

## **MATERIALITY ANALYSIS 2017**

### **Background**

As one of Norway's leading pension companies, we strive to have a positive impact on society. We aim to build a transparent financial sector founded on trust. Sustainability is an integral part of Storebrand's core business. This means we evaluate economic, social and environmental aspects before we make any decisions. We have targets for reducing our negative impact resulting from our own operations, and we also try to optimize the sustainability performance of our products and services. Sustainability is at the core of our strategy for asset management for all assets and assets classes, and we have international and national recognition for our sustainable asset management. One example is that we for a number of years have been identified as one of the top 10 most sustainable companies globally by the Corporate Knights. The results of this survey are presented during the World Economic Forum in Davos.

Storebrand recognises and is committed to a number of international standards that relate to sustainability issues. Storebrand has signed the UN Global Compact on responsible business practices. The Global Compact's principles encompass human rights, labour standards, and environment and anti-corruption standards. We support the UN Principles for Responsible Investment (PRI) and the UN Principles for Sustainable Insurance (PSI). Storebrand has been a driving force behind the development of the World Business Council for Sustainable Developments Vision 2050, and we are thus working towards a world in 2050 where "9 billion people are living well within the resource limits of the planet". We have ratified the Montreal Pledge on reporting our carbon footprint, and joined the Portfolio Decarbonisation Coalition with a goal to reducing climate risk and the carbon footprint of our investments. Our sustainability work is regulated by guidelines that are revised annually and adopted by the Board of Storebrand ASA.

During 2016 we further developed our commitment to sustainability through a group wide process in which we defined our purpose. Storebrand aims to create positive societal good (positive impact) through its products and services, and have during 2016 expanded sustainability targets and governance. Changes in reporting will take place starting 2017.

### **Organisation and reporting on Sustainability**

The sustainability scorecard governing Storebrand until end 2016 consists of some of the key elements in the reports submitted to relevant indices, such as the Dow Jones Sustainability Index and FTSE4Good. The Group's sustainability manager owns and follows up the sustainability scorecard, and reports back to group management twice a year.

The sustainability score card is built up around ESG (Environmental, Social and Governance) and the most important stakeholder groups (owners, customers, employees, suppliers and international and national society). Indicators have been developed for the most important intersections between the group and the stakeholder groups, that is to say, where the group significantly affects or is affected by the stakeholders. The action plan must reflect the group's long-term strategy for sustainability and the topics illustrated will vary little from one reporting period to another. The targets for each indicator are set for a two-year period and reflects the group's ambitions in the short term for realising the strategy for sustainability. The annual report for 2016 reports results for 2015 and 2016, as well as the revised sustainability plan for 2017

Storebrand has published environmental and corporate social responsibility reports since 1995, and these reports have been integrated into the Group's annual report since 2008. Storebrand uses the Global Reporting Initiative (GRI) version G4 guidelines as a tool for reporting on sustainability. Our reporting practice is essentially in accordance with GRI's reporting principles and satisfies level CORE. Storebrand desires transparency and requires compliance and quality in its sustainability work. We engaged Deloitte AS to conduct a review, in accordance with attestation standard ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" established by the International Auditing and Assurance Standards Board, to provide a limited level of assurance on the Storebrand ASA Sustainability Reporting 2016. The auditor's report is presented in the chapter "Auditor's report on corporate sustainability" in the Annual Report

2016. This increases the credibility of the reporting and data, and also engenders greater internal confidence that the information has been collected, analysed, and the quality assured in a proper manner.

## **New Plan for Societal Impact**

From 2017 organisation and reporting on sustainability has been revised in order to increase the societal good Storebrand influences through its products and services. Target setting and follow up has also been integrated into the commercial planning cycle. The Group's sustainability manager is responsible for the overall design of the new Plan for Societal Impact which will replace the previous scorecard for sustainability, but each business is now responsible for setting targets on what societal good they will achieve through their products and services. This target is then reported back to group management continually during the calendar year for regular business reviews. The entire Plan for Societal Impact will be reported back to Group Management yearly, and the external targets for impact are published externally in Storebrands annual report.

