Sustainable Investment Review **Q3 2024**

Storebrand Asset Management

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In this issue

Finance for nature in focus

Looking back at the last quarter, the theme of nature and climate has been high on the agenda in the lead-up to COP16 and the launching of Storebrand's integrated TCFD-TNFD report.

In our special section on nature, we are pleased to welcome a guest opinion by **Bård Vegard Solhjell**, the former Minister of Environment for Norway, now Director General of Norad. Solhjell offers Norad's perspective on how development and private finance can bridge the gap needed for the world to meet the global Sustainable Development Goals (SDGs). The section also features insights from our CEO **Jan Erik Saugestad**, and our Head of Climate and Environment **Emine Isciel**, and an update on the work of the Finance for Biodiversity Foundation (Ffb) in which we have played a leading role in voicing the expectations of the finance sector, ahead of COP16.

To improve the factual basis for our active ownership, SAM has developed three analyses focused on climate and nature, to be integrated into our TCFD-TNFD report, which will be published in conjunction with COP16. The first offers insight into how different climate scenarios may impact our investment portfolios. The second maps the impact of our investments on extractive industries in forests. The last, demonstrates how geospatial asset-location data can be used to understand water risks. These three analyses provide a more granular view of our investments and help us to prioritize active ownership more effectively.

We also have important updates on our work on human rights, one of our focus areas of engagement, and in particular on digital rights and the state of play of ethical AI, as well as reflections on the implementation of human rights due diligence by companies in Norway two years after the enactment of the Norwegian human rights due diligence law (Åpenhetsloven).

We end the edition with updates on our engagement and voting activities, as well as our decision to exclude Palantir, a major technology company, from our investment universe, due to the risk of its involvement in human rights risks in the occupied Palestinian territories (oPt).

"...we have important updates on our work with human rights in technology, several case studies on assessments of risks in our portfolios, and updates on our engagement and voting activies."

Kamil Zabielski,
Head of Sustainable Investment

In brief

Events

Belgian Biodiversity Masterclass

High engagement at well attended CLA event in Brussels

Following a highly successful biodiversity masterclass held in Luxembourg at end of 2023 with Storebrand's participation, word of mouth spread to other European countries, as the topic is of rising importance for investors. In June this year, the Towards Sustainability Labelling Agency (CLA), took up the baton, hosting its first-ever biodiversity masterclass, in Brussels, Belgium.

Storebrand was represented at the CLA event through the participation of **Michel Ommeganck**, our International Business Development Client Executive, and **Emine Isciel**, Head of Climate and Environment, who was also a featured presenter in the masterclass.

Diverse experts and participants

CLA is a not-for-profit association incorporated under Belgian law. It aims to enlarge the impact and substance of sustainable saving and investing, as well as to substantially strengthen the use of qualitative approaches to sustainable financial products.

The event, "Towards Sustainability/FEBELFIN June 2024", gathered representatives from civil society, asset managers, think tanks, academics, and policy makers. It featured several international experts, who together with the participants, took stock of the integration of biodiversity into investment decisions. Kicking off the event, **Sebastien Godinot** (Senior Economist at the WWF European Policy Office) declared: "The climate crisis and the biodiversity crisis are inherently linked". Godinot also noted, "Through the Green Deal, Europe is taking the lead in terms of regulation". However, he emphasised that much work remains to be done: "Reporting should never be an end in itself. The ultimate goal is transition".

Another presenter, **Diane Roissard**, Head of Data and Corporate Engagement at the Finance for Biodiversity Foundation highlighted the Kunming-Montreal Global Biodiversity Framework and how it is focussed on nature and biodiversity and that targets need to be set by 2026.

Sharing Storebrand's learnings

In her presentation, thoroughly grounded in both theoretical and practical insights, Isciel provided tangible examples, much appreciated by the participants, on how to tackle biodiversity. "Lack of a complete data set is no excuse to procrastinate", she emphasized, "Land use is a critical yet often overlooked aspect of both climate change and biodiversity loss". Underlining the point, Isciel highlighted the deforestation policy Storebrand integrated into its investment processes back in 2019, when no major data provider included deforestation data in their analyses. However, since then, she noted, "Various organisations have joined forces in ForestIQ, which now provide us the ability to screen around two thousand companies for deforestation impacts".

↓ **Panel participants at the Brussels biodiversity event.**

Source: Towards Sustainability Labelling Agency (CLA)

Isciel highlighted that "Financiers often focus on energy or transport". "Deforestation, she said, also impacts specific sectors: clearing rainforests alters rainfall patterns, directly harming the livestock farms responsible for the deforestation. As a result, by the end of next year, we aim to eliminate all deforestation from our portfolios."

