

Storebrand Group Sustainability Investment Policy

POLICY STATEMENT

Companies that understand and utilise sustainability in their business strategy, will outperform their counterparts over the longer term. Investing sustainably is thus essential in order to achieve the best possible risk-adjusted returns for unit holders.

It is only through investing sustainably that companies are fully able to identify risks and opportunities arising from environmental, social and governance factors. A sustainable approach to investing is also important if we are to be good long-term stewards of our clients' capital. Integrating sustainability factors into our investment process allows us to make better-informed investment decisions, and provides a more comprehensive view of each individual investment case.

The UN Sustainable Development Goals outlined in Agenda 2030 provide an internationally recognised context for sustainability. The Sustainable Development Goals are highly relevant to international companies in that they outline a common development agenda towards 2030 and highlight key business risks and opportunities. In addition all major areas of sustainable development are addressed; including issues from healthcare and water use to climate, urban development, corruption and gender diversity.

OBJECTIVE

The Storebrand Group is committed to a future that our clients can look forward to. Our key contribution to achieving this is two-fold: We seek to generate the best possible risk-adjusted returns for our clients, while not compromising the ability of future generations to meet their own needs.

The policies outlined in this document apply to all funds, portfolios, asset classes and investment styles managed by the Storebrand Group and associated companies.

The policy builds on what the Storebrand Group has learnt from over twenty years of integrating sustainability analyses across asset classes and geographies. Given our commitment to integration of sustainability and the growing amount and quality of data supporting effective implementation, we expect our methods to continue to evolve over time.

The policy is approved by the Storebrand Group Board of directors.

METHODOLOGY

Our approach to sustainable investments is built upon three pillars: Exclusions, Integration and Active Ownership. Each method is applied in different circumstances, and provides different investment outcomes. The full potential of a Sustainable Investment strategy is only realized when applying the methods together.

Exclusions

It is of fundamental importance that companies we invest in follow international laws, norms and conventions. The Storebrand Group will therefore not invest in:

- Companies that contribute to serious and systematic breaches of international law and human rights
- Companies that produce or sell controversial weapons, hereunder nuclear, land mines, cluster munitions, biological and chemical weapons
- Companies involved in serious environmental degradation
- Companies involved in systematic corruption and financial crime

Companies will be excluded if the breaches are considered serious and the risk of a breach re-occurring is assessed as high.

The Storebrand Group has also chosen to exclude investments in companies within certain single product categories or industries that are unsustainable. These products or industries are associated with significant risks and liabilities from societal, environmental or health related harm. In these product categories there is also limited scope to influence companies to operate in a more sustainable way.

These companies include:

- Companies with more than 5% of revenue from tobacco
- Companies with more than 25% of revenue from coal related activities
- Companies with more than 20% of their revenue from Oil Sands
- Companies with gambling operations associated with unsustainable business practices
- Owners of palm oil plantations with unsustainable business practices

Exclusion is to be used as a last resort, and should only be applied where companies clearly fail to demonstrate change or improvements. If an excluded company demonstrates positive change that reduces the risk of recurrence, the company may be re-included in the list of companies we invest in.

The companies excluded because of the above-mentioned rules are **listed on our web page**.

For Sovereign Bond funds The Storebrand Group will, exclude:

- Sovereign bonds issued by countries that are systematically corrupt, severely neglect basic social and political rights, or that are subject to UN Security Council sanctions.

Observation list

At the Storebrand Group we are dedicated to using our position to influence companies in a direction we believe is sustainable. In some cases, where we suspect violation of our policies, it may be beneficial to follow a company over time in order to increase the information available. Likewise, there may also be cases where we see a company is working on corrective action, but such measures have yet to be fully implemented or verifiable. In such cases, we will place the company on an observation list, associated with specific restrictions, to allow for more time to gather the necessary information and influence company direction.

Companies that are under observation will be closely monitored and engaged with based on our existing ownership, and we will maintain a close dialogue with the company where we inform them of our expectations of measures and results. We expect the company to show

improvement within a pre-determined time. Depending on the outcome, the company will either be excluded from our investment universe or it will be removed from the observation list.

While companies are present on the observation list, portfolios without prior holdings will be restricted from investing in the said companies. Portfolios with prior positions will be allowed to maintain these positions. However, the maximum portfolio weight will be limited to 1.2 times the original position as defined by portfolio weight from the date of observation status.

The companies on the observation list are [listed on our web page](#).

Supplements

For some selected products and markets, the Storebrand Group has introduced additional requirements. In these cases, companies with more than 5% of revenue from the following activities will be excluded

- The production or distribution of alcoholic beverages
- Defence contracts
- The production and distribution of Fossil fuels
- Gambling
- Adult Entertainment

Also, in some markets, the Storebrand Group have specific additional requirements regarding

- Green bonds
- Market-oriented screening beyond Storebrand standard

More information is [found on our web page](#).

Integration

As sustainability is an essential factor in companies' long-term financial performance, it is vital to provide our fund managers with the necessary tools to integrate company specific risks and opportunities. Whilst relevant across our selection of investment styles, the degree of relevance and integration may differ among the funds offered by the Storebrand Group. A central tool for the Storebrand Group to provide sustainability information, is our in-house sustainability rating. The basis for the rating is an ESG Risk Rating that rates a company's exposure to and management of financially material Environmental, Social and Governance (ESG) risks. A rating is also generated on companies' ESG Opportunities, measured from alignment with financially relevant Sustainable Development Goals. Companies that provide sustainable solutions are rewarded, while companies that hinder the selected goals and face associated financial risk are penalised. ESG information is made available for portfolio managers to facilitate systematic integration into the investment processes. Carbon foot printing and other qualitative information are used to offer fund managers better insights and understanding of the sustainability performance of portfolio companies. ESG information is also made available on a fund level.