In addition to impact reporting, Storebrand will report according to GRI G4 guidelines level CORE in the annual report, and publishes additional information on sustainability on [www.storebrand.no](http://www.storebrand.no). Reporting includes carbon productivity in all equity holdings, as well as the name of each company excluded from investments for sustainability reasons. As a result of intensified stakeholder consultations during the year, Storebrand has also made available to the public, documents regarding policies for sustainable investments in the areas of for example human rights and labour rights.

Storebrand is reporting according to GRI G4 on the group's activities in Norway and Sweden, where all companies that are in the consolidated financial statements are included. As far as possible, the results are for the group as a whole. However, differences in access to information and routines for collecting and compiling data mean that for some indicators, only the group's activities in Norway are reported. There is great emphasis on ensuring that information is complete and correct, but there may however be some uncertainty in respect of certain parts of the data material. Details in respect of definitions and delimitation of the individual indicators may be found at the bottom of this document.

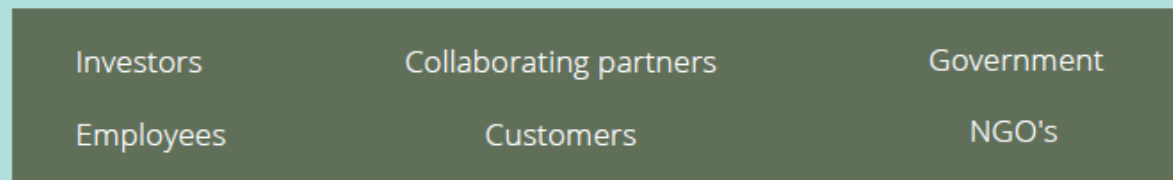
We anticipate that the report annual report will mainly be used by owners, investors, customers, academics and national and international rating agencies.

## **General interaction with stakeholders**

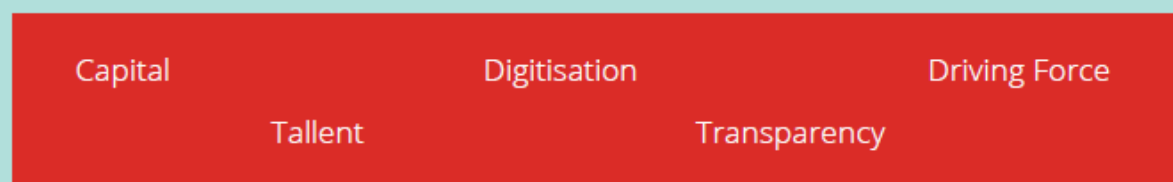
The group has relations with a wide number of stakeholders continually. This section of the report describes general and systematic interaction with stakeholders. In the section " Developments during 2014-2016" it highlights topical stakeholder interactions which have meant that Storebrand has amended its sustainability/impact priorities.

# Storebrand – a responsible business

## Interests



## Instruments



## Materiality

### Economic value creation



NOK 577bn

### Environmental value creation



CO2 footprint  
5.4 CO2e /1MNOK invested  
capital better than relevant index

### Social value creation



1.9m customers

Storebrand continually interacts with stakeholders in formal and informal settings. Stakeholders include sector collaboration on sustainability issues nationally and internationally, consumer branding on sustainability,

individual dialogue with topical NGOs, collaboration with academia on sustainability research as well as participation in important national and international forums and conferences.

Owners have the opportunity to give the group their input at the general meeting in which usual topics include the company's economic growth, and separate matters which individual shareholders would like answers to. The group informs owners, analysts, and investors about the company's value creation through stock exchange announcements, quarterly presentations, and in the annual report. We carry out customer surveys to find out what our customers think about us. We measure satisfaction and loyalty, in addition to looking at how our customers perceive our employees' skills, readiness to act, and personal service. The results represent important management tools for our continuous improvement efforts. The group systematically follows up all complaints received, with clear requirements with regard to the quality of response, case processing time, and internal training. We also maintain a dialogue with stakeholders and customers on social media.

Dialogue with employees takes place in formal forums such as working environment committees, the group's board and employee representatives, through annual employee satisfaction surveys and formal channels such as the intranet, management meetings, and staff meetings. Job satisfaction, internal change processes, and compensation schemes are common topics of discussion with employees. All employees in Norway are covered by the collective bargaining agreement through Finance Norway. In our Swedish operations 60% is covered by the collective bargaining agreement.

