reporting requirements, and publish results accordingly. The Assessment report is published and can be found on our website.[4]

Our sustainability work is continuously assessed and ranked against our competitors, by civil society such as Fair Finance Guide Norway,[5] or Norwegian People's Aid. Our work is also assessed and ranked by leading financial advisers and intermediaries in insurance and financial products, such as Söderberg & Partners.

We ensure our stewardship reporting is fair, balanced and understandable by the following efforts:

- keeping ESG experts and the communication team in regular and detailed contact.
- Communicating with rating agencies on our level of transparency.
- The Fair Finance Guide in Norway rates Storebrand as number 1 asset manager, indicating high-quality corporate social responsibility, ethics and sustainability.

Regular and consistent review and use of external assurance has led to the continuous improvement of our stewardship policies and processes. For example, ESG4Real[6] certification is a non-profit and politically independent initiative with the main purpose to promote growth and development within responsible investments. ESG4Real establishes a quality assured minimum level to increase transparency, communication and competence. This requires independent certification conducted by an ISO17065-accredited body to the global market. We meet all the requirements set within the framework of the ESG4Real model[7] and our capital within the group is certified through ESG4Real (Listed Equity and Corporate Bonds).

EU requirements under SFDR allowed us to update and quality-assure our existing processes. With the introduction of EU disclosure requirements, SAM has worked to develop and update the sustainability analysis in order to be able to take into account the data on principal adverse impacts that will be available. Our method is to identify PAI laggards (red), PAI intermediates (yellow) and PAI leaders (green) to reduce risk and allocate capital to more sustainable and/or solution companies. Red companies will be further analysed by corporate governance team and may result in exclusion depending on risk and severity of the negative impact identified and the overall cumulative negative effect identified for all PAI indicators. Yellow companies will also be further analysed in order to mitigate negative effects through engagement. Green companies will be identified so that capital can be directed there.

[3] Annual Report Storebrand ASA 2021 pages 226-227

[4] UNPRI Assessment Report for Storebrand Asset Management
[5] Hjem/Etisk bankguide
[6] ESG4Real Bantorget Förvaltning
[7] ESG4Real Standard mandatory requirements

Principle

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Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

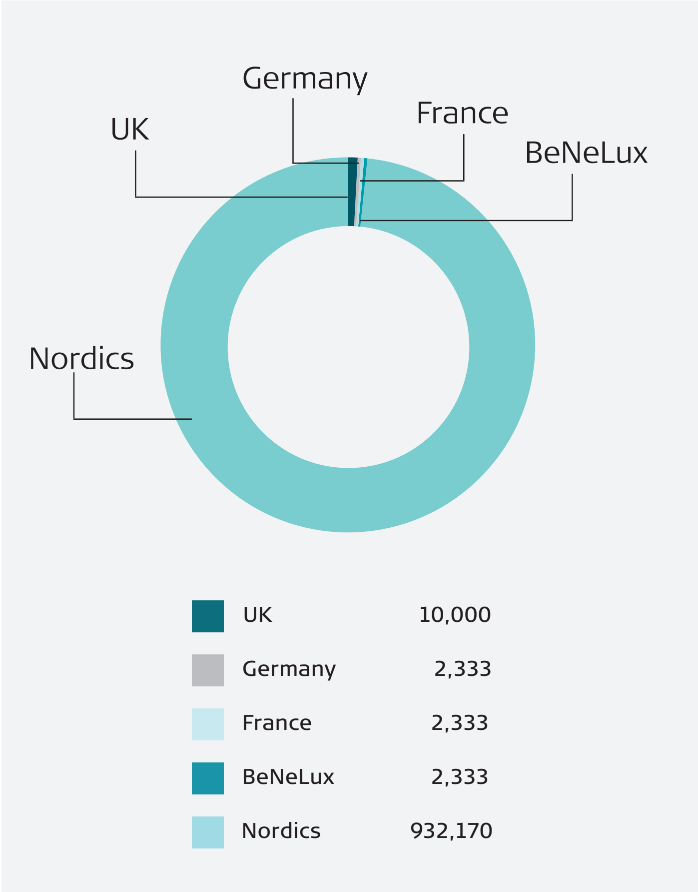
Our client base covers both institutional and retail investors invested across a range of asset classes and geographies. However, only listed equities are registered for distribution to UK investors.

Breakdown of AUM by Asset Class and client type (as at 30 Sept 22)

In NOK Million	Retail	Institutional
Passive		
Equity	5,198	318,922
Enhanced Index/Smart Beta	2,856	21,445
Active Equity		
Large Cap	20,292	59,688
Emerging market	5,423	26,822
Other/Convertibles Flexible allocation	15,348	352,004
Alternatives		
Real-Estate Equity	590	79,277
Private Equity	829	40,367
Private Debt	1,294	46,815
Infrastructure	98	3,831
Total	51,930	949,170

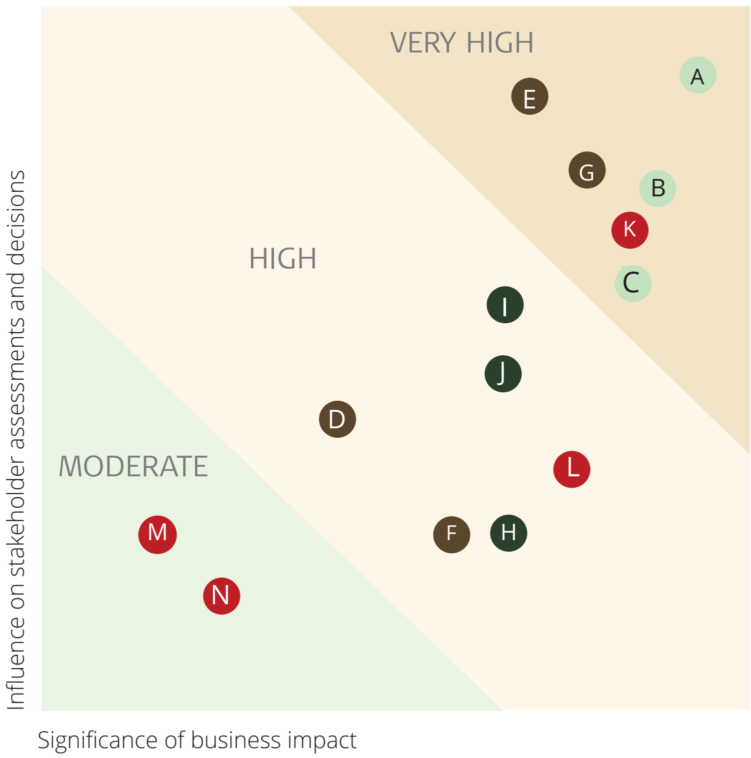
Our voting records and statistics are disclosed in real time on our website, through ISS Proxy Voting Dashboard[25].

Breakdown of AUM by Geography and client type (as at September 22)



In 2021, Storebrand was ranked 1st in the Norwegian Customer Barometer's annual measurement of customer satisfaction in the corporate market, having placed 2nd last year. The score of 74 points (out of 100) indicates that customers are well satisfied with their customer relationship. Storebrand received the highest score on loyalty among corporate customers, with sustainability again identified an important driver of loyalty and trust. Additionally, for the third consecutive year, the annual Prospera survey in Norway and Sweden showed that institutional clients ranked Storebrand Asset Management best in class among sustainable investments. We also scored best among the major financial institutions in the Ethical Banking Guide in Norway, and we were included on the Dow Jones Sustainability Index's list of the world's 10 per cent most sustainable companies for the second year in a row. These were important recognitions of Storebrand's efforts to operationalise sustainability and integrate sustainability in our investment products.

Materiality matrix



Financial capital and investment universe

- A Competitive long-term returns to share-holders an customers
- B Driving force for sustainable investments
- C Active owners and reducing ESG (Environmen-tal, Social and Governance) risk

Customer relations

- D Greater financial security and freedom
- E Engaging relevant and responsible advice
- F Digital innovator in financial services
- G Simple and seamless customer experiences

Our people

- H A culture for learning
- I Engaged, competent and courageous employees
- J Diversity and equal opportunities

Keeping our house in order

- K Governance and Compliance: Privacy and combating financial crime
- L Sustainable practices throughout the value chain
- M Corporate citizenship
- N Responsible resource usage

To ensure that we have a comprehensive and long-term approach to creating value for our shareholders, customers, employees and society at large, we regularly conduct a materiality analysis. This ensures alignment between our goals and prioritised areas, and our stakeholders' expectations. The four focus areas are financial capital and investment universe, customer relations, our people and keeping our house in order (please see materiality matrix below). Under Principle 6, we will be focusing on customer relations and the steps we will be taking to work on this moving forward.

The material themes are ranked according to the influence they have on our stakeholders' assessments and their decisions related to Storebrand, and their significance of business impact. We consider all customer relations indicators (D, E, F and G) to have high or very high business impact therefore we allocate resources to ensure we are meeting our clients' expectations. Key figures for each focus area, including customer relations, is reported to the group management on an ongoing basis, and to the Board of Directors annually.

Storebrand communicates to clients about stewardship and investment activities and outcomes across a variety of formats and timeframes. This includes regular updates such as Annual Client Conferences, Quarterly fund update webinars where portfolio managers provide detailed commentary[8], Quarterly Sustainability reports[9], Quarterly Carbon Footprint reports[10], Quarterly Excluded Companies Report[11], Monthly fund factsheets via Morningstar and Climate Metrics reports. Voting activity for UK clients is also captured in the standard PLSA voting report.

[8] Global ESG+ Q3 Update webinar
[9] Sustainable Investments Quarterly Report Q3 2022
[10] Carbon Footprinting Q1 2022
[11] Storebrand Exclusion List Q3 2022

We also produce ad hoc updates including fund manager blogs and whitepapers[12], social media updates[13], external presentations at conferences, updates to policies etc published in the Reports section of the website[14], in person and virtual meetings.

We assess and take account of client needs by engaging with clients and prospects and their professional advisers. Dialogue with clients about their needs has influenced our decision to launch a tax efficient fund structure and has prompted the production of a number of reports such as our Climate Metrics report which provides information for schemes wishing to demonstrate action on climate risk.

Engagement with clients on the data / reporting that we provide is a central part of our approach to client service. This is increasingly important as our clients require specific technical reports such as cost transparency reports, TCFD reports etc. Given the rapid evolution of reporting requirements in the climate / sustainability area this discussion has become even more important. Evaluation is on a client by client basis and not standardized.

We are open about our sustainability efforts and report in accordance with several leading reporting standards, including the Global Reporting Initiative (GRI), task force on Climate-Related Financial Disclosures (TCFD) and Carbon Disclosure Project (CDP), in line with the expectations of a number of key stakeholders. Strategic ambitions, specific goals, reporting and communication on sustainability are important success criteria in our work.

[12] Storebrand Solutions Spotlight
[13] Storebrand Asset Management Linkedin
[14] Sustainable Investments Document Library

Principle

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Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Cooperation between Investment team and ESG team

The ESG team have formal quarterly meetings with the investment teams to address sustainability issues and any changes to the exclusions list. In addition the ESG team have frequent ad hoc/on-going discussions with the fund managers with relation to companies in the investment universe (for example, discussions around how to avoid red flag companies).