Another concrete example, on Storebrand's dialogue with the Norwegian salmon-farming industry, was much appreciated by the participants. The issue Isciel outlined began with the fact that the industry fed its salmon with Brazilian soy, all of which was certified. However, it turned out that three of the suppliers differentiated their deliveries: their certified soy went to Norway, while the rest of the world received non-certified soy. Following the engagement, the bar had been raised across the board, with the suppliers now only selling certified soy. The example underlined how voluntary action, based on investor engagement, could truly make a difference.

The masterclass raised Storebrand's profile towards Belgian investors, by successfully demonstrating to the participants the expertise we can offer, having accumulated and refined insights in this area over the years. It has been followed by further contact from participants eager to begin dialogue, with the event organizers also eager to collaborate on further events.

Learn more and view a recording of Emine Isciel's presentation at the event website.

Zabielski sharing insights with the Luxembourg financial community on integrating human rights into investment decisions.

Source: Luxembourg Sustainable Finance Initiative

Events

Luxembourg Human Rights Summit

With growing conflict and social dimensions of sustainability increasingly on the agenda, investors are eager for knowledge on issues around human rights. Storebrand was therefore pleased to contribute expertise in this arena at the Finance for a Sustainable Future Summit held in Luxembourg this September.

Organized by the Luxembourg Sustainable Finance Initiative (LSFI), the packed event gathered participants from the country's vibrant financial sector. There, Storebrand's Head of Sustainable Investment **Kamil Zabielski** was a featured expert in a human rights masterclass. He shared practical experience and knowledge on how financial professionals can implement human rights due diligence into asset management. This included application of relevant international norms and guidelines, due diligence approaches and tools to properly integrate human rights into financial decisions in their work, and case studies.

Following the event, LSFI reported having received "overwhelmingly positive" feedback from participants. LSFI is a non-profit association that designs and implements the Luxembourg Sustainable Finance Strategy. The organization raises awareness, promotes and helps develop sustainable finance initiatives within Luxembourg, one of the world's premier financial centres.

Learn more about the LSFI human rights masterclass.

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Nordic countries must produce ambitious biodiversity plans

Stronger financial alignment and transparency are key to a successful COP16 and preventing further nature loss

Jan Erik Saugestad
CEO Storebrand Asset Management

December 2022 marked a **turning point** when 188 governments agreed at COP15 to the **Kunming-Montreal Global Biodiversity Framework (GBF)** — a roadmap to halt and reverse nature loss by 2030.

Key to the agreement is Goal D, which seeks to ensure that all parties have adequate resources to implement it, alongside specific targets that provide the tools and solutions to do so. These include aligning public and private finance flows (Target 14), ensuring that companies disclose nature-related impacts (Target 15), reducing harmful incentives and subsidies (Target 18) and mobilizing private sector financing to bridge the US$ 200 billion gap required to address the biodiversity crisis (Target 19).[1]

The framework also signalled a turning point in the global economy's relationship with biodiversity by

acknowledging the importance of private capital for the first time. Nature-directed private finance has risen elevenfold in the past four years , reaching US $102 billion in 2023[2].

Yet, despite the GBF's laudable intentions and the surge in private finance, most capital flows — including private investments — remain misaligned with achieving the goals that are vital for the future of the planet.

Ahead of COP16 next month, we therefore call on Nordic nations to lead the fight against nature loss by providing ambitious, coherent and credible biodiversity plans.

All countries must submit updated National Biodiversity Strategy and Action Plans (NBSAPs) detailing how they intend to achieve the goals and targets agreed at COP15 before they reconvene in October. So far, 20 countries have done so, and we await those from the Nordic countries and others, specifying how they will improve disclosure requirements and align finance flows in order to tackle biodiversity loss.

Coherent and decision-useful disclosure

Financial flows will become easier to align if nature-related disclosures are improved. Having agreed at COP15 to ensure that large companies "regularly monitor, assess, and transparently disclose their risks, dependencies and impacts on biodiversity", governments must now act. We encourage the Nordic countries, alongside others, to include disclosure requirements in their national strategies that are consistent with international standards such as the **Taskforce on Nature-related Financial Disclosures (TNFD)**. The greater the level of consistency across jurisdictions, the greater the ability to align public and private financial flows for cross-border businesses and transactions.

The implementation of Target 15, which ensures disclosure of nature-related impacts, dependencies and risks by all large and transnational companies, as well as financial institutions, is a step in the right direction, but it also needs to be complemented by effective policy measures and transformative action across many sectors of the

Most capital flows—including private investments—remain misaligned with achieving the goals that are vital for the future of the planet

economy. Put simply, we must make supporting business practices that do not harm nature a more attractive investment proposition than those that do.