Storebrand currently has several hundred suppliers. The major product areas by purchased volume are IT, electricity and operation of properties and services in insurance (health and related services, vehicle repairs, home repairs etc.). IT purchasing includes hardware, software and services. Specific sustainability-related risks involving IT suppliers may be about employees' rights in production or the company's role as supplier to regimes where censorship or control of the population are common.

Sustainability is an important part of Storebrand's purchasing policy and is an area that is emphasised when evaluating suppliers for new purchasing. In connection with purchasing, suppliers to Storebrand are encouraged to certify and document their policies for control of sub-contractors, policies for ethics, corruption, human rights etc., as well as information on whether the company is CO<sub>2</sub>-neutral and any environmental certification such as ISO 14001, the Swan ecolabel, Eco-Lighthouse, EMAS etc. Many of Storebrand's suppliers and relations with them are regulated by various rules and are subject to supervision by the authorities in Sweden and Norway, such as Finansinspektionen in Sweden and Finanstillsynet in Norway.

## **FOUNDATION OF STOREBRANDS MATERIALITY ANALYSIS – SURVEY OF 2014**

The purpose of the materiality analysis is to obtain an overview of which subject areas are the most material for Storebrand to address according to external and internal stakeholders. In 2014 Storebrand performed a wide ranging stakeholder dialogue of external and internal stakeholders.

### **Process foundational materiality analysis**

As a basis for the matrix, Storebrand first produced background material taking into account current practice at Storebrand, other analysts' assessment of Storebrand, expert interviews, earlier dialogue with external stakeholders and case studies by other leaders in the same sector. The analysis gave 28 areas that might be material for Storebrand and then these 28 topics were discussed externally and internally by means of questionnaires and workshops. The questionnaire was sent to selected external stakeholders and internal representatives. Storebrand also held a workshop in Stockholm with the responses to the questionnaire as a basis for discussion.

The most important stakeholders were selected on the basis of whether they significantly affect, or are affected by, us.

Storebrand primarily affects the environment and society through the capital that Storebrand invests on behalf of its customers and through its direct business activities in the financial sector. Storebrand actively maintains a comprehensive sustainability analysis of all investments that are made, totalling NOK 577 billion.

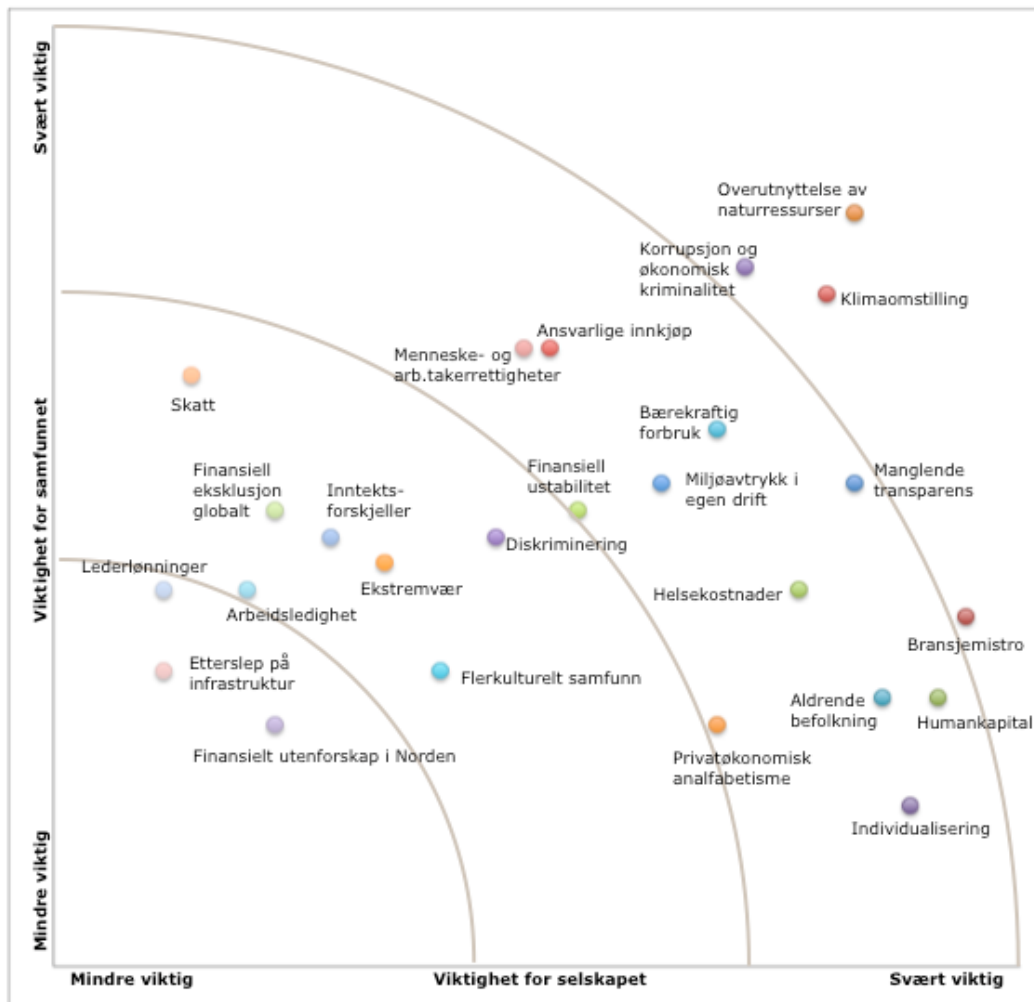
## Results foundational materiality analysis of 2014