How and to what extent the analysis/views of the dedicated ESG team is integrated within the investment team

All portfolio managers have a responsibility to take ESG into account, indeed all employees in the Asset Management-arm of Storebrand have sustainability in their action plans, to varying degrees. In practice, this means that employees are continuously followed up on the following:

1. To further develop sustainability for commercialization and customer value creation
2. To concretize the use of ESG in the investment process
3. Integrate by documenting processes and updating materials used for e.g. reporting and customer meetings
4. Some managers also have explicitly in their mandate to make active decisions for more sustainable investments, e.g. sustainability optimization, such as the managers of the PLUS funds, Global Solutions, etc.

How the investments team works with the ESG team.

The quant-team is responsible for updating and developing the sustainability rating of companies and also manages the ESG Plus funds range which have an extra ESG focus. All UK client assets of Storebrand are invested in the ESG Plus funds. The quant team sit in the same room as the sustainability team, which facilitates idea sharing. The Storebrand sustainability rating is used by the ESG team to identify the risk of adverse sustainability impact on companies. The team also uses the ESG rating when identifying and prioritising thematic adverse impacts for specific industries and uses this to direct engagement activities. It is also used when engaging with individual companies to better assess where there is need for corporate sustainability improvement or when considering voting for sustainability shareholder resolutions. The ESG Risk Rating feeds into the Storebrand Sustainability Score assigned to all the companies we invest in and it is available for our portfolio managers to integrate in investment decisions. The aim is to move capital away from high sustainability risk companies to companies with lower sustainability risk. Portfolio Managers at Storebrand Asset Management are able to access the score on several levels. Total Score, Risk Score, SDG Score and scores for underlying themes within these building blocks. 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. Qualitative assessment of sustainability data allows for better-informed investment decisions and may be followed up by further research supported by internal sustainability experts.

The ESG team's responsibilities and how their work is used by the investments team.
We have two dedicated in-house ESG teams working alongside our investment teams on incorporating ESG factors into investment activities: the Risk and Ownership team and the Solutions team. The Risk and Ownership team is dedicated to integrating environmental, social and governance (ESG) risks into our analysis of companies and management of investment portfolios. Our method for the exclusion of companies is defined by the Storebrand Standard. The Storebrand Standard applies to all assets we manage. The exclusion process is extensive. It involves both internal and external data and evaluations conducted by in-house expertise. Another core element is to be good stewards and owners of those companies and assets in which we have invested through active monitoring, engagement and advocacy. In our experience the best results are achieved through co-operation with other investors and targeted engagement with companies where our ownership level is highest.

We also voice our opinion through exercising our voting rights. It is the Risk & Ownership team's task to monitor the occurrence of controversial events, and update the list of companies to be excluded because they violate our norm and product-based exclusion criteria and evaluate the norm-based incidents within the Storebrand standard. The Risk and Ownership team sends quarterly reports regarding exclusions first to portfolio managers and compliance, so they are aware of new exclusions. Fund managers have approximately 20 days to sell their holdings in excluded companies. The team assesses whether a company requires active engagement efforts to influence the company in a better direction. If necessary, they carry out the company dialogues and are responsible for initiatives linked to active ownership.

In addition the Solutions team have the task of analysing sustainability data from a solution perspective, identifying solution companies, and managing our specific "solution funds" in the group. Solution companies are companies whose products, services or business models significantly contribute to one or more of the UN's sustainability goals, without doing serious damage to anything else. It can be companies that deal with renewable energy, sustainable cities, circular economy, health and empowerment. The companies can be both "pure-play" or conglomerate where part of the business solves sustainability challenges (and other business is neutral / does no harm from a sustainability perspective). The solution team owns and is responsible for the list, or library, of solution companies that we have developed in the Group, which is used for active selection in several of the Group's investment strategies. They have also identified many of the companies on the list, but managers can also add companies to the list if they meet the requirements. For example, the managers of the Plus funds are also active in identifying solution companies as they aim to invest >10% of these funds in companies in the "climate solutions" space. The solutions company database contains approximately 570 companies. The database is available to fund managers across our investment teams and serves as valuable research for identification of interesting investment ideas.

The following are central to Storebrand's investment approach and maximise the efficacy of our stewardship:

- Make investment decisions in line with scientific consensus
- Reorient capital flows towards low-carbon, climate-resilient and transition companies
- Avoid investments that contribute heavily to climate change
- Use ownership positions to stimulate ambitious ESG practices at portfolio companies
- Make it simple for clients to understand and contribute to a low carbon future

Make investment decisions in line with scientific consensus

Storebrand supports the commitments outlined in the Paris Agreement and that statements and reports from the Intergovernmental Panel on Climate Change (IPCC) will provide the scientific basis for our subsequent investment decision making. If there is scientific uncertainty with regards to the negative effects of specific activities on climate change, Storebrand will adopt the precautionary principle.

In order to accurately gauge climate risk and make informed investment decisions, Storebrand will utilise Climate scenarios as an analysis tool. Selection of scenarios will be in accordance with the following expectations:

- Scenario provider must be scientifically recognised
- Scenarios must cover both transition and physical risk
- Scenario design should not rely on overshoot or on technical optimism
- Scenario provider should deliver a range of scenarios from best case to worst case

On the basis of these expectations, Storebrand will actively use the Intergovernmental Panel on Climate Change (IPCC) models. When setting short, medium and long-term investment strategies, Storebrand will rely on the scenarios consistent with limiting global warming to 1.5°C with no or limited overshoot. These scenarios require CO_2 emissions decline by about 45 per cent from 2010 levels by 2030 and net zero emissions by 2050.

Reorient capital flows towards low-carbon, climate-resilient and transition companies

Defining what is low-carbon and climate aligned not only presents investment portfolios with risks that need to be mitigated, it also presents new opportunities to diversify portfolios and improve their resilience to the effects of climate change.

The EU taxonomy will be central when defining low-carbon and climate-resilient activities. The Taxonomy sets performance thresholds (referred to as "technical screening criteria") for economic activities which make a substantive contribution to climate change mitigation and adaptation. These activities must avoid significant harm to other environmental objectives (pollution, waste & circular economy, water, biodiversity) and meet minimum social safeguards, currently defined as aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

In addition to using external frameworks like the EU Taxonomy to inform investment decisions, Storebrand will further develop internal analyses in order to identify companies that provide Solutions to managing climate change. Solution companies as identified by Storebrand will be included in investment portfolios.

We will undertake an assessment of companies' preparedness for the transition to a low-carbon economy, with a focus on high impact sectors. Businesses that are clearly undergoing a transition towards a low-carbon economy will be supported.

We will use the following metrics to measure, monitor and disclose climate-related risks and to capture investment opportunities:

- Carbon footprint: measure the carbon emissions of the investment portfolio, which can then be used to compare portfolio emissions to global benchmarks, identify priority areas for reduction (including the largest carbon emitters and the most carbon intensive companies) and engage with companies on reducing carbon emissions and improving disclosure standards.
- Ratings and research: use the outputs from one or more of the various climate-related data, research and ratings service providers as part of our assessment of climate-related risks and opportunities.
- Adaptation metrics: assess the preparedness of investee companies and entities to the physical impact risks associated with climate change.
- Climate risk assessment and monitoring: Storebrand will strengthen and enhance continual climate risk assessment in financial decision making. All fund managers in the Storebrand Group are responsible for assessing and reporting on the climate risk profile of their portfolios. These climate risk assessments will be supported by the sustainable investment teams and followed up in annual fund reviews.

Avoid investments that contribute heavily to climate change

Robust reviews of environmental impacts of investments and actively monitor emerging issues and regulatory developments. In addition, we have additional guidelines and due diligence for specific sectors with high climate risks. These guidelines are reviewed periodically and updated based on emerging best practice, regulatory changes and engagement with stakeholders. Exceptions from divestment limits may be made in cases where companies can demonstrate a clear and rapid transition pathway. Storebrand:

- No longer invests in companies that derive more than 5 per cent of their revenues from coal.
- No longer invests in companies that derive more than 5 per cent of their revenue from oil sands-based activities.
- No longer invests in companies that are involved in severe and/or systematic unsustainable production of palm oil, soy, cattle and timber.
- No longer invests in companies that deliberately and systematically work against the goals and targets enshrined in the Paris Agreement.

Use ownership position to stimulate ambitious climate practices at portfolio companies

Storebrand believes that one of the best ways to effect change is to be an active owner and to engage with portfolio companies. We will seek to build positive dialogue with companies, aiming to support their transition to low carbon and climate-resilient activities. This will be done both through individual dialogue, but also through investor initiatives such as the PRI and Climate Action 100+ (further information under Principles 9-12).

Exercising our voting rights at company AGMs is also an important way of influencing company policy on climate change (further information under Principle 12). Where appropriate, we will support shareholder resolutions on climate change, participate in investor statements and engage with policy makers at national, regional and global levels. Efforts will also be made to influence external fund managers to adopt climate policies in line with our own.

We will also engage with financial institutions with large exposure to sectors with high climate risk. We expect these institutions to adopt and implement policies to address climate related financial risks and opportunities in their investments and financial operations.

Make it simple for clients to understand and contribute to a low carbon future

We aim to offer climate positive investment products across asset classes and investment styles in order to make these products accessible to all our clients. Examples of products we will seek to offer are fossil free funds, Green Bond funds, Sustainable Property investments, and equity funds dedicated to investing in climate solutions. In addition, we will ensure that the impacts of these products are reported regularly and transparently.

Our clients tend to choose us because we are a long-term investor providing pension services with a strong sustainability profile. As such, the time horizons of our clients tend to match our long-term investment strategy.

Information gathered through stewardship has informed acquisition, monitoring and exit decisions (further information under Principles 9-12). We value the fact that our client time horizons tend to match our stewardship activities for proactive engagement; proactive engagement has a longer timeframe as we are trying to raise the standard within a company and industry on a systematic level. Our engagements with companies, to exercise stewardship on behalf of the client, are either reactive or proactive in nature:

Reactive engagements: those that pertain to dialogue with a company due to a specific controversy, have shorter timeframes in order to address immediate controversies and require companies to take immediate measures to mitigate. The timeframe for this short-term mitigation will vary depending on the case.

Proactive engagement: has a longer timeframe as we are trying to raise the standard within a company and industry on a systematic level. We try to raise standards by direct dialogue or through investor coalitions (targeting an industry or an issue).

Our exclusions are assessed and enforced quarterly but our portfolios are constantly monitored for potential breaches of our investment standards by the Risk and Ownership team. Please also note that product exclusions[15)] such as tobacco are enforced immediately each quarter once the screening for the product is carried out since they do not entail dialogue with the company. Storebrand only engages with companies based on conduct-based criteria (human rights, environmental degradation or corruption practices) where it might be able to influence corporate behaviour. However, Storebrand will not engage for example with tobacco producers since the nature of their activity is to produce tobacco and this will entail them changing business activity all together, which most likely they would be opposed to do.

Reporting on breaches to the Storebrand Standard is done on a quarterly basis and published on our website so that clients are able to view any new exclusions. Portfolio managers are advised as to potential exclusions during reactive engagements so that they do not invest or further invest in potential companies subject to exclusion. This also gives portfolio managers the opportunity to share any information they may have on the company in question.

