

Analysis Criterion

Cannabis

Storebrand Sustainability Team



Storebrand aims to invest in companies that contribute actively to sustainable development. We believe such practices – when integrated into core business – will be financially rewarded. Furthermore, we have implemented a standard across the Group – the ‘Storebrand Standard’ – that leads to certain companies being excluded from investment, including those that derive more than five percent of their income from the sale of cannabis products intended for recreational purposes or from components exclusively designed for such products.

Definition

Storebrand applies the World Health Organisation’s (WHO) definition of cannabis products for recreational use; “psychoactive preparations of the plant *Cannabis sativa*. The major psychoactive constituent in cannabis is tetrahydrocannabinol (THC).”

Scope

The criterion applies to producers and distributors whose sale of cannabis products for recreational use, or components exclusively designed for such products, exceeds 5 percent of total sales. An example of components exclusively designed for cannabis products is rolling papers. This threshold also applies to companies involved in cultivating and processing of cannabis for recreational purposes. However, companies are not covered by this criterion if they supply other products or services to the cannabis industry, such as advertising, real estate or packaging.

Companies that have significant ownership – typically 50 percent or more¹ – in a company that produces or sells cannabis products for recreational purposes or tailor-made components, are also excluded. In the event that subsidiaries of a company are involved in such activities, but are not publicly listed, the closest listed company above the subsidiary in the hierarchy, with a controlling interest, is excluded. In the event that a subsidiary involved is listed, the parent company is also excluded if it has a controlling interest in the subsidiary. If a parent company is involved, listed subsidiaries are only excluded if they are involved in the same unacceptable activities.

Background

The cannabis industry has developed rapidly during 2018 and 2019 as several American states and countries such as Canada have legalized cannabis for both medical and recreational use. The latter is in breach with the United Nations Single Convention on Narcotic Drugs and the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. Therefore Storebrand will not invest in companies involved in recreational cannabis. The market is growing rapidly, and we expect that more companies will enter our indexes in the coming years, therefore we need a systematic approach to avoid investing in these.

¹ A set of factors determine the degree of control. Joint ventures are subject to a separate assessment.

The UN Single Convention on Narcotic Drugs was signed in 1961 and has 186 parties. Its purpose is to prohibit production and supply of specific drugs and of drugs with similar effects except under license for specific purposes, such as medical treatment and research. The United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances provides additional legal mechanisms for enforcing the 1961 Single Convention on Narcotic Drugs.

Differing opinions on the side effects of cannabis use is one of the factors that has led to the legalization of cannabis in the above mentioned jurisdictions. However according to the WHO the following chronic health effects may be a result of cannabis use:

- selective impairment of cognitive functioning which include the organization and integration of complex information involving various mechanisms of attention and memory processes; prolonged use may lead to greater impairment, which may not recover with cessation of use, and which could affect daily life functions;
- development of a cannabis dependence syndrome characterized by a loss of control over cannabis use is likely in chronic users;
- Exacerbated schizophrenia in affected individuals;
- epithelial injury of the trachea and major bronchi is caused by long-term cannabis smoking; heavy cannabis consumption is associated with a higher prevalence of symptoms of chronic bronchitis and a higher incidence of acute bronchitis than in the non-smoking cohort;
- airway injury, lung inflammation, and impaired pulmonary defence against infection from persistent cannabis consumption over prolonged periods;
- impairment in fetal development during pregnancy leading to a reduction in birth weight;
- to postnatal risk of rare forms of cancer although more research is needed in this area.

As with many plants with psychoactive ingredients, other parts of the cannabis plant have a medical use. An increasing number of countries are legalizing the use of cannabis for medical use, and investments in companies purely involved in the production of cannabis for medical use are not in breach with the Storebrand Standard.

References

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