The materiality analysis of the survey conducted shows that the most important areas for Storebrand to address are:

- 1) Lack of confidence in the financial sector
  - a. This is an aspect that Storebrand is directly affected by in relation to our primary customers. Storebrand also affects society and customers by acting in a responsible manner, by being on the customer's side and by actively pursuing and reporting the effect of sustainable capital management.
  - b. This aspect is relevant for all organisational parts of Storebrand, including administration, sales and capital management, and to a lesser extent operation of property and business-supporting functions such as IT.
- 2) Adaptation to climate change
  - a. Storebrand and its stakeholders consider that sustainability issues and adaptation to bring about a world with lower CO2 emissions are some of the most important issues of strategic and economic significance for most industries in all part of the world. This is a well-integrated part of Storebrand's capital management and the analysis applies to all managed funds.
  - b. This is relevant for all internal parts of Storebrand, including operation of property and travel, but the greatest effect occurs through our investments. This is therefore an integral part of our capital management.
- 3) Corruption and economic crime
  - a. The financial industry is based on confidence, and this is an aspect that affects trust and confidence in Storebrand.
  - b. This is equally important for all parts of Storebrand, for which reason it is part of the training package for all employees.
- 4) Over-exploitation of natural resources
  - a. Storebrand and its stakeholders consider that sustainability issues are some of the most important issues of strategic and economic significance for most industries in all part of the world. This is a well-integrated part of Storebrand's capital management and the analysis applies to all managed funds. The issue of over-exploitation of natural resources is one of three basic analysis areas in which Storebrand assesses all companies in its investment universe (currently about 2,500 companies).
  - b. Storebrand primarily affects this aspect through its investments, for which reason this is an integral part of our capital management. However, we also monitor the use of resources by monitoring travel and other office consumption.

## Foundational materiality matrix from 2014

Results of the materiality analysis. Benefits to society on the y axis and benefits to the company on the x axis.