Portfolio managers are also informed about companies targeted during proactive engagements in order to coordinate dialogue. Portfolio managers may also inform the sustainability team about potential new investments so that a sustainability assessment can be carried out before investment takes place. This is especially the case for active managed funds.

In connection with new EU sustainability regulation (Sustainable Financial Disclosure Regulation, SFDR requirements) Storebrand is also prepared among others to start reporting on Principle Adverse Impact as required. When SAM assesses the principal adverse impacts on sustainability factors (PAI), SAM evaluates the assets managed on an entity level, with the exception of assets where data on PAIs are not available[16)].

SAM continuously assesses any potential adverse environmental, social or governance impact from activities in investee companies. For companies with heightened risk of potential adverse impact, our Risk & Active Ownership team will undertake in-depth analysis of the issue and decide on any further action, such as engagement or recommendation for exclusion. Further integration and considerations of PAIs may take place at SAM's subsidiaries and specific funds.

To ensure transparent communication, and to let stakeholders follow up on the implementation of our Sustainable Investment policy, we are committed to:

[15)] *Storebrand Q3 Exclusion List*
[16)] *Principal Adverse Impact Statement SFDR*

- Publish and make available to investors via our website this Policy for Sustainable Investments
- Fulfil PRI's reporting requirements, and publish results accordingly
- Report on excluded companies on a quarterly basis
- Report on companies on our observation list on a quarterly basis
- Report on relevant key performance indicators, targets and results annually
- Update stakeholders on key initiatives via our websites and annual reports

We will continue to report on the overall exposure of our portfolios to the risks and opportunities presented by climate mitigation and adaptation, and to align this reporting with the TCFD recommendations and other relevant disclosure frameworks.

Engagement with service providers

Storebrand conducts all active ownership dialogues with investee companies directly through its in–house sustainability team, either individually or as part of coalitions, and does not currently outsource company engagement to external service providers.

Our stewardship is supported by several service providers, including several ESG data vendors and proxy voting service providers. We regularly engage with ESG data providers to keep abreast of new data offerings, assess data quality, communicate Storebrand's data needs and encourage improvements. As an example, we are currently part of a collaborative engagement with 9 different data providers on the need for better company-level data on deforestation. With respect to data utilized for exclusion recommendations, we have regular contact with data providers if our own assessment does not match their evaluation and risk categorization to understand the discrepancies and to eventually provide additional information for them to consider.

Integration of Stewardship and investment across other asset classes

Real Estate

Our real estate investments are to contribute to the achievement of the SDGs but without causing harm or having an adverse impact on society and the environment. By combining different strategies, our investing approach focuses on both reducing the adverse sustainability impact our investments may cause and contributing to positive sustainability impact by allocating investments in sustainability opportunities. Risk assessments are conducted in both the pre and post investment phase and include, environmental, social and governance risks. With respect to reducing negative sustainability impacts, the main indicators will be exposure to fossil fuels through real estate assets; exposure to energy-inefficient real estate assets; GHG emission generated by real estate assets; Energy consumption intensity and Waste Production.

Prioritizing and addressing potential negative impacts is conducted through the following strategies: screening and excluding investments or partnerships, integrating adverse impacts in investment selection decisions, and integration in investment decisions on property management and development.

With respect to contributing to positive sustainability impacts, UN sustainability goal number 11 on sustainable buildings, cities and societies is integrated in our core business, and is the overarching goal that frames the prioritized target areas. Four main target areas are relevant to new investments, developments and operational management of our real assets: climate and energy, circularity and material resources, life on land and in water, and health and well-being.

Private Equity

Storebrand Asset Management's private equity investments are carried out through the wholly owned subsidiary Cubera Private Equity ("Cubera"). Cubera is an investment advisor and fund-offunds manager. Based on the decades-long investment experience in the private equity space Cubera is in the position to materially contribute to the ESG efforts within its fund manager network. In its role as a limited partner in a private equity fund, Cubera has limited formal influence on ESG issues during its ownership phase, and no direct influence on the underlying portfolio companies.

Therefore, Cubera focuses its resources where they will in fact create value: in its relationships with the fund managers in its investment universe, and in the evaluation of investment opportunities. Cubera always strive to focus on the matters that are material to long-term value creation, and within its range of influence. The firm engages actively with fund managers through dialogue, coaching and best practice sharing, to ensure that existing and potential investees' values and processes are aligned with Cubera's requirements. Cubera's ESG process is integrated in all aspects of the organization in order for Cubera to make better decisions and act responsibly.

Cubera recognizes that ESG factors affect the long-term market value of an asset and therefore invests with fund managers who also share this view. By encouraging fund managers to undertake relevant ESG actions amongst their activities, Cubera believes it can drive sustainable value for its investors. A dedicated ESG Policy has been developed by Cubera to cover private equity-related processes in detail.

Offering for UK Pension Funds and Institutional clients

Storebrand has launched tax efficient Common Contractual Funds (CCF) enabling UK pension funds and institutional investors to access its flagship climate aware equity strategies – Storebrand Global ESG Plus and Storebrand Global Emerging Markets Plus. Through these strategies we aim to assist fiduciaries in managing the risks associated with the transition to a Paris aligned economy in their core equity portfolios, aligning our investment horizon with pension funds over the long term. These strategies are systematically managed using the best available data sources but with oversight from a climate specialist portfolio manager to improve the risk/climate view outcome for clients. Stewardship is applied through the Storebrand Standard, addressing material issues such as supply chain deforestation risk, human rights risks and corporate transition planning.

Principle 8

Signatories monitor and hold to account managers and/or service providers.

Service providers are the subject of continual review to ensure services are delivered to our standards and meeting our needs. Each service provider is internally assigned to one person for regular meetings and to follow-up with each provider. There is also a coordinated effort between the Sustainability Team and the IT team to compare and rate different providers. Our internal processes are to ensure the service provider fits our needs, quality and accuracy.

We also ensure that all of our data providers meet the EU disclosure requirements. Each individual carrying-out analyses and review of service providers is also responsible for negotiating the fee; this is so we can achieve a competitive price for the services. As we regularly deal with pension funds, we receive many requests from clients about our choice of data service providers and how we expect to be responsible stewards of their funds; this ensures we are in practice of communicating the reasoning behind our choice of service providers and holds us regularly accountable of our decisions.

Alongside our systematic monitoring, we also assess any stand-out cases, for example in the advent of company controversies. We have for example regular contact with data providers if our own assessment does not match their evaluation and risk categorization to understand the discrepancies and to eventually provide additional information for them to consider.

Manager Selection & Monitoring

ESG is an integrated part of the Storebrand selection and monitoring process. The process includes both qualitative and quantitative measures and assessments.

Quantitative measures include our proprietary ESG rating which covers E, S and G considerations on stock and portfolio level. We also complement internal ratings with data from our external data providers. The quantitative measures will include considerations of the current and historical portfolio characteristics, but also how well the portfolios are positioned in terms of relevant future sustainability trends.

We also rate our external funds/managers using a wide range of criteria. The main areas in this qualitative assessment are as following:

- The fund mandate with respect to ESG considerations
- The organisation's policies, resources and commitment
- The portfolio manager's own approach to responsible investing (focus, attitude, knowledge etc)
- Potential for engagement and ongoing cooperation

When selecting an external manager, we strive to investigate thoroughly the ESG profile of the manager in order to understand if the manager likely will fulfil going forward our requirements with respect to responsible investing. Then once when a manager is selected we continue to scrutinize the managers approach to ESG. This is part of our ongoing monitoring process where we assess the quality of the investment service provided. More specifically for ESG, we quarterly assess the portfolio holdings of all external mandates. The holdings are screened for controversies (please see details on the Storebrand standard) as well as an average portfolio holding sustainability score is calculated. Findings not in line with our expectations will in next step be addressed and engagement with managers started. Engagements can also happen in cooperation with the external managers towards the issuer in question. Teaming up with other asset managers, often with a substantially larger international asset base than ours has provided a significant leverage to our engagement efforts and supports our responsible investment initiatives.

In addition to the more quantitative perspective of ESG ratings and portfolio content, we conduct ongoing periodical fund reviews with the managers where we also discuss portfolio positions from an ESG perspective. This way we learn how the managers continue to integrate ESG assessments in the investment process and can identify potential changes. If relevant, the fund review can lead to a new ESG assessment of the manager.

During this continuous monitoring process, we do unfortunately, (but perhaps not surprisingly) from time to time, experience cases where the asset manager does not meet our expectations. Typically, we would address the issue with the asset manager to see if improvements can be expected. If not, and after ascertaining that our observations are reliable and representative for future behaviour, we would typically replace the manager when a better candidate has been identified.

Service Provider Monitoring

Data governance is evolving as we continue to develop our inhouse governance; we aim to manage all data in enterprise systems. In this regard, we have streamlined the entry point of contact for all data service providers, with Head of Data Contracts & Data Governance. We are in the process of standardizing the data and structure of agreements to have master service agreements, with data contracts handled in a centralized manner across Storebrand Asset Management. Data Governance works closely with Tech Governance - Delivery management as part of Investment Operations unit.

All data contracts and service level agreements are mapped and proactively assessed with meetings and potentially onsite inspections and reviews. This establishes a baseline of communication for us to have ad hoc and regular contact in order to monitor the provision and assess whether expectations are being met.

We have mapped ICT service providers for SAM. The internal system for monitoring service provider contracts is VASP, which defines the vendor specifications, terms and other relevant information. Where agreements have been historically incorrectly registered, the CIO, Head of Sourcing, COO, Head of Investment Control and Analytics are all alerted and follow up meetings kick off to assess the best course of action to rectify the issue.

Comparative assessments are conducted for service providers. For example we use two ratings agencies currently to make investment decisions, and also met with a third to explore their service as a potential replacement should a lack of data or service require us to optimise our data coverage and technical specifications required, such as delivery methods and channels.

Please see Principle 2 for additional information on service providers that we use.

Principle

9

Signatories engage with issuers to maintain or enhance the value of assets.

We select and prioritise engagements according to five key principles:

Creating shareholder value: We believe that companies that are able to proactively manage sustainability risks, as well as adjust their strategies and business models to embrace sustainable solutions, will also create increased shareholder value over time. Thus, the shareholder value we offer our clients also encompasses environmental, social and governance value.

Aiming for a positive impact: Ultimately, we aim for our investments to have a positive impact. We therefore do not only engage with companies to require them to redress wrongs (reactive engagement); we also engage to lift sustainability standards in a proactive way so as to address potential sustainability risks before they can become impacts, as well as to encourage good practices. Accordingly, we allocate more resources to these proactive engagements, engaging for long periods of time and, where possible, with other investors for more leverage and better results.