Financial flow alignment

The US$ 700 billion biodiversity finance gap that governments agreed to close in Goal D of the GBF requires additional funding in scale and pace. The most important first step, however, is to implement measures that will progressively reduce existing financial flows that are harming nature and prevent potential future financing activities from continuing in the same damaging direction. Increased public spending in support of biodiversity will remain ineffective as long as existing harmful financial flows, both public and private, continue to work against it.

Connected to this is the need for finance ministers to significantly increase their focus on biodiversity. They have influence over sectors providing finance and those driving nature loss, as well as control of important financial levers that can help drive alignments, such as taxes and economic incentives.

Governments can utilize fiscal policy to ensure that national budgets do not support activities harmful to nature, particularly by reforming environmentally damaging subsidies, which are pervasive globally, with OECD countries alone transferring at least US$ 400 billion annually to various sectors. We therefore call on Nordic finance ministers to lead a 'whole-of-government approach' in direct collaboration with environment ministers.

Nordic leadership

In April, the **Finance for Biodiversity Foundation (FfB)** — whose public policy advocacy working group of 76 financial institutions Storebrand co-chairs — outlined a **series of recommendations** for governments to implement the GBF, and we hope to see these adopted in Nordic countries' plans. These concrete actions have universal application, and whilst acknowledging that countries are at different stages of development, we also recognize that Nordic nations are among the world's most advanced and encourage them to take a leadership role.

By setting ambitious biodiversity action plans that improve disclosure and properly align capital flows, COP16 can be another important step in winning our fight against nature loss.

In connection with Storebrand's role in the Finance for Biodiversity Foundation (FfB), I will be part of the FfB's observer delegation at COP16 and look forward to keeping you updated from Colombia.

References

[1] COP15: Final text of Kunming-Montreal Global Biodiversity Framework

[2] UN Environment Programme Finance Initiative (UNEP FI),
June 2024

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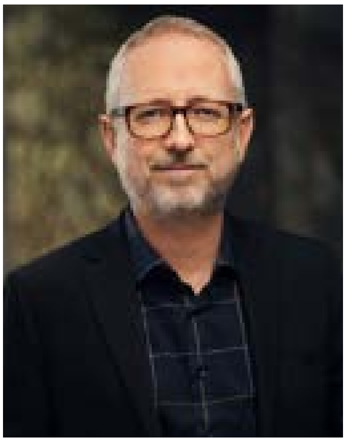
Guest opinion

Private finance and development finance

A bridging of worlds for a better economy

Bård Vegar Solhjell
Director General of Norad



↑ **Bård Vegar Solhjell** is Director General of Norad, the Norwegian Agency for Development Cooperation. Norad is Norway's administrative and specialist body for development cooperation.

The organization supports the Ministry of Foreign Affairs and the Ministry of Climate and the Environment, in achieving the goals of Norwegian development policy and promoting sustainable development. Prior to leading Norad, Solhjell has served as a Norwegian government Minister of Education and Minister of the Environment.

Norad has worked with the private sector for over 50 years. These partnerships have taken many forms: from funding early-stage feasibility studies, value-chain partnerships, supporting micro-finance funds, accelerators and incubators in Africa, providing first-loss facilities, all up to the recent state guarantee for renewable energy being launched this year.

Still, development agencies like Norad have yet to meaningfully connect the divide between the worlds of development finance and commercial finance in a way that enables adequate financing of the United Nations Sustainable Development Goals (SDGs). Our job is to bridge the gap through collaboration with institutional investors, and together find the right role for public finance to mobilize private capital while respecting planetary boundaries. This effort hinges on two key factors.

First, climate and nature risks must be better priced in by the markets. A challenge to that end are return requirements in development finance, which are vastly different from those found in conventional capital markets. Sometimes development return requirements are harder to quantify and to achieve, given the overall goal is less poverty in a greener world. While we acknowledge that the world's large institutional investors have an unquestionable fiduciary duty toward their clients, there is now a growing realization that the risk of nature loss and climate change is increasingly linked to financial risk. Quantifying those risks accurately remains a challenge. If concessional capital is used in the right way, it can allow commercial capital to help alleviate the climate/nature risk, while still achieving sensible risk-adjusted returns.

Second, professional investors must be brought closer into the fold. A key effort for Norad is alleviating risk in order to facilitate private capital flows.

Different risks require different solutions and different ways to deploy our grants. To allow Norad to find the best ways of alleviating risk, we depend on partners that can understand and price it correctly. To that end, Norad seeks to strengthen our partnerships with institutional investors.

They have become increasingly important partners, complementing the multitude of civil society actors, multilateral institutions, governments and other partners that has been necessary to spur development progress over the last decades.