Aldrende befolkning	<u>Aging population</u>	Inadequate handling of rising costs and new social challenges arising from an aging population
Ansvarlige innkjøp	<u>Responsible procurement</u>	Missing an overview of the origins and production conditions in the supply chain
Arbeidsledighet	<u>Unemployment</u>	Rising unemployment in Europe, especially among youth
Bransjemistro	<u>Industry distrust</u>	Weak or lack of confidence in the financial sector
Bærekraftig forbruk	<u>Sustainable consumption</u>	Private consumption is higher than society's long-term capacity, customers must consume more sustainable products
Diskriminering	<u>Discrimination</u>	Various opportunities based on gender, cultural background and performance
Ekstremvær	<u>Extreme weather</u>	Increasing extent of damage caused by extreme weather
Etterslep på infrastruktur	<u>Need for better infrastructure</u>	Back log of necessary investments in infrastructure, both related to transport, energy, water and waste water, waste and ICT
Finansiell eksklusjon globalt	<u>Financial exclusion globally</u>	The poor are caught in a spiral of poverty due to lack of access to financial services
Finansiell ustabilitet	<u>Financial instability</u>	Bubble economies, weak capital coverage in <u>financial</u> institution or increasing debt ratio.
Finansielt utenforskap i Norden	<u>Financial exclusion in the Nordic countries</u>	Weak groups in the Nordic countries get poorer safety net because of lack of access to financial services
Flerkulturelt samfunn	<u>Multicultural society</u>	Failure to make <u>multi culturalism</u> a resource in <u>society</u>
Helsekostnader	<u>Health costs</u>	Increasing welfare costs related to disability, illness and lifestyle (diet, alcohol and tobacco)
Humankapital	<u>Humancapital</u>	Recruitment and skills development for employees
Individualisering	<u>Individualizing</u>	The transfer of responsibility from the welfare state to private individuals - health, pension etc.
Inntektsforskjeller	<u>Income differences</u>	Increasing difference in income between the richest and the poorest
Klimaomstilling	<u>Climate Restructuring</u>	Lack of restructuring among businesses, households and governments to a low carbon society
Korrupsjon og økonomisk kriminalitet	<u>Corruption and Economic Crime</u>	Gains offenses related to financial transactions
Lederlønninger	<u>Executive Compensation</u>	Business managers are rewarded disproportionately compared to owners (dividends) and employees (wages, pensions and job security)
Manglende transparens	<u>Lack of transparency</u>	Lack of transparency about internal processes and criteria
Menneske- og arbeidstakerrettigheter	<u>Human and labor rights</u>	Violations of basic <u>human and labor rights</u>
Miljøavtrykk i egen drift	<u>Environment Impression in their own operations</u>	Mismatch between its own operations and requirements of others - related to energy, water, paper, waste, flights etc.
Overutnyttelse av naturressurser	<u>Overexploitation of natural resources</u>	Not sustainable use of natural resources, pressure on ecosystem services and reduced biodiversity leads to competition for scarce resources
Privatøkonomisk analfabetisme	<u>Private Financial illiteracy</u>	Lack of understanding of personal finance
Skatt	<u>Tax</u>	Unethical adaptation of organizations and transactions to avoid paying taxes

## Developments since 2014

- 1) Stakeholder dialogue 2015 – Focus on sustainability reporting regarding investments.
  - a. Storebrand performed two formalized stakeholder consultations during 2015. Key NGOs in the Norwegian and Swedish civil society in the areas of environment and human rights were invited to two consultations. The Norwegian consultation took place during the Arendal-week, a national politicians week in August each year. The Swedish consultation took place in Stockholm in June the same year. The focus of the consultations were for Storebrand to take into account what type of reporting and information that our stakeholders would like to have regarding the performance and information of investments in general and investments made on their behalf.
  - b. Partly as a result of this request, Storebrand has started to publish the names of the companies that it does not invest in. Storebrand also displays sustainability information on each mutual fund that is for sale on our platforms.
- 2) Stakeholder interaction 2016 – Focus on impact, climate risk and reporting and increased transparency in general.
  - a. Storebrand has been in intense stakeholder dialogue around the area of climate risk and reporting as a follow up to the Climate Year 2015. Storebrand has been part of the Ministry of Finance dialogues on a national reporting on carbon productivity in mutual funds in Sweden, and in the two sector working groups which realized a standard of carbon productivity (Svensk Försäkring and Fondbolagens Förening). Storebrand has joined two international initiatives with a focus on reporting on and lowering the carbon footprint of our equity investments, the Montreal Pledge (<http://montrealpledge.org/>) and the Portfolio De-carbonisation Coalition

(<http://unepfi.org/pdc/>). In this global sector group climate risk management and climate reporting has been discussed. During the year the Nordic Environmental labelling organization Svanen has developed a consumer brand for sustainable funds, and Storebrand has taken an active part in this work during the year. Storebrand has been in intense dialogue with a consortium of NGOs under the umbrella of the Fair Finance Guide, which requested vastly more transparency from the industry including Storebrand regarding detailed policies governing sustainable investments.

- b. Results: Storebrand has an increased focus on Storebrand as a contributor to decreasing climate risk in society through:
  - i. climate reporting
  - ii. through lowering climate risk in our investments and
  - iii. through introducing low climate risk products to the consumer markets.