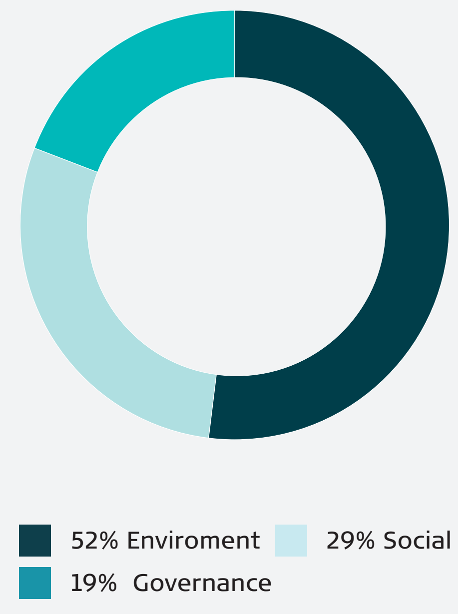
Nordic approach: We are a Nordic actor. This means that we have more leverage in Nordic countries where we are more known and where our exposure can be high (size of holdings). We will prioritise our proactive engagement with Nordic companies, where our Nordic position and knowledge of these companies enables for constructive and meaningful dialogue that creates value both to these companies, to Storebrand, and our clients. This however does not limit us to engaging only with Nordic companies, as aspects such as the materiality of ESG risks, exposure, and the ability to have greater impact on ESG issues remain important factors for considered in the prioritisation of our engagement work with companies outside of the Nordics.

Multi-stakeholder engagement: We understand that many sustainability issues cannot be just solved by companies or investors alone, they require the involvement of other stakeholders. As a result, we engage with other stakeholder, such as governments, industry organisations, environmental and human rights organisations or labour unions. In particular, we consider policy-level engagement an important factor in stimulating change since we believe regulation sometimes is required to advance many sustainability issues.

Targeted engagement: We engage with companies on their sustainability practices, management of risks to people and the environment, developments in accordance with changing regulations, mitigating reputational risks, and expectations from their shareholders and society at large. In our experience, the best results are achieved through co-operation with other investors and when engaging individually, through targeted engagement with companies where our ownership level is highest.

Between October 2021 to August 2022 we had 629 new and/ or ongoing engagements. We noted a growing number of engagements related to biodiversity, an area in which we are playing a leading role. Several of the most significant ones are collaborative engagements in biodiversity, a fast-evolving area that lacks commonly accepted standards for operation and financial management. As such, a significant goal of our efforts are aimed at demonstrating practices, building knowledge and gaining support for shared standards.

ESG categories



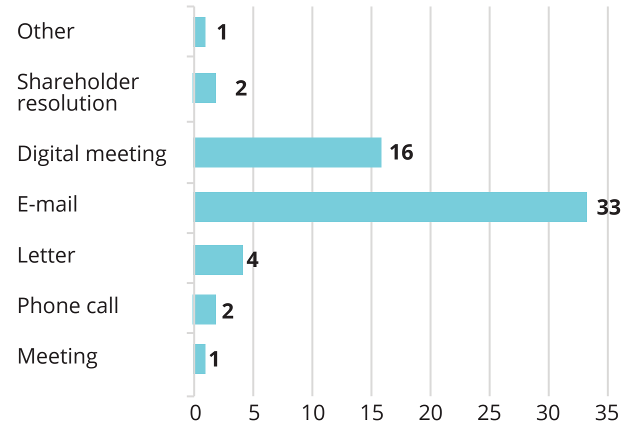
Top 5 countries in terms of engagement:

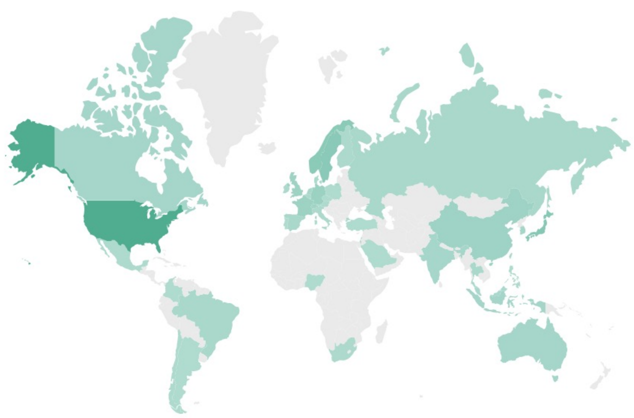
Country	Number of engagements	Percentage distribution
United States	141	22.4%
Japan	57	9.1%
Sweden	52	8.3%
Norway	50	7.9%
Germany	29	4.6%

More information about where geographically and which sectors we engage, and other reporting and engagement statistics, in are available in our Quarterly Sustainability Report[17].

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

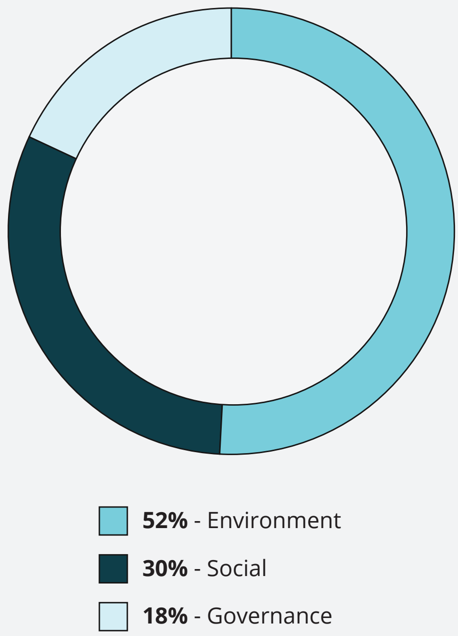
Communication methods used



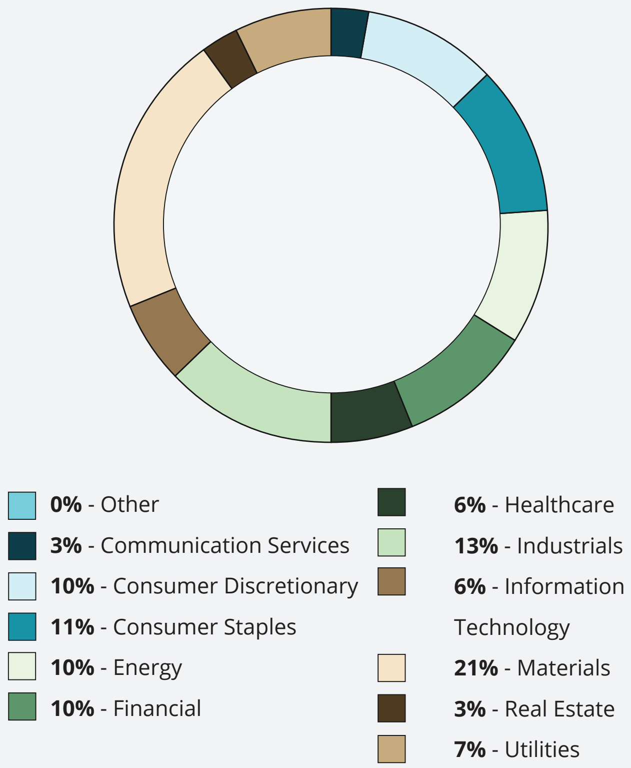


Where we engaged

ESG categories of engagements



Sectors engaged in



17) Sustainable Investments Quarterly Report Q3 2022

Four key engagement themes to be prioritised for 2021 – 2023

1. The Race to Net-Zero

Storebrand is committed to achieve net zero greenhouse gas emissions across all its assets under management by 2050. Storebrand was one of the founding members of the United Nations-convened Net-Zero Asset Owner Alliance. We also became a member of the Net Zero Asset Managers Initiative in 2021. Our long-term ambition is backed up by short-term targets for instance by 2025 emissions for specific asset classes will be reduced by 32 per cent.

We have designed an engagement approach to create an impact in the real economy and encourage companies to define and implement climate strategies and align with the goals of the Paris Agreement and reaching net-zero emissions by 2050 or sooner. We will also continue to engage with a number of banks in order to understand their exposure to the fossil fuel industry. Our participation in the Climate Action 100+, The Institutional Investors Group on Climate Change (IIGCC) as well as the Principles for Responsible Investment (PRI), connects us with like-minded investors and offers platforms for collaborative engagement.

We expect investee companies to:

- Implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change risk.
- Take action to reduce greenhouse gas emissions across the value chain, consistent with the Paris Agreement's goal of limiting global average temperature increase to well below 2°C above pre-industrial levels, aiming for 1.5°C.
- Provide enhanced corporate disclosure in line with the final recommendations of the Task Force on Climate related Financial Disclosures (TCFD).
- Support effective measures across all areas of public policy that aim to mitigate climate change risks and limit temperature rise to 1.5°C. Storebrand will no longer invest in companies that deliberately and systematically lobby against the goals and targets enshrined in the Paris Agreement.
- Support just transition by including workforce and community issues in climate-related engagement on corporate practices, scenarios and disclosures.

2. Biodiversity and ecosystems

Nature underpins all economic activities. Businesses depend on it for direct inputs, such as water and materials. Businesses also have an indirect dependence on it for production processes, such as through erosion control and flood protection. Protection and sustainable management of oceans, forests, wetlands and other sensitive ecosystems is essential to long-term social and economic stability. Environmental degradation puts at risk the capacity of nature to continue to generate the ecosystem services which businesses and society depend on. Failure to recognise business dependencies and impacts on nature exposes companies, and the financial institutions that invest in them, to 'hidden' risks.

We expect companies to mitigate impacts on biodiversity and ecosystems through commitments at the organisational level and respect international agreements such as the UN Convention on Biological Diversity. Companies depending on or impacting biodiversity and ecosystems should integrate relevant nature-related risks and opportunities into their corporate strategy, risk management and reporting. Reporting standards and principles in this area are still evolving, and once the Task Force on Nature-related Financial Disclosure (TNFD) has delivered a standardised reporting framework for biodiversity, we expect our investee companies to report in line with these recommendations.

With our investment activities, we want to contribute to the protection of biodiversity and are currently assessing our impact. As a first step, we did high-level screening of direct nature-related impacts and dependencies for our portfolio of equity and bonds using the measurement tool ENCORE. The web-based tool, called ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure), helps global banks, investors and insurance firms assess the risks that environmental degradation, such as the pollution of oceans or destruction of forests, causes for financial institutions. Storebrand 's highest exposure to impact-related risks stems from the solid waste impact driver, followed by water pollutants, soil pollutants, water use, non-GHG air pollutants and GHG emissions. The industries in our portfolio with the most material nature-related impacts drivers are utilities, consumer staples, materials and industrials. Furthermore, Storebrand's highest exposure to dependency-related risks stems from the mass stabilization and erosion control ecosystem service, followed by surface water, bioremediation, ground water and flood and storm protection. The sub-industries with the most material nature-related dependencies are consumer staples, materials and utilities. The impact analysis was conducted between mid-June and mid-July 2022, followed by the dependency analysis that was conducted between mid-July to mid-August. Given that it is a high-level analysis, the results provide an initial picture of potential impact and dependency related risk associated with Storebrand Asset Management's portfolio. It shows how our aggregate investments are potentially directly dependent on key ecosystem services and how they potentially impact nature.

3. Resilient Supply Chains

Respect for labour rights in company supply chains has been an important engagement theme for Storebrand over the years. Building on this work, it will be our main focus theme for engagement within social issues in 2021 -2022.

After watching the devastating effects the pandemic has had on millions of supply chain workers' health and their precarious working conditions, it is more important than ever to build more resilient supply chains. The pandemic has made all vulnerabilities in supply chains even more visible and it also gives us a better opportunity to discuss and address them with companies across different sectors.