A great example is Norway's support to the UK Foreign, Commonwealth and Development Office's MOBILIST program, which links financing of the Sustainable Development Goals to global stock markets. MOBILIST focuses on increasing investible assets listed on public debt and equity markets, principally national stock exchanges. So far, the initiative has completed several initial public offerings at stock exchanges across the world, proving that SDG financing in emerging and frontier markets can be done on commercial terms.

Bridging the gap between development finance and commercial finance will benefit both worlds in the long run. Sometimes it is a matter of doing the job commercial investment banks will not do. Sometimes it is about working for global policy changes. But the solutions must always be developed in partnership with those who take risk and, most importantly, understand risk.

By working together, we can bridge these worlds.

Learn more about **Norad's work and Norway's efforts to promote sustainable development.**

Finance for Biodiversity: Urgent call to world leaders

Member institutions demand concrete COP16 implementation actions that support private sector efforts on nature goals

Learn more in the Finance for Biodiversity Foundation's October 2024 **Policy Expectation Statement** and April 2024 **Recommendations for Governments from the Financial Sector**.

Ahead of COP16, the Finance for Biodiversity Foundation (FfB), of which Storebrand is a part, signed a statement that calls upon world leaders to urgently take concrete steps that align private financial flows with the Global Biodiversity Framework (GBF), which is the focus of the COP16 event. By doing so, the group believes that nations will have the best possible change co ensuring sustainable use of biodiversity within both global and national economies.

In the letter, the group sets out policy expectations, including detailed suggestions for what should be agreed to by the parties to the conference — the countries participating in it — in the Resource Mobilization Strategy document, which details how countries will mobilize resources in order to get the GBF into action.

Specifically, the members of the Finance for Biodiversity Foundation are asking for amendments to the resource mobilization strategy that explicitly include concrete enabling actions from governments to support the overall goal to align public and private financial flows. The FfB report from April 2024 provides further details about the policies that will support Parties in implementing this. Namely:

1. Mandate requirements that companies and financial institutions should assess, monitor and disclose their nature-related impacts, dependencies and opportunities
2. Mandate nature transition places, based on transition pathways specific to each sector
3. Update financial regulations to include nature-related risks into stress testing and financial stability assessments
4. Create economic incentives for businesses and financial institutions to align their investments with nature

The Conference of the Parties to the Convention on Biological Diversity (COP16), takes place in Cali, Colombia, in the final weeks of October 2024. COP16 will be the first biodiversity COP to be held since the Parties adopted the Kunming-Montreal Global Biodiversity Framework, at COP15 in December 2022 in Montreal, Canada.

Investing for Biodiversity

Strategies, Challenges, and Future Directions

Integrating various environmental considerations, such as biodiversity, into investment strategies is becoming a critical focus for investors. But how can investors navigate the complexities of this emerging topic, as they seek to align their portfolios with sustainable practices?

↑ **Emine Isciel**, Head of Climate and Environment at Storebrand Asset Management, on the key elements of incorporating biodiversity-related issues into investment strategies, the challenges and the outlook.

Thorough risk assessment

"The foundation of integrating biodiversity into investment decisions lies in robust risk assessment," says Isciel. This approach helps identify nature-related risks in investment practices, as well as highlighting opportunities.

One of the major investor initiatives on this front, the **Nature Action 100 investor alliance**, has identified 100 companies around the world that represent the highest risk to biodiversity. This is based on these companies' scale and impact across the business value chain. The companies are clustered within eight specific sectors: Biotechnology and Pharmaceuticals, Chemicals, Household and Personal Goods, Consumer Goods Retailing, Food Production, Food and Beverage Retailing, Forestry and Paper and Metals and Mining. These sectors are major drivers of nature loss due to their large impacts on habitat loss, overexploitation of resources, and soil, water, and solid waste pollution.

This initial foundation gives investors a solid platform from which to determine necessary actions, such as engaging with companies to adjust their trajectory, or reallocating capital based on their environmental practices.

Engagement

Investors can encourage companies to apply the mitigation hierarchy, which includes the following steps:

- **Avoid** negative outcomes from the outset (preferred option).
- **Minimize** negative outcomes that cannot be avoided.
- **Restore:** take measures to improve or re-establish degraded or removed ecosystems, where impacts could not be avoided or minimized.
- **Actions for positive outcomes:** only after avoidance, minimization and restoration have been robustly applied, can approaches to compensate for negative impacts occur. These are often referred to as biodiversity offsets, which should only be applied in certain circumstances.

Some investors also use biodiversity as a filter in negative screening.

"At Storebrand, we for instance exclude companies which contribute to severe environmental damage as part of our negative screening procedure. In 2022 we adopted a Nature Policy and introduced several product and sector divestment criteria to avoid negative outcomes for biodiversity", Isciel adds.