Since 2015 we report externally on the carbon productivity of our equity investments and relate them to relevant indices. Climate impact is also an integral and fundamental part of our sustainability analysis of all holdings, resulting in for example exclusions of companies with poor climate strategies. Storebrand and its Swedish subsidiary SPP has also developed an extended sustainability standard, which is fossil free, and subsequently launched 6 fossil free funds. They are ranging from green bonds to equity funds; global, emerging markets and Sweden. Storebrand has during the year made publicly available a number of policies governing our sustainable investments on our web.

### 3) Internal dialogue on sustainability and the purpose of Storebrand.– Focus on increasing, integrating and reporting on positive impact and an increased focus on social impact.

- a. Group management launched an organization wide consultative process where all staff were asked to contribute to formulating Storebrand's purpose connected to sustainability. All staff had the opportunity to contribute both to formulating our final purpose, as well as identifying specific target areas in sustainability that Storebrand should focus on, through an online survey, through a series of workshops and finally in person during two big events in Sweden and Norway. This was a powerful process that released innovation and commitment to sustainability, and made possible the new Plan for Social Impact which now governs Storebrand's sustainability work.
- b. Results: Most importantly Storebrand has a full integration of targets for positive social impact with commercial target setting and planning. Targets are followed up continually during follow up of commercial targets. Innovation regarding sustainability is followed up at group management level continually during the year. Storebrand is also launching a learning programme covering the entire organization on its purpose. For 2017 most of these new targets focus on lowering climate risk specifically and increasing the sustainability level in general of all assets under management as well in certain key products. During 2016 and continuing during 2017 we are also launching initiatives in order to better understand, measure and to positively impact social sustainability issues related to other products such as insurance and banking.

### 4) Stakeholder dialogue 2016

- a. Storebrand performed a stakeholder dialogue with the specific purpose of understanding, measuring and finding new partnerships to promote social sustainability in the health area. Workshops were conducted first internally and then with a group of NGOs, public institutions and academia in order to explore partnerships which could increase the social good Storebrand produces.



## REVISED MATERIALITY SHORTLIST FOR STOREBRAND 2016

Due to intense stakeholder interactions during 2015 and 2016 Storebrand has revised its most prioritised sustainability areas as per below.

Financial value creation:

- a. **Financial risk** – Storebrand is exposed to several types of risk through its business areas. Trends associated with the interest rate, property and equity markets are deemed to be the most important risk factors that can impact on the Group's result. Over time, it is important to be able to deliver a result that exceeds the interest rate guarantees of the products. Risk management is therefore a prioritised core area for the Group. In addition, the disability and life expectancy trends represent important risks.
- b. **Digital restructuring** – The digitalisation of society creates new opportunities and new business areas. Customer demand for easily accessible insurance and pension products is increasing.

Environmental value creation:

- c. **Climate adjustment** – Storebrand and Storebrand's stakeholders consider sustainability issues and adjustment with the goal of creating a world with lower CO2 emissions to be among the most important strategic and financial areas for most industries in all parts of the world. Companies approach to climate change is therefore an important part of our investment strategy. This is a well-integrated part of Storebrand's asset management and the analysis is used for all managed funds.
- d. **Natural resources** – Population Growth within ecosystems under pressure. Overexploitation of natural resources is one of the three fundamental areas of analysis which Storebrand uses in the assessment of all the companies in its investment universe (approximately 2,500 companies at present). Overexploitation of natural resources fall under this category, thus we collect data to analyse the different investment objects approach to the use of natural resources as one of several foundations in our investment decisions.

Social value creation:

- e. **Mistrust of the financial sector** - The financial sector has been subjected to strict regulations that have resulted in major changes in the form of pension savings for customers.
- f. **Understanding of impact and transparency** – Storebrand's goal is to communicate the positive effect we create through our business operations by preparing transparent reports about reduced climate risk for invested capital and increased financial value creation at individual and customer level through insurance and banking activities.

## Sustainability reporting 2016 and Plan for Societal Impact from 2017 and onward

From 2017 the sustainability scorecard will be replaced with the Storebrand Plan for Societal Impact. The new plan consists of three areas supported by implementation plans at the level of responsible business area. Two of these areas are reported on externally and one is area is used for internal purposes.

Part 1 Societal impacts by products and services. Targets and measurements.

Part 2 GRI reporting on internal governance, policies and sustainability of operations

Part 3. Learning and innovation around sustainable products and services (internal)

Already in the annual report for 2016 Storebrand is using this disposition of reporting, albeit not with a complete set of targets as they are set for 2017.