We understand that many of the challenges in supply chains cannot be solved just by companies or investors alone and thus a multi-stakeholder approach is essential to make progress. For this reason, Storebrand is participating in different engagement initiatives that also adopt such an approach and cover different issues pertaining supply chains and involved different stakeholders, not just the companies. For example, we are signatories and participate in engagements on forced labour, in general, based on data from Know-the-Chain in collaboration with the Investor Alliance for Human Rights. More specifically within this issue, we are also involved in engagements discussing the situation of Uighurs in the Xinxiang region in China. Within the Investor Alliance, Storebrand has also been engaging with companies on COVID-19 measures in the supply chain for over a year. Further information is provided in Principle 10.

4. Corporate sustainability disclosure

As an investor with a high focus on sustainability, Storebrand believe that all companies should report on standardised and company-specific sustainability metrics. This will benefit all stakeholders and increase transparency. The level of oversight and reporting on ESG-specific issues are good indicators of how a company measures and manages its exposure to sustainability risks. This is important to us as investors.

Increased reporting will improve the flow of sustainability information to investors and others alike. It will make sustainability reporting by companies more consistent, so that investors, banks and regulators can use comparable and reliable sustainability information. Companies based in the EU will be subject to regulations that streamlines and demand such reporting, but we will demand the same disclosure from publicly listed companies in all countries.

We believe that it is in everyone's interest that companies report on how sustainability issues affect their business, and how their own operations and products/services impact people and the environment. Currently there are differing standards and few regulatory requirements on corporate sustainability disclosure, leading to non-comparable and insufficient information. This means that we as investors do not have a good enough overview of the sustainability risks our portfolio companies are exposed to. We need this information to be comparable and verifiable to channel our investments towards the most sustainable companies, to protect our clients' returns.

We will therefore highlight the importance of consistent, reliable and verifiable reporting on sustainability indicators in our dialogue with our portfolio companies in the period 2021-2022. We expect our investee companies to:

- Integrate sustainability risks and measurable targets into the decision-making process
- Provide enhanced corporate disclosures in line with TCFD recommendations where applicable
- Disclose their remuneration policies and packages for senior management and that these are aligned with the companies' sustainability targets
- Report on diversity in the company, such as gender pay gap and diversity initiatives
- Report on their commitments to adhere to international standards such as the UN Global Compact Principles or other similar frameworks

Further to the four prioritised engagement themes, the Storebrand Group will consider engagement with companies in the following cases:

- Serious or systematic breaches of human rights
- Corruption and bribery
- Serious environmental and climate damage
- Companies with a low sustainability rating in high-risk industries
- Company strategy or performance differing substantially from that previously communicated
- Governance issues such as:
  – Replacement of directors
  – Equity issuance and dividend policies
  – Remuneration of key personnel
  – Transactions between related parties
  – Diversity issues
  – Improve ESG reporting

Engagement alternatives

If the outcome of engaging with companies fails to meet our expectations, the Storebrand Group may consider other actions. If the company is on our observation list, we will make an exclusion assessment (further information under Principle 11). For other companies, our actions may include:

- Expressing our views publicly
- Proposing resolutions at the company's Annual General Meeting
- Requesting an Extraordinary General Meeting

The Storebrand Group may engage in collaboration with other investors where we believe this to be in the best interests of our unit holders. When working with other investors to influence companies, the Storebrand Group is always mindful of conflicts of interests and of being put in an insider position.

Active ownership examples spanning funds, assets and geographies

Our goal for active ownership is to safeguard shareholder value and contribute to increasing it. Through commitment, direct dialogue, dialogue through collaborations and voting, we strive to reconcile the interests between management and owners. Active ownership is a way of reducing risks and improving the quality of our funds. For Storebrand, it is also an important part of our active ownership that companies contribute more positively to the world, both to create financial value and to create a more sustainable development in line with our vision to create "a future to look forward to". Thus, we not only address problems that arise in our portfolio companies, but also work proactively to ensure that both we and the portfolio companies have a positive impact on the outside world.

Our commitment is independent of asset class. In our view, ESG risks are as relevant for fixed income positions as for equities. When it comes to the opportunity to influence, we sometimes find it easier to get in touch with relevant people in companies, for example when they issue a bond than with equity investments.

Internal engagement is primarily exercised in two cases:

1. when a controversial event has been encountered through our continuous screening of the investment universe (reactive influence)

2. if the active ownership forum has decided to initiate a proactive influence process (e.g. based on our focus areas)

Proactive dialogues are based on due diligence/risk analysis, which identifies companies that are active in high-risk sectors but where the risks are not managed in a satisfactory manner.

We are also committed to proactively raising sustainability work in the companies, to manage possible sustainability risks before negative effects/controversies may arise and to support best practice, e.g. within an entire industry.

Therefore, we allocate more resources to these proactive engagements and engage for longer periods of time (read more about current focus areas 2021-2023 above).

Since earlier this year, in-house dialogues are followed up and logged on our Esgaia system, where the results of the dialogues are also classified according to an internal scale (see page 37 for further information).

An example of what we have worked proactively with during the year is to map the 20 holdings where we have the largest owned emissions. We will intensify the dialogue with these to make them reduce their emissions. The companies are Norsk Hydro, DFDS, Yara International, Elkem, Angang Steel Co, Haci Omer Sabanci Holding, Wallenius Wilhelmsen, Gazprom, Odfjell, Equinor, Petroleo Brasileiro, Waste Management, JFE Holdings, Nippon Steel, Lafargeholcim, Wilh Wilhelmsen Holding, SSAB Svenskt Stal, Jiangxi Copper Co., LUKOIL PJSC and Euronav.

Deforestation

We adopted a policy on deforestation in 2019, with the ambition of having a deforestation-free portfolio in 2025 and a commitment to assess our portfolio for deforestation risk by the end of 2020. As there is no generally recognised standard for reporting deforestation risk in investment portfolios, we had to develop our own method. Together with KLP, Rainforest Foundation Norway and Hindsight Consultancy, we produced a report on available tools and data sources to monitor deforestation risk and identify data gaps.

The report assesses the quality and suitability of the ten leading tools and databases in terms of scope, method used, availability and comparability of data. Based on findings and recommendations from this report, Storebrand designed a risk assessment method using the Forest 500 and Trase databases, which assess companies 'risk exposure and the quality of companies' deforestation policies. Since the initial report in August 2020 our second portfolio screening based on the Forest 500 and Trase databases was completed in August 2022. Of the 350 companies and 150 financial institutions included in Forest 500, Storebrand has exposure to 109 companies and 149 financial institutions with varying degrees of deforestation risk. Using Forest 500 rankings and other data sources like Trase, Storebrand assesses companies' progress towards eliminating deforestation and prioritizes companies for active ownership engagement, individually and through collaborative initiatives like the FSDA.

Ongoing engagement with Meta

Raising concern about social impact and governance issues

One of our principles of engagement is to use a broad toolkit of strategies, including targeted escalation, utilising broader investor support, and use of shareholder resolutions, towards achieving our objectives. We also see that there is often a link between social and governance issues, as in the case of Meta Inc, formerly Facebook.

Earlier this year, Storebrand had raised its concerns with Meta, formerly Facebook, about the "metaverse" project and potential social and human rights risks that this may pose if these risks are not managed appropriately. Subsequently, Storebrand, in collaboration with Arjuna Capital, filed a shareholder resolution on the matter, which succeeded in being presented for voting at Meta's annual general meeting, despite being contested by the company's management. However, the resolution did not pass. Lack of progress with shareholder resolutions, like this one, is essentially a governance issue; support for such resolutions is significantly influenced by the dual class share structure of the company, which effectively allows the founding members of the company a disproportionate influence relative to other shareholders.

It is with this backdrop that Storebrand also earlier this year raised concerns about governance issues at Meta, including the dual class share structure that restricts the effective influence of shareholders; the need for an independent board chair and truly independent board directors to provide robust checks and balance on the company's direction. Concerns were sent, in the form of a co-ordinated letter with other investors, outlining our key asks.

This quarter, the group of investors who sent the letter was invited to a meeting with one of the directors on the board, where the content of the letter was discussed, and requests and recommendations were raised by the investor group.

Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Collaborative engagement with other investors is exercised in cases where it is possible to identify a clear common interest within an investor group and the leverage effect to bring about a change is judged to be better than through own commitment. It is often more effective to merge several investors.

Between October 2021 to August 2022 70% of our engagements were collaborative rather than individual solo efforts. Examples of these included both leading and support roles in dialogues with such as JFE, Amazon, and Meta. We expect to continue to utilize collaborative engagement formats significantly in the future. This reflects two factors. First, many systemic problems such as biodiversity or living wages, require engagement by a critical mass of actors across the investor community, company management, civils society and government. Secondly, when it comes to influencing many of the largest companies in the world, such as we aim to regarding governance at Meta and labour relations at Amazon, such efforts require persistence and consistency by large groups of shareholders over time.

A full list of all the Organizations, Principles and Initiatives we are members or signatories of has been included in the Appendix, with a description of their purpose. Detailed examples of engagements we're undertaking:

The Investors Policy Dialogue on Deforestation (IPDD)

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

In 2020 Storebrand initiated and co-chairs the IPDD investor alliance along with BlueBay Asset Management to engage with public agencies and industry associations in selected countries on deforestation. The IPDD is now supported by 64 global institutional investors from 19 countries. The coalition now represents approximately USD 10 trillion of AUM.

The IPDD group engages with policymakers, regulators, politicians and relevant government authorities, industry associations and other relevant stakeholders (which may include companies, civil society, academia or the media), both domestic and foreign. Dialogue encourages adoption and implementation of regulatory frameworks that ensure sustainable use of forests, native vegetation and human rights. Producing countries workstreams (Brazil, Indonesia) focus on the supply side, while the Consumer Countries workstream addresses the demand side of the issue.

Since the initiative began, the IPDD has contributed to progress in the following areas:

Significant progress has been made in terms of awareness-raising and identifying and meeting with key stakeholders.

A clear message has been conveyed to governments that financial market participants and investors consider deforestation to pose investment-relevant, material risks and may affect access to capital markets. Exchanging information has increased policy makers' understanding of how deforestation is incorporated into investors' analyses of sovereigns and companies operating in their countries, and that the management of critically important natural resources, such as forests, influences governments' ability to secure external funding.

IPDD has helped demonstrate government engagement adds value. The IPDD initiative contributes to the number of investor-related ESG / sustainability initiatives which focus on systematic stewardship to tackle issues like deforestation. The IPDD initiative has already been cited as a good model of public policy engagement which could be applied to other topics, demonstrating both IPDD's impact to date, and how increasingly important this sort of engagement is seen to be by external stakeholders.

The group has created a space for, and added weight to, the efforts of other stakeholders in these countries who share investor's concerns about deforestation risks. By all parties sharing insights and perspectives, it has been possible to identify shared objectives, barriers and potential solutions with relevant stakeholders both inside and outside the country.

IPDD has raised general awareness, including broader investor awareness about the issue of deforestation risk. The IPDD coalition has nearly doubled in size in two years. It provides a forum for more coordinated and direct engagement for investors. The initiative also provides a basis for additional country workstreams to develop. IPDD's public engagement, including media coverage and press releases alerting other investors about key engagements, has helped highlight unsustainable land use and encouraged other stakeholders to proactively engage and collaborate.