Meaningful data

Data accessibility remains a challenge in evaluating the biodiversity impact and dependencies of companies, she explains: "The primary issues are insufficient details about the locations of assets and the sourcing of materials". However, she notes that improvements are on the horizon: "Investors can still leverage existing data, where coverage and detail have seen significant advancements in recent years".

These sectors are major drivers of nature loss due to their large impacts on habitat loss, overexploitation of resources, and soil, water, and solid waste pollution

"We are engaging with companies, policymakers and data service providers to encourage the provision of more meaningful and consistent biodiversity data."

"Our approach is to start with available data and address severe breaches, allowing for a pragmatic and iterative approach", Isciel adds. "The fact that there is a data challenge, absolutely doesn't limit our ability to take informed and necessary steps now."

Evolving strategies

"As the urgency to protect our planet's biodiversity grows, investors must evolve their strategies to align with sustainable practices," Isciel asserts. "By integrating robust risk assessment processes, by actively engaging with companies, and focusing on sourcing impacts, investors can make significant strides in promoting biodiversity."

Despite ongoing challenges — particularly data accessibility — the continuous development of frameworks and standards offers hope for a more sustainable investment landscape.

Isciel concludes: "Ahead of COP 16, we have called on governments to go beyond mandatory disclosure. Implementing disclosure requirements is the first step to improving positive outcomes for nature but should be complemented with wider policy measures to create better conditions for long-term sustainable investments".

The LEAP Approach:

Locate, Evaluate, Assess, Prepare

For investors looking to minimize exposure to companies that harm biodiversity, a multifaceted approach is essential to assess all sectors and geographies. This involves to:

1. Locate your interface with nature
2. Evaluate your dependencies and impacts on nature
3. Assess your nature-related risks and opportunities
4. Prepare to respond to, and report on, material nature-related issues, aligned with the TNFD's recommended disclosures.

The approach is developed by the Taskforce on Nature-related Financial Disclosures (TNFD).

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Update

Storebrand expands renewable energy investments

Purchases stake in French renewable energy company VALOREM

Storebrand Infrastructure Fund has expanded its sustainable infrastructure portfolio by entering into an agreement to acquire a stake in the leading French independent power producer, VALOREM, in partnership with AIP Management. This investment supports Storebrand's broader strategy to increase its presence in sustainable infrastructure and accelerate the green transition.

VALOREM specializes in developing and operating renewable energy infrastructure, including wind, solar, and hydropower. Founded in 1994, VALOREM has nearly 30 years of experience as a pioneer in renewable energy, with a fully integrated business model covering the entire value chain, from project development to construction and operations.

"This investment aligns well with our broader goal of generating long-term value for our clients while contributing to the green transition in Europe," says Dagfin Norum CIO Storebrand Asset Management.

↓ **Wind power infrastructure is among the many segments of renewable energy that VALOREM operates in.**

The investment is made through a consortium that includes asset manager IDIA, which is part of the Crédit Agricole group and Bpifrance also known as the Banque publique d'investissement, a French public sector investment bank. Together, the consortium has acquired a stake of approximately 33% in VALOREM. In addition, the investors have agreed to inject capital into VALOREM to finance its strong pipeline of renewable projects.

"This strategic addition brings Storebrand Infrastructure Fund to approximately 80% deployment across nine investments in sustainable assets across Europe and the US," he adds.

VALOREM has developed 1.7 GW of renewable assets and has retained a portfolio of 0.8 GW of operational assets, under construction, or ready-to-build with a visible pipeline of around 6.6GW to be developed over the coming years.

"VALOREM's portfolio of operating and development assets offers an attractive combination of stability and growth potential which complements the current portfolio of Storebrand Infrastructure Fund", Norum concludes.

The completion of the transaction is subject to the legal requirement to inform and consult the company's employee representative bodies as well as to obtain customary regulatory approvals. It is expected to close in Q1 2025.

Learn more about VALOREM

A glimpse of hope for Solar?

Takeaways from the RE+ 2024 conference in Anaheim, California

Nader Hakimi Fard
Portfolio Manager

We recently had the pleasure of attending the renewable energy conference RE+ in Anaheim, CA. With 40,000 attendees and 1,350 exhibitors, RE+ stands as the largest renewable energy event in North America. This year was the 20th anniversary of what began as Solar Power International, a purely solar-focused event, and has since evolved into RE+ to encompass a broader range of renewable sectors. Today, the event highlights various aspects of the renewable energy industry, including solar, energy storage, hydrogen, wind, microgrids, and electric vehicles.

Over three days, we engaged in meetings with company leaders from our current holdings and potential prospects, as well as analysts and investors. We also had the opportunity to speak with exhibitors representing a wide spectrum of the renewable landscape.