Active ownership

The Storebrand Group believes in exercising our rights as shareholders. We employ two main ways of doing this. Either through voting at shareholder meetings, or engaging – through direct dialogue – with the management and board members for our various holdings.

Both tools can be very effective in addressing concerns regarding environmental, social and corporate governance. Combined they can strengthen each other and be an effective signal to companies on where we stand on various issues that are important. We will therefore use both methods to influence companies' behaviour over time.

The decision to engage with select companies is made based on our assessment of the significance of a particular matter, the size of holdings, scope to effect change and opportunities to collaborate with other investors.

Dialogue with companies can be exercised by expressing views, written or orally, to the company's management on all levels, advisers, and Board of directors.

Cases for engagement

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
- The company's strategy or results differ substantially from those previously communicated
- Governance issues such as:
 - Replacement of directors
 - Equity issues and dividend policies
 - Remuneration of key personnel
 - Transactions between related parties
 - Diversity issues

In addition, we will also seek engagement with companies related to climate change. The Storebrand Group has signed the Montréal Pledge and the Portfolio Decarbonisation Coalition and is thus committed to reducing the carbon footprint of our investments over time.

For some of our funds – and because the nature of the investment style - the carbon footprint may vary substantially over time. Still, we are committed to work with our holdings to reduce their carbon footprint and operate more efficiently over time. Climate change is part of our monitoring of companies and those companies lagging behind in their efforts to reduce their carbon footprint may be subject to engagement. We will engage with and encourage those companies that are in a position to improve to reduce their carbon footprint.

Engagement alternatives

If the outcome of the company engagement does not meet our expectations, the Storebrand Group may consider other actions. If the company is on the observation list, the Storebrand Group will make an exclusion assessment. For other companies, our actions may include:

- Expressing our views publicly
- Proposing resolutions at the annual general meeting
- Suggest an extraordinary general meeting

The Storebrand Group may exercise its engagements in collaboration with other investors where this is believed to be in the interests of the unit holders.

When working with other investors to influence companies, the Storebrand Group will be acutely aware of conflicts of interests and of being put in an insider position.

USE OF VOTING RIGHTS

The framework for the use of voting rights for funds managed by the Storebrand Group is set out in Norwegian Regulations on Securities Funds Section 2-24 and in the industry recommendations from the Norwegian Fund and Asset Management Association.

The ultimate responsibility for 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 portfolio managers of each fund and activities are reported back to the Board. The Board annually evaluates the execution of corporate governance.

Guidelines for Voting

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. Normally, the portfolio manager assesses how the voting rights are to be used. In all cases where we vote, the respective portfolio manager familiarises him or herself with the matters to be discussed at the general meeting and decides how to vote. Voting rights are exercised directly by the fund management company or by using a proxy voting platform. For details [see Voting Policy](#).

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

- Inadequate information ahead of meeting
- Quality of board and its members
- Anti- takeover mechanisms
- Needless or unfair changes in capital structure
- Excessive executive compensation
- Disclosure proposals related to climate change

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 Board and the unit holders are informed via the Storebrand Group website. If the Storebrand Group has voted against the companies' proposal, the information will refer to the guidelines above. Unique responses will be explained.

Voting Process

The Storebrand Group has selected Institutional Shareholder Services ("ISS"), an independent service provider, the platform for our proxy voting activities. ISS provides notices of general meetings and comprehensive information about the companies, the voting items on the agenda and recommendations. Funds managed by the group will vote according to our own voting policy, and always in what we deem to be the best interest of our unit holders. When we do not have a policy in place for a specific ballot item, we will typically follow the ISS recommendation. We will on an annual basis review the relationship with ISS, including the quality and effectiveness of the services provided. Each fund has a custodian approved by the Financial Supervisory Authority of Norway. The custodian bank also provides information related to general meetings.

SECURITIES LENDING

Some funds in the Storebrand Group may lend out shares, but will normally recall these so that the funds can vote at the general meeting. Securities lending shall not compromise the funds ability to focus on sustainability significantly.

CONFLICT OF INTERESTS

The Storebrand Group is dependent on access to information about the company 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. The Storebrand Group should have a clear understanding of the information received in relation to the rules on inside information, also in relation to the exercise of corporate governance.

It is expected that companies and their advisors also have an awareness of this legislation and do not put the Storebrand Group 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.

INSIDE INFORMATION

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It is expected that companies and their advisors also have an awareness of this legislation and do not put the Storebrand Group 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.

MEMBERSHIPS AND GUIDING PRINCIPLES

The Storebrand Group actively support, through membership and/or signature, the following organisations, principles and initiatives

PRI: Principles for Responsible Investment

PSI: Principles for Responsible Insurance

Ten Principles of the United Nations Global Compact.

CDP, formerly known as Carbon Disclosure Project

UNEP Finance Initiative

NORSIF

SWESIF

The Montreal Pledge

Tobacco Pledge

The Portfolio Decarbonisation Coalition

EFAMA's (European Fund and Asset Management Association) Code of external governance

Norwegian Fund and Asset Management Association on corporate governance (NUES)

REPORTING

To ensure open and honest communication, and in order to let stakeholders follow up in our implementation of our Sustainable Investment policy, we will:

- Fulfil PRI's reporting requirements, and publicise results accordingly
- Report on excluded companies on a quarterly basis
- Report on companies on our observation list on a biannual basis
- Publicise investment relevant key performance indicators, targets and results annually
- Update stakeholders on key initiatives via our websites and annual reports

Approved by the Board of Directors of Storebrand ASA: April 2018

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