We have also taken the lead on more initiatives. To be more efficient we have prioritised four engagement themes for 2021-2023 (see Principle 9). We use voting as a complement to our engagement activities to exert extra influence over companies we are engaging with or to signal that some sustainability issues are important to us, please see principle 12 for more information on voting. In some cases, the developments are of a sensitive nature, and there may be confidentiality issues that need to be considered, or where public communication on the nature of the discussions may come in conflict with gaining progress in a constructive dialogue. Some examples of collaborative engagements this year include:

FSDA collaboration on commodity driven deforestation

At the climate summit COP26 in November 2021, over 30 financial institutions with more than (US)$8.9 trillion in assets under management committed to work on eliminating agricultural commodity-driven deforestation risks in their investment and lending portfolios by 2025. The signatories of the initiative, called Finance Sector Deforestation Action (FSDA), collaborates actively on implementation of the joint commitment, including on screening portfolios for deforestation risk, recruiting more signatories to the commitment and engaging with companies.

Storebrand Asset Management is part of the FSDA's Investor Strategic Working Group, which has developed a strategy and tools for the FSDA signatories to jointly engage with companies at risk of contributing to deforestation through their operations, supply chains or financing. The group has identified some 80 companies to engage, divided up responsibilities for leading engagements, and created a set of expectations for how[18] companies should eliminate commodity-driven deforestation from their activities by 2025. The FSDA launched the engagement program during Climate Week in New York.

[18] FSDA Investor expectations

UN-convened Principles for Responsible Investment (PRI) Advance initiative

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

The initiative, now named "Advance", aims to address an acute need for investors to focus on the social impact of their investments, offering collaborative possibilities to engage at company-, sector- and policy levels. Its launch follows on a PRI position paper detailing "Why and how investors should act on human rights".[19] Since launch, having been formally named and developed its own dedicated website, the participants in Advance have dedicated their efforts to aligning on processes, methods and focus areas.

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

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

To select sectors for Phase 1 of Advance, 15 sectors that have already been covered by benchmarks were examined. The sector selection process is made up of two broad levels of analysis:
(i) sectoral risk and impact assessment
(ii) feasibility and leverage assessment

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

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

[19] *Why and How Investors should act on human rights*

CDP

We were one of 220 investors backing the 2021-2022 Science Based Targets campaign, having also supported the 2020 launch campaign. The goal of the campaign was to incentivize high-impact companies to set science-based targets (SBTs) and accelerate the decarbonization of investment and lending portfolios, thereby creating a positive ambition loop between investors and companies.

This was done by signing engagement letters to 1610 companies to set SBTi approved science based targets. CDP’s corporate engagement team engaged globally with companies on behalf of the financial institutions. Companies that positively respond to the campaign join the SBTi through the Business Ambition for 1.5°C Commitment Letter, which is the mechanism for formalizing the commitment to reach net-zero emissions by no later than 2050.

The results of the campaign between September 2021 and October 2022 include:

- 213 companies joined the SBTi
- 38 companies have had their near-term targets approved
- 96 companies committed to net-zero[20]

Platform for Living Wages Financials coalition

Storebrand has made solid progress this year in its commitment to engage where we can most make an impact towards achieving living wages. In 2021, Storebrand joined the Platform for Living Wages Financials[21] to have more leverage on this issue by joining other investors and a more structured approach through research, methodology and dialogue with other stakeholders. The PLWF has two primary workstreams. First, a structured process of annual assessment of companies, using methodology based on the United Nations Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for multinational enterprises. In addition, the PLWF carries out sector-wide engagement through public statements and other communications, and shares insights with external asset managers and ESG data providers.

During 2021 we have been engaged in a series of assessments, working closely with companies in our portfolio, within the garment & footwear, food & agriculture, and retail sectors. The framework we use classifies the stage of advancement that companies are in, ranking progressively in stages: embryonic, developing, maturing, advanced and leading. The results of the work so far were presented this October at the annual conference where the PLWF members met to share learnings

[20] *CDP Science Based Targets campaign progress report 2021-22*
[21] *Platform for Living Wages Financials 2022 Annual Report*

and gain insights. The conference also focused on getting further input directly from workers organisations and other organisations involved in the field.

Going forward, Storebrand will continue to engage in and lead as co-chair for two industries, to engage significant investees, and move them forward in their journey towards ensuring living wages within their value chains.

Investor Alliance for Human Rights

Storebrand has been active on forced labour risks in the solar industry, with the sector under the spotlight following several high issues of concerns raised.

This August, the U.N. special rapporteur on contemporary forms of slavery released a report stating that coerced labour among Uyghurs, Kazakhs and other ethnic groups has been taking place in China's Xinjiang and Tibet. At the end of September, the European Commission proposed a ban on the sale of products made with forced labour. In their official statement, the Commission stated that the ban was aimed at ensuring sustainability in their markets, while also ending the practice of modern slavery. The proposed ban will work on the basis of risk assessment, with national authorities investigating suspect products based on several factors, including "a database of forced labour risks focusing on specific products and geographic areas."

Storebrand has focused on labour law issues in the supply chain for several years and has been actively working on the issue of forced labour in Xinjiang since 2021. We have been involved in the Investor Alliance on Human Rights, an investor coalition and cooperation initiative that conducts a dialogue with companies that, via their supply chains, may have connections to the human rights crisis in and from the Uyghur region of China. This collaborative initiative consists of several institutional investors in dialogue with investee companies active in various sectors. Storebrand actively participates in the working group for textiles, IT and communication and energy (which includes solar cell manufacturers). The investor group has called on the companies to conduct human rights due diligence in their supply chains, thereby encouraging them to identify, assess, avoid and mitigate risks of human rights violations by implementing policies and practices in areas such as traceability and risk assessment as well as procurement practices. In connection with these dialogues, some companies that we have been in direct dialogue with, such as the retailer H&M, have expressed deep concern over reports of forced labour in Xinjiang. In H&M's case, the company confirms that it has stopped buying cotton from growers in the region.

Solar industry analysis

In 2021, we also conducted a more in-depth analysis of the solar industry in connection with reports of forced labour in Xinjiang. As a result of this analysis, Storebrand chose during the fourth quarter of 2021 to sell out of two companies with operations in Xinjiang; Dago New Energy and GCL-Poly.

Storebrand has had ongoing dialogue with other companies active in the solar industry with supply chain connections in Xinjiang and cannot comment on the status of all those dialogues at this time. The situation in Xinjiang is such that it is challenging to document violations and link to the companies, not least because any measures that involve bringing in a third party to verify the existence of forced labour have the risk of being either unreliable or potentially imposing risks to the third party. We are investigating different ways to influence the companies, which includes both continued dialogue and supporting shareholder proposals.

Case Studies

Canadian Solar dialogue

One example of such dialogue is Canadian Solar. The dialogue with this company has been led by SHARE and Storebrand has been a support investor in this dialogue, participating in engagement strategy and actual digital meetings with the company. This dialogue has been backed by the investor alliance initiative on forced labour within the energy sector. As progress with the company was slow and the company was not accommodating shareholders requests on human rights assessment to identify forced labour at its operations in China and specifically in connection to Xinjiang, Storebrand decided to co-file a shareholder resolution requesting this to be voted at Canadian Solar's annual general meeting. Part of the resolution stated:

Shareholders request the Board of Directors oversee a third-party party assessment and report to shareholders, at reasonable cost and omitting proprietary information, on the extent to which Canadian Solar's policies and procedures effectively protect against forced labour in its operations, supply chains, and business relationships, including in the Xinjiang Uyghur Autonomous Region. The report should:

- Draw upon international standards such as the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work and ILO Forced Labour Convention, 1930 (No. 29);
- Explain how Canadian Solar identifies actual or potential adverse human rights impacts and how, once identified, the company prevents, mitigates and accounts for such impacts;
- Explain the extent to which Canadian Solar has identified suppliers and sub-suppliers that are at significant risk for forced labour violations;
- Disclose the number of suppliers against which Canadian Solar has taken corrective action due to such violations;
- Be posted on Canadian Solar's website.

Canadian Solar omitted the shareholder proposal. Unlike the U.S. Securities Exchange Commission "no-action" system for staff review and decisions on such challenges, British Colombia regulation in Canada provides virtually no other recourse than a court order. Consequently, the shareholder proposal was not included on the items to be voted on in the company's AGM agenda this year. However, Storebrand continued its dialogue with the company. Following that dialogue, the company noted in August in their 2021 Sustainability Report[22) :

In May 2022, our Board passed a resolution mandating a third-party assessment, at reasonable cost, on the extent to which Canadian Solar's policies and procedures effectively protect against forced labour in its operations, supply chains, and business relationships. The assessment will draw upon international standards such as the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work, and ILO Forced Labour Convention, 1930 (No. 29). We have initiated our efforts to search for a reputable, international auditing firm to conduct this assessment at reasonable cost and expect to report back to the Board on the results of the audit in due course.

These action steps align with a significant proportion of the proposal Storebrand aimed to present for voting. We consider this to be a step in the right direction, and continue to follow up on the issue.

[22)] Canadian Solar 2021 ESG Report

Principle

11

Signatories, where necessary, escalate stewardship activities to influence issuers.

How we select and prioritise engagement objectives

Prior to each engagement, specific goals are established for the engagement process to ensure clear communication with the investment objects and to facilitate the measurement of the engagement's success. ESG analysts in the Risk and Ownership team record the success factor for the commitment in each engagement process.

There are four levels of success, where the fourth and highest level is in line with the UN Principles for Responsible Investment, PRI: Improved Business Practices (in line with the PRI definition of success: "The actions taken were fully or mostly completed after Storebrand contacted the company"). We can therefore assume that our efforts have contributed to the improvement when this level is reached, although it is seldom possible to determine exactly to what extent. Here is brief description of our internal scale to measure engagement success:

- Level 1 = company contacted (explanation of concerns + request for company practice improvement; no response
- Level 2 = company contacted; unsatisfactory response
- Level 3 = company contacted; satisfactory response
- Level 4 = company contacted; improved business practice

The progress of engagement is discussed regularly by the Risk and Ownership Team, including minimum requirements, alternative methods of achieving or improving dialogue, and whether an engagement should be escalated or not.