The event's growth—attendance jumped from 19,000 to 40,000 in just a four-year span between 2019 and 2023[1]—underscores the accelerating momentum behind the energy transition, bolstered by the U.S. Inflation Reduction Act and the push towards domestic manufacturing of renewables in the U.S.

Solar has emerged as a dominant sector. Ember estimates that at the current rate of additions, the world will install 593 GW of solar panels this year. That is 29% more than was installed last year, maintaining robust growth even after an estimated 87% surge in 2023[2].

However, despite strong global solar deployment listed solar companies have performed poorly especially since peak levels seen in 2021.

In this spotlight, we present three key takeaways from RE+ concerning the solar industry.

Utility Scale Solar: Strong Long-Term Growth Prospects Despite Short-Term Challenges

During our meetings we sensed that the demand for solar remains good heading into 2025 due to energy demand growth and decarbonization.

However, in the utility-scale solar sector, project delays have been a significant challenge, leading to lowered full-year guidance for companies in this space.

Several reasons have been cited for these delays, including permitting issues and interconnection challenges. While project delays seem to have eased antidumping and countervailing duty (AD/CVD) investigations into solar cells and modules imported from Cambodia, Malaysia, Thailand, and Vietnam and the upcoming election in the US are causing some uncertainty in the near term.

Longer-term interconnection and permitting issues need to be addressed, along with the availability of high voltage equipment. As data from the IEA suggests, the cost of electricity generated from solar panels (or solar PV) has fallen dramatically in recent decades. This has contributed to a boom in solar PV deployment, with global capacity now growing at a historic pace. Going forward, the key for future market growth of solar will be to ensure that countries have sufficient grid capacity to transport power to where it is needed, as well as develop battery storage capacity to complement solar outside of the sunniest hours[2].

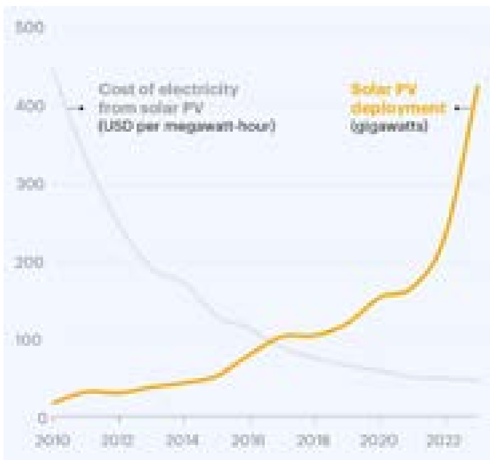
Residential solar: Europe shows no recovery signs, while US moves forward

In the residential solar sector, several negative factors have impacted companies with exposure to this space, initially in the USA and later in Europe. In the USA, a new regulation came into effect in California, a major market for this segment, in the second quarter of 2023. This regulation changed how much customers are paid for the excess electricity they produce, favouring the installation of solar plus storage but making conditions less favourable for solar-only installations.

Additionally, many households that install solar systems fund their investments through financing schemes such as loans or leasing. Higher interest rates have negatively impacted the economics of these investments. Companies in this segment have transitioned, from a period of robust growth and high demand, to low growth and high inventories that need to be worked through.

During our meetings, we gathered that the US market is showing sequential improvement, with growth expected to pick up next year, aided by stable/higher utility pricing, expected declines in interest rates and availability of products eligible for domestic content adders. Conversely, the European residential rooftop market remains weak in the near term, with no strong signs of an imminent turnaround. Low power prices and policy uncertainty mainly around net metering

Longer term interconnection and permitting issues need to be addressed, along with the availability of high voltage equipment.



Source: IEA Energy Snapshot, September 2024

↑ **Annual additions of solar PV capacity compared with cost of electricity frpm solar PV**

Key Takeaways from RE+

1 Utility-Scale Solar: Long-Term Growth Despite Delays
Utility-scale solar faces challenges like permitting delays and interconnection issues. However, demand remains strong through 2025 due to decarbonization. Solving grid capacity and expanding battery storage will be crucial for future growth. Antidumping investigations and the U.S. election add near-term uncertainty.

2 Residential Solar: U.S. Improving, Europe Lagging
U.S. residential solar shows signs of recovery, driven by stable utility prices, expected lower interest rates, and domestic incentives. California's shift towards solar-plus-storage has been a key factor. In contrast, Europe's market remains weak due to low power prices and policy uncertainty.

3 U.S. Election: IRA's Future and Sector Uncertainty
The US presidential election affects the Inflation Reduction Act (IRA). A Harris win maintains the status quo, while a Trump win brings uncertainty. A full repeal of the IRA is unlikely unless Trump wins with a Republican majority. Partial repeal could harm the renewables sector, with wind subsidies and EV credits at higher risk, while the Investment Tax Credit (ITC) is safer due to bipartisan support. Investments in Republican states reduce the risk to manufacturing credits.