For information on impact reporting and non-financial key figures, please see our chapter on impact reporting in our annual report

## Definitions to indicators:

Dow Jones Sustainability Index	Rank in insurance sector
Customer satisfaction NPS	Net Promoter Score (NPS) is a standard methodology that shows the proportion of customers answering 9 and 10 minus the corresponding 0-6 on the question "On a scale from 0-10, to what extent would you recommend Storebrand to a family member, friend or colleague?" The result is based on a 6 month rolling, weighted average pr. year end, as a rank against specified competitors. Applicable to Norwegian and Swedish retail market.
Number of employees that complete e-learning courses	Number of employees that finish the e-learning course (210 ethics/18 corruption)
Sick leave	Number of sick leave hours divided by number of hours worked. Including SPP (incl. Nordben and Euroben), Storebrand Norway (10) companies
Employee job satisfaction	Activities to define the Group's ambition related to employees' work satisfaction. The indicator is composed by four questions in a Questback survey; <ol style="list-style-type: none"> <li>1. In general, how satisfied are you as an employee with your workplace?</li> <li>2. Imagine the perfect place to be employed: How close to this ideal is your workplace?</li> <li>3. I feel motivated in my job.</li> <li>4. I am looking forward to going to work every day.</li> </ol>
Proportion of female managers	Share of female employees. Defined as a management position with personnel responsibilities. Project managers are not included.
Proportion of female employees	Proportion of female employees in Norway and Sweden
Environmental requirements to suppliers	Share of contracts on active suppliers Storebrand has a spend above 1MNOK in procurement and are certified or fulfill requirements according to one or several of the following: Eco-light certified, Miljøbas, Svanen, CO2 nøytral ISO 14001
Number of flights pr. FTE	Number of individual flights pr. FTE made by the employees of the Group's Norwegian and Swedish business in service purposes.

CO2 emissions pr. FTE	CO2-emissions pr. FTE from the Group's Norwegian and Swedish operations. Includes direct and indirect emissions, including airtravel and other transportation, energy consumption and waste (scope1-3). Energy consumption in managed properties are measured and reported, but is not included in the Group's carbon footprint. The carbon footprint is calculated by CO2Focus AS based on their methodology. CO2Focus AS utilises a Nordic mix as the basis for calculating emissions from electric power.
Energy consumption main office Norway and Sweden	Temperature corrected energy consumption per square meter of heated area. Total consumption registered by the energy supplier (electricity and district heating/cooling).
Water consumption main office Norway and Sweden	Measured water consumption in m3 per m2 heated area based on data registered in energinet.net.
Waste rate of recycling	Waste sorting: rate of waste sorted at the source. Almost all waste is subject to recycling. The rest fraction not sorted at the source is mechanically sorted at the waste recycling centre.
Paper consumption main office Norway and Sweden	Consumption of office paper (copy- and bond paper), envelopes, advertising, including externally reprinted and regulatory letter attachments in Kg/FTE
Energy consumption Real Estate	Temperature corrected energy consumption per square meter of heated area of invested real estate properties in Norway. Based on figures from the energy supplier energy supplier (electricity and district heating)
Water consumption Real Estate	Measured water consumption in m3 per m2 heated area based on data registered in the environmental monitoring system in Norway.
Environmental certification of managed properties	Percentage of area of managed properties in Norway and Sweden which are certified according to the Norwegian certification scheme Miljøfyrtårn, Miljöbyggnad, EU Green building, ISO 14001, Breeam, Leed or equivalent. Per square meter in Norway and Sweden. Real estate development sights and real estate where the tenant handles own energyagreements, energy construction and management thereof (barehouscontracts) are not included.

Reduced CO2-emissions from investments	Carbon intensity (tonnes CO2 equivalents/1 mill sales revenue) The indikator reflects tonn CO2e per 1MNOK invested capital in funds adn guaranteed products compared to relevant index. Trucost is used as source for computing CO2 emissions.
My pension figure	The pension percentage (median) is the customers expected pension from all sources (including private savings, folketrygden, AFP and defined benfit/defined contribution pension, as a percentage of customers existing sallary.
Sustainaiblity rating total AuM	Sustainability rating on a scale from 1-100 on all issued securities where rating of the paper is defined.