If the company does not meet our minimum requirements (or communicates a plan and ambition to start measures) after repeated dialogue attempts we escalate our actions. Escalation can mean the following actions:

- raising issues at board level if management is not responsive
- expressing our views publicly by issuing a public statement
- cooperating with other investors if not already done so
- proposing, submitting or co-registering resolutions at the AGM
- voting against re-election of board members concerned or propose an extraordinary general meeting
- to involve Storebrand's managers in the dialogue or collaborate with other investors

Storebrand chooses to escalate engagement based on the following criteria:

- Product-based exclusions: controversial weapons (landmines, cluster munitions, nuclear weapons, chemical /biological weapons), palm oil plantation owners with unsustainable business practices and practices, and holdings with more than 5% income from coal, oil sands or production/distribution of tobacco and cannabis for recreational use.
- Norm-based exclusions/controversial issues: includes companies that violate international humanitarian law, human rights, workers' rights and international law and/ or commit serious climate and environmental damage. We also exclude companies that are guilty of financial crime and corruption. The exclusions are based on international conventions and standards.
- Lobbying: Exclusion of companies that consciously and systematically work against the UN's global sustainability goals and the content of the Paris Agreement.
- Exclusion-based on breach of norms is made by an investment committee. The portfolio is continuously screened by ISS-Ethix and Sustainalytics, which send "company alerts" once a month, including background information on the possible event. The incident is then analysed by our experts on the severity of the incident and whether it violates our standards by looking at:

  – seriousness of the violation
  – company link to the violation
  – Extent of incident
  – If it is an isolated event or an event that can be considered a systemic behaviour of the company in question
  – Management interference
  – The company's ability to correct the problem and reduce the effects of the damage
  – Risk of reoccurrence

The decision to engage with companies is based on our assessment of the significance of a particular matter, holding size, scope to effect change and opportunity to come into constructive dialogue with the company or to collaborate with other investors.

Escalation across funds, assets and geographies

We are a Nordic actor and this means that we have more leverage in Nordic countries where we are more known and where our exposure can be higher (size of holdings). We will prioritize our proactive engagement with Nordic companies, where our position and knowledge of these companies enables constructive and meaningful dialogue that creates value both to these companies, to Storebrand, and our clients. This however does not limit us to engaging only with Nordic companies, as aspects such as the materiality of ESG risks, exposure, and the ability to have greater impact on ESG issues remain important factors for considered in the prioritization of our engagement work with companies globally.

Across all our assets and all geographies, we understand that many sustainability issues cannot be just solved by companies or investors alone, they require the involvement of other stakeholders. As a result, we engage with other stakeholders, such as governments, industry organisations, environmental and human rights organisations or labour unions. In particular, we consider policy level engagement an important factor in stimulating change since we believe regulation sometimes is required to advance many sustainability issues. In addition, and in our experience, the best results are achieved through co-operation with other investors, and when engaging individually through targeted engagement with companies where our ownership level is highest.

Process where exclusion is the result of escalation

In cases where escalation does not lead to the necessary improvements, the case will be presented as a last resort to the Group's Investment Committee to make a final decision to exclude the company from the investment universe. The case presented to the Investment Committee is anonymised so that the decision can be made on as objective a basis as possible.

We sometimes put companies on an observation list before excluding them from our investment universe; these are companies that we consider close to being excluded based on norm-violations but where we see a possibility that the comapny will change practice in line with set expectations as part of dialogue. Companies on the observation list are being continuously monitored for improvements and adherence to our standards.

Companies may only stay on this list for up to three years before being excluded from our investment universe or taken off the observation list. We issue companies on this list a specification for change we expect to see; this specification is reviewed annually to ensure the company takes material action on issues. If the company does not take action to meet the specification, there may be cause for exclusion. While a company is on the observation list, we may not increase our investment in the company (the portfolio weight may not exceed 1.2 times what it was at the date when the company ended up on the observation list). There can be a maximum of five companies on the observation list at the same time.

If we choose to exclude a company there are formal routines for reporting to companies and internal formalities of compliance working with fund managers. Companies are informed of their exclusion and the reasons for our decision. Companies are also informed of the requirements for re-inclusion and are invited to contact us when they believe they have met our requirements. Companies are reconsidered for inclusion when there is an indication of improvement signalised by our external information providers as part of the regular on-going screening.

Observation process and expectations

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

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

We have asked Eolus Vind AB to:

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

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

Case Studies

Eolus Vind

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

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

Eolus Vind is the main project partner of Øyfjellet Wind AS in the operation of Øyfjellet Wind Park. Øyfjellet Wind Park consists of 72 wind turbines and an extensive network of access roads in a concession area of 40 km2 in a mountain area in Vefsn, Nordland. The project has 400 MW installed capacity and projected annual energy production is 1320 GWh. The Sámi reindeer herders of Jillen-Njaarke district have expressed that the project creates significant negative impacts on their ability to continue their traditional livelihood of reindeer husbandry because the windmills impede the reindeer from using their natural migration route to and from seasonal grazing areas. This claim is contested by Eolus and Øyfjellet Wind.

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

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

Principle

12

Signatories actively exercise their rights and responsibilities.

Storebrand exercises stewardship by pushing for high standards of corporate governance. We consider the purpose of our active ownership as to promote good long-term development in the companies in which our funds are invested to achieve the best return for our investors.

Our ownership role must take advantage of our investor's interests and contribute to the long-term healthy development of the financial markets. Storebrand exercises active ownership to maintain high-quality funds, reduce risks and to contribute to sustainable development; all of these reasons are aligned with effective stewardship on behalf of our clients. Our Sustainability Policy includes guidelines for active ownership and shareholder engagement, which states how the Fund Company shall act as an owner of the companies that the funds invest in. These principles apply to all funds under management.

Proxy Voting

We use proxy voting as a complement to our engagement activities to induce companies to improve on ESG performance, with the aim of creating long term value for shareholders and meeting the UN Sustainable Goals. Storebrand's Proxy Voting Guidelines[23)] are publicly available on our website and regularly updated to be aligned with our Sustainable Investment Policy and ESG developments.

The framework for the use of voting rights for funds managed by the Storebrand Group is set out in sections 2-24 of the Norwegian Regulations on Securities Funds and in the industry recommendations from the Norwegian Fund and Asset Management Association. The ultimate responsibility for the execution of corporate governance in the Storebrand Group's funds lies with the Board of Directors of the respective fund management company. The daily execution is delegated to the Risk and Ownership team and portfolio managers of each fund and activities are reported back to the Board. The Board annually evaluates the execution of corporate governance.

Voting rights must be exercised to the benefit of the fund in question, with the objective of securing the best possible risk-adjusted returns for unit holders. Our Risk and Ownership team, with input from portfolio managers, decide how the voting rights are to be used. In all cases where we vote, the respective portfolio managers and the Risk and Ownership team study the matters to be discussed at the general meeting and decide how to vote. Voting rights are exercised directly by the fund management company or by using a proxy voting platform.

The Storebrand Group typically votes against management in the following situations:

- Inadequate information ahead of meeting
- Lack of majority of independence members of the board or independent board committees (remuneration, nomination and audit committees)
- If the Management Company considers that the Board and/or board members do not meet requirements for sufficient competence and knowledge
- Anti- takeover mechanisms
- Unnecessary or unfair changes in capital structure
- Excessive executive compensation

Specific situations may call for unique responses and we will always take market and company conditions into consideration. To the extent that voting rights have been exercised in controversial cases or where the Storebrand Group has voted against the Board's or management's recommended course of action, the Storebrand Group will disclose the voting rationale. A vote disclosure is sent to the [company's] Board and our unit holders are informed via the Storebrand Group website.

Proxy Advisors for Listed Equities

The Storebrand Group has selected Institutional Shareholder Services ("ISS"), an independent service provider, as the platform for our proxy voting activities. Our equity holdings are continually updated on the ISS Proxy Governance Platform, ensuring correct monitoring and exercise of voting rights. ISS provides notices of general meetings and comprehensive information about the companies, the voting items on the agenda and recommendations. Funds managed by the Storebrand Group will vote according to our own voting guidelines, and always in what we deem to be the best interest of our funds. We employ ISS' Sustainability policy[24)] as default policy, as it is mostly aligned with our own voting guidelines. This is overlaid on all holdings, and ISS' voting recommendations are manually reviewed. Voting decisions are based on our judgement and not automatically implementing the default recommendation provided by ISS. When we do not have a policy in place for a specific ballot item, we will typically follow the ISS recommendation. For ESG specific shareholder resolutions, we do not adopt the ISS recommendation but do our own assessment. We review our relationship with ISS on an annual basis, including the quality and effectiveness of the services provided.

SAM does not have a policy on allowing clients to direct voting in segregated and pooled accounts because we vote, not our clients, therefore this is non-applicable.

23) Storebrand Proxy Voting Guidelines

24) https://www.issgovernance.com/file/policy/active/specialty/Sustainability-International-Voting-Guidelines.pdf

Stock lending

The Storebrand Group engages in stock lending but will normally recall shares so that its funds can vote for at least 50 % of share ownership at a general meeting. Securities lending does not compromise our funds' ability to focus on sustainability.

The Storebrand Group is dependent on access to company information in order to assess any challenges related to corporate governance. The Storebrand Group believes it has a clear understanding of the rules on inside information and will always act within these laws. We similarly expect that companies and their advisors also have an awareness of relevant legislation and do not put the Storebrand Group in an insider position without our consent.

We do not believe in one universal method to achieve our goals but believe in a nuanced combination of dialogue, exclusion, inclusion and integration. Other factors such as the responsiveness of company to actual issues, reasonableness of remedial action, potential cost and benefits of the suggested action and shareholder benefit, will be considered.

Below is a non-exhaustive list of how Storebrand will tend to vote. Storebrand will vote for:

- Measures that reduce environmental damage in alignment with; The Rio Declaration on Environment and Development; The Basel convention on hazardous Wastes and Their Disposal; The Convention on Biological Diversity or The Convention on Wetlands of International Importance.
- Reporting on foreign military sales or offset agreements.
- Disclosure of risk assessments and risk management for operations or sales to conflict zones, fragile states and authoritarian regimes.
- Adoption of policies related to the sourcing of minerals from conflict zones.
- Measures that promote human rights; we do not consider the responsibility of corporations as stopping at the employee level, but including members of communities that are affected by the company's operations. Storebrand expects companies to implement policies and management systems in alignment with; all ILO core conventions including ILO 169 on Indigenous and Tribal people; the UN Covenants on Civil and Political Rights and on Economic, Social and Cultural Rights; The UN Convention on the Rights of the Child; the UN Convention to Eliminate All Forms of Discrimination Against Women; the UN Guiding Principles on Business and Human Rights; the UN Charter; the Voluntary Principles on Security and Human Rights among others.
- Disclosure of company policies relating to data security, privacy and freedom of speech.
- Implementation of policies that are in alignment with; UN Convention against Corruption, the Council of Europe Criminal Law Convention on corruption, the OECD Convention on Combating Bribery of Foreign Public Officials, the OECD Guidelines for Multinational Enterprises and Principle 10 of the UN Global Compact.
- Disclosure of company anti-bribery and anti-corruption practices, especially in countries with weak implementation of anti-corruption laws and/or weak anti-corruption laws.
- Financial transparency on tax.

Voting statistics

We prioritise voting at AGMs where we believe we can make a difference with regards to ESG. We vote on all meetings with resolutions related to ESG, shareholder resolutions or companies where we have a significant shareholding. We prioritise in this manner in order to ensure that our voting decisions are well-grounded and based on qualitative review. For 2023 we have doubled our annual target for meetings voted from 1000 to 2000.

- Between October 2021 and September 2022, we voted at 1428 out of 4303 votable meetings, a share of 33,19 percent.
- 99,6 percent of votes cast were aligned with ISS Sustainability policy, only 0,4 percent of votes were not aligned.
- Votes cast were in line with management recommendations 90% of the time, with 10% contrary to management recommendations.