(a billing mechanism that credits solar energy system owners for the electricity they add to the grid) in the Netherlands was cited as one of the reasons. For equipment manufacturers, the slower rate of rooftop solar deployment along with fierce competition, mainly from Chinese manufacturers, has created a challenging environment.

US election: full repeal of IRA not in the cards, but near-term uncertainty persists

With the upcoming presidential election in the US, this topic naturally surfaced during our meetings. The election outcome has significant implications for the sector, particularly regarding the Inflation Reduction Act (IRA), taxes, regulatory changes, trade policies, and tariffs. Simplistically, a Harris win is seen as maintaining the status quo, while a Trump win introduces more uncertainty. However, predicting the actual impact on the sector is complex, as historically the sector's performance has not been directly tied to the election outcome. Also, a detailed discussion regarding specific impact on the distinct parts of IRA is out of scope for this report.

During our meetings, the consensus view seems not to be a full repeal of the IRA. A full repeal of the IRA is only likely under a Trump election victory together with Republican majority in the senate and the house. However, even a partial repeal could weaken the IRA, posing a negative risk to the renewables sector. Certain parts of the sector, such as wind subsidies and EV credits, are perceived to be more at risk following some of Trump's comments. Conversely, other areas like the Investment Tax Credit (ITC) are seen as less at risk, given past bipartisan support. Additionally, many clean manufacturing investments have been directed to Republican states, successfully onshoring manufacturing jobs to the US, which reduces the risk to manufacturing credits.

We left RE+ with an optimistic outlook on the long-term prospects of the sector. However, challenges such as interconnection issues could slow down progress and need to be addressed locally and monitored from an investor's perspective. Lower interest rates are expected to gradually support the development of the residential solar space, while the outcome of the US election will be a key event contributing to near-term uncertainty.

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[2] Solar power continues to surge in 2024 | Ember (ember-climate.org)

Gridlock

New report on power grid investments: an overlooked bottleneck in the global energy transition

While long-term focus on transition aligned investments continues to grow, a central component in the transition towards net zero, electrical grid hardware, still lacks adequate attention from Paris-aligned investors, a report from Storebrand Asset Management reveals.

"Companies producing power grid hardware are a clear Paris aligned investment opportunity from our perspective but they are not receiving the attention they deserve — especially from investors using passive Paris aligned strategies," says **Henrik Wold Nilsen**, Senior Portfolio Manager Storebrand Asset Management.

Power grids: the hidden backbone of the green transition

To meet global net-zero targets, power grids must be expanded and modernized. The current global grid infrastructure cannot handle the growing demand for electricity driven by the energy transition and the rapid increase in electric vehicle usage. In countries like the UK, wait times to connect to the grid exceed ten years, while in the U.S., projects totaling 2,600 gigawatts are in the queue waiting to be connected.

Besides the central role the technology plays in the transition towards net zero, the investment case is backed by current requirements of a higher transmission capacity and upgrades of the surrounding infrastructure. However, due to a reliance on backward-looking metrics used to allocate capital the opportunity is often overlooked by, for instance, 'Paris-aligned'-investors using systematic approaches.

" This opportunity is not reflected in the traditional metrics used to allocate capital in passive 'Paris aligned' index strategies, such as Paris-aligned benchmarks. The transition dependence of grid related companies is not captured by either their high reported emissions or their low green revenues," says **Lauren Juliff,** Climate and Sustainability Product Lead, Storebrand Asset Management.

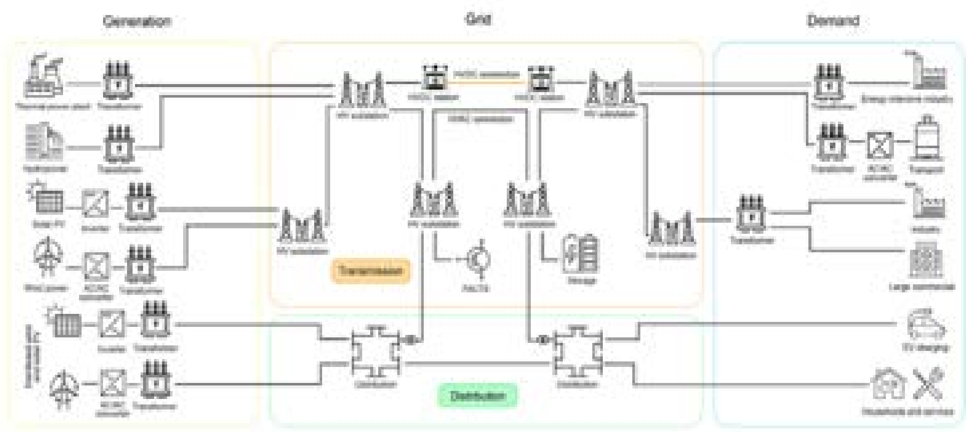
A need for a nuanced, risk managed approach

Consequently, 'passive' Paris-aligned investors are missing out on the transition-linked possibilities which these investments offer.