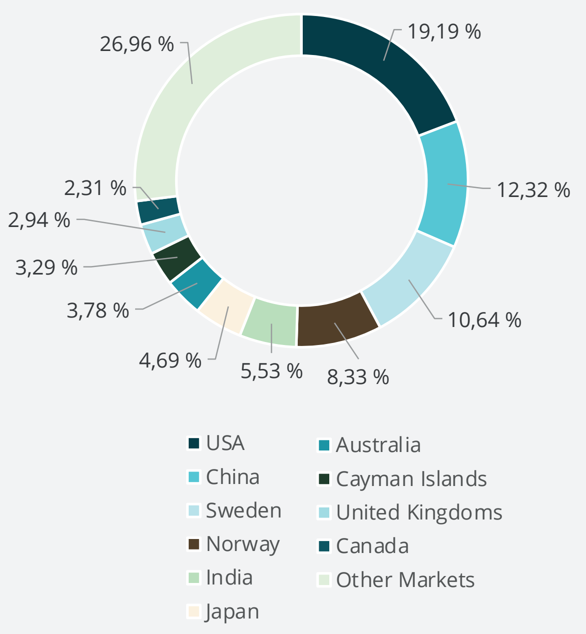
4,303 votable items **1,428** meetings voted

685 at least 1 vote Against, Withhold or Abstain

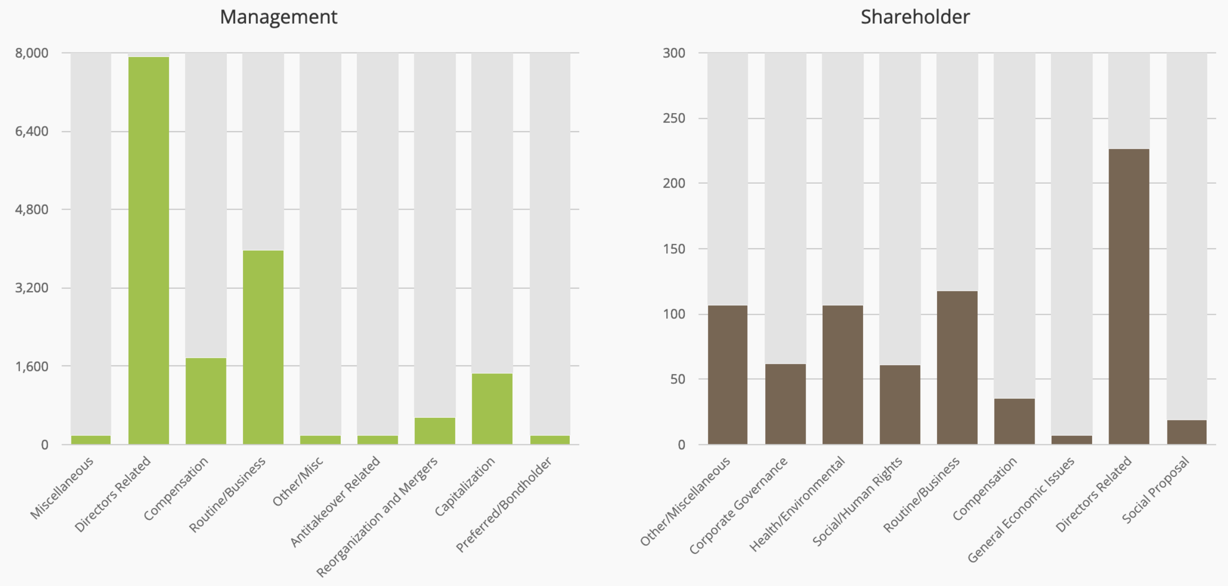
Category	Number	Percentage
Number of votable items	52,447	0.00%
Number of items voted	17,900	34.13%
Number of votes FOR	15,461	86.37%
Number of votes AGAINST	1,473	8.23%
Number of votes ABSTAIN	66	0.37%
Number of votes WITHHOLD	75	0.42%
Number of votes on MSOP	825	4.61%
CNumber of votes With Policy	17,832	99.62%
Number of votes Against Policy	68	0.38%
Number of votes With Mgmt	16,040	89.61%
Number of votes Against Mgmt	1,860	10.39%
Number of votes on Shareholder Proposals	749	4.18%

Our voting records and statistics are disclosed in real time on our website, through ISS Proxy Voting Dashboard[25].

Meetings Voted by Market



Votes Cast by Proposal Category



25) https://vds.issgovernance.com/vds/#/MTAzNjM=/

Case Studies

Examples of votes against management

Tesla Inc

Storebrand voted in favor of six ESG-related shareholder proposals on the Tesla Inc's annual meeting in August 2022, Unfortunately, none of the proposals obtained a majority vote. One reason for the difficulty in reaching majority support may be that institutional investors own just 14% of Tesla shares, with company insiders owning 6% and retail investors 80%.

Storebrand voted in favor of the following ESG-relevant shareholder proposals at Tesla's 2022 AGM

S0815	Report on Efforts to Prevent Harassment and Discrimination in the Workplace
S0227	Report on Racial and Gender Board Diversity
S0610	Report on the Impacts of Using Mandatory Arbitration
S0742	Report on Corporate Climate Lobbying in line with Paris Agreement
S0414	Adopt a Policy on Respecting Rights to Freedom of Association and Collective Bargaining
S0412	Report on Eradicating Child Labor in Battery Supply Chain
S0731	Report on Water Risk Exposure

Equinor ASA

In May 2022, Storebrand voted against management's proposal for a climate transition plan, as we considered it to not be sufficiently ambitious, including with regards to setting emissions reductions targets for scope 3 emissions. Although the transition plan got majority support, due to the Norwegian state being majority shareholder, Storebrand's voting decision received broad coverage and sent an important signal to the company as well as the market as a whole.

Examples of votes against ISS' policy recommendations

At the 2022 AGM of AT&T's there was a shareholder proposal to audit and report on how the company impacts, and is impacted by, civil rights and non-discrimination. We supported this proposal although ISS assessed this reporting as not necessary.

In several cases regarding Norwegian companies, we supported the election of board members that ISS had recommended to vote against, as we believed ISS's research and designation of the board members as "non-independent" was inaccurate.

The Home Depot, Inc

In May 2022, Storebrand voted in favour of a shareholder proposal asking for the company to produce a report on efforts to eliminate deforestation from the supply chain, which garnered 64,7 percent of votes cast. Further information about our rationale is shared in Principles 9 and 10.

Fixed income

How we exercise our rights and responsibilities changes with the type of fund, asset and geography. We have several fixed income funds where we invest in bonds issued by companies and governments; as bonds do not allow voting rights, the possibility of influencing through voting is not applicable, unless we also hold equity in the corporate issuers. In these instances, we adopt other engagement approaches such as opening dialogue with bond-issuer or issuing public statements. For fixed-income investments, sustainability is a risk minimisation factor and is integrated into credit decisions. As lenders tend to have long-term business relationships with borrowers, a lender may engage with the company even if one cannot exercise a voting right at a general meeting. Our engagement with issuers related to Fixed Income is based on the same principles as for equities; when there is a bond issuance of specific interest for us we are transparent with the issuer about issues important to us, including financial as well as sustainability expectations. We also try to have this reflected in the loan-documentation.

Appendix

Organizations, Principles and Initiatives we are members or signatories of:

Date	Commitment	Purpose
2004	UNEP Finance Initiative	We support and take an active part in the UN's financial initiatives. The goal is for sustainable considerations to be part of all financial decisions that are made.
2006	PRI: Principles for Responsible Investment	PRI is the world's most important network of investors who work for six basic principles for responsible investments. The members of the network manage a total of 90,000 billion dollars in capital.
2008	Carbon Disclosure Project (CDP)	We report our own carbon footprint, and support CDP in ensuring increased reporting of CO2 strategies and carbon footprints from other companies.
2010	Ten Principles of the United Nations Global Compact	The world's largest initiative to promote sustainability commercially. We support their principles.
2010	SWESIF	A network for organizations that work with sustainable investments in Sweden.
2012	NORSIF	An independent association of asset owners and asset managers, service providers and industry associations with interest in, and activities related to, responsible and sustainable investments. NORSIF aims to promote and contribute to the development of the field of responsible investment and increase awareness of responsible and sustainable investment practices in the Norwegian financial industry and among other stakeholders.
2012	The Principles of Sustainable Insurance (PSI)	A global framework for the insurance industry to address environmental, social and governance risks and opportunities. The PSI initiative is the largest collaborative initiative between the UN and the insurance industry.
2015	The Montreal Pledge	Having joined the portfolio decarbonisation coalition, we undertake to report carbon dioxide (Carbon Footprint) in our investments.
2015	Skift	Identify new business opportunities on the road to a low-emission society, and to be a driving force to achieve Norway's climate goals by 2030.
2016	The Portfolio Decarbonisation Coalition	We commit to reducing the carbon footprint of our investments.
2018	Tobacco Free Finance Pledge	Addresses the financing of tobacco companies across lending, insurance and investment.
2019	IIGCCs, Institutional Investors Group on Climate Change	The leading global investor membership body and the largest one focusing specifically on climate change.

Date	Commitment	Purpose
2019	FAIIR Initiative	Investor network focusing on ESG risks in the global food sector
2019	The Nordic CEOs for Sustainable Future	Integrate the UN Sustainable Development Goals in their respective business strategies, and create a forum for exchange of experiences and exploration of shared initiatives.
2020	Know the Chain/INvestor Alliance for Human Rights	Understand and address forced labor risks within global supply chains.
2020	Investor Policy Dialogue on Deforestation (IPDD)	Engage with public agencies and industry associations in selected countries on deforestation.
2021	Commitment on Eliminating Agricultural Commodity Driven Deforestation 8	To eliminate agricultural commodity-driven deforestation from portfolios by 2025.

Further cooperations include:

- Access To Medicine
- Access To Nutrition Index
- Arbeidsgruppe knyttet til klimarisiko i Finans Norge
- Ceres - Investor Water Hub
- Climate Action 100+
- Corporate Knights Global 100
- Don't Bank on the Bomb
- Dow Jones Sustainability Index
- EFAMA's (European Fund and Asset Management Association) Code of external governance
- Equileap
- Fair Finance Guide / Etisk Bankguide
- Fondbolagens förening (Ägargruppen eller Driver hållbarhetsprojekt)
- Fossilfritt Sverige
- FTSE4Good
- GISD - Global Investors for Sustainable Development
- Global Compact
- Green Bond Principles
- GRI
- Hållbart värdeskapande
- ICAN
- Investor Alliance for Human Rights
- KAN - Koalisjonen for ansvarlig næringsliv
- Know-the-chain
- Net Zero Asset Owner Alliance
- Norwegian Fund and Asset Management Association on corporate governance (NUES)
- SHE Index
- SLUG - Debt Justice Network Norway
- Sustainable Brand Leaders
- Swedish Investors for Sustainable Development (SISD)
- Swedish Leadership for Sustainable development (SIDA)
- Svensk Försäkrings hållbarhetsgrupp
- Task Force on Climate-related Financial Disclosures (TCFD)
- Transparency International
- Women's Empowerment Principles (WEP)
- WWF

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Questions?

If you have questions about any of the content in this report, please contact Kamil Zabielski (Head of Risk and Ownership, Head of Sustainable Investment) at: Kamil.Zabielski@storebrand.no.