"This dynamic means that investors relying on 'passive' Paris aligned strategies are often missing out on the opportunities associated with the transition, due to a priority focus on portfolio decarbonization. Instead, our approach is to carve out a list of solutions companies and ensure allowances for them in portfolio construction to provide meaningful and diversified exposure to climate solutions companies and themes", concludes Henrik Wold Nilsen.

Read the full report: Gridlock: The case for electricity grid investments in a 'Paris Aligned' portfolio

Key technology components of electricity



Source: Electricity Grids and Secure Energy Transitions, IEA (2023)

Breaking the spell of "forever-chemicals"

Solutions to phase out PFAS

Unknown to most people, PFAS — a set of chemicals that span several thousand substances -serve almost as a kind of hidden magic in almost every aspect of our lives. Well, if you believe in magic, at least.

PFAS are everywhere in our lives, found in common consumer products as well as lesser-known ones. A major reason for this ubiquity is that PFAS have many incredibly attractive properties, due to their resistance to water, oil and heat. The range of use is enormous, including everything from non-stick pans for cooking, clothes, packaging, personal care products, to industrial products, to even pharmaceutical products ingested by people or injected into them.

Harmful effects

However, the magic is too good to be true: it turns out that PFAs also have severe downsides, turning out to give negative health effects like increased risk of cancer, weakened immune system, liver damage, hormonal disruptions and lower birth weights in children.

The environmental risks are high, since the chemicals are very persistent and do not degrade easily in nature, leading to long-term contamination of water, soil and air. Since PFAS can accumulate in both animals and humans over time, the full extent of damage is still unknown.

← **PFAS, used in many products such plastic bottles, can have long-term negative effects on the environment**

ESG Integration in practice

In December 2022, Storebrand's portfolio managers received a research note from Victoria Lidén of the Risk and Ownership team. It contained a thorough assessment of PFAS, upcoming regulation from the EU and an overview of portfolio companies which may be impacted by a PFAS ban due to exposure to the chemicals in production.

A ranking system by ChemScore[1] showed that two companies in team Solutions portfolios, Umicore and Sika, had exposure to this issue. In collaboration with the Risk and Ownership team, team Solutions portfolio managers for the respective holdings initiated a dialogue to learn more about the companies' know-ledge on the topic and preparedness for upcoming regulation.

The Risk and Ownership team-initiated engagement on the topic during 2021, with portfolio companies where Storebrand had investments. The objective of these engagements were: to improve transpa-rency, land a time-bound phase-out plan of forever chemicals such as PFAS from portfolio companies' production and to improve the firm's ranking on ChemScore.

Engagement results

We reached out to Sika, a Swiss specialty chemi-cals producer, which is part of our Global Solutions strategy. The aim of the dialogue was to gain a better understanding of the company's potential exposure to the EU proposal to ban persistent chemicals, as well as how they plan to address any potential challenges and opportunities arising from it. In our dialogue, Sika informed us that they would carry out a PFAS investigation and share more information about this once it was finished. In August 2023,

Sunniva Bratt Slette
Portfolio Manager

Victoria Liden
Sustainability Analyst

The environmental risks are high, since the chemicals are very persistent and do not degrade easily in nature, leading to long-term contamination of water, soil and air.

the initial investigation was finished and Sika confirmed that they are not a PFAS producer, and that the amount of PFAS used in product formulations is very small, accounting for well below 0.4 per cent of group sales. Sika also assured us that they are now contacting their suppliers and conducting investigations on how a phase-out of these substances can be accomplished in the most efficient way.

As part of the Investor Initiative on Hazardous Chemicals, we have also been leading the engagement with the materials recycling company Umicore since 2021 — the company is also part of our Global Solutions strategy. The dialogue has focused on Umicore's hazardous substance management, with the intention of improving the company's disclosure on these substances. Umicore said that it had undertaken a gap analysis of the substances it uses and had discussed providing more transparency internally. The company said that there were no PFAS in its end products, although there were PFAS in some of the equipment it buys and in some of its processes. The company has been open to dialogue with us. Our most recent call with the company was held early September this year and the engagement will continue through IIHC.

Identifying opportunities

Furthermore, the awareness of the portfolio managers on the business opportunities that arise with the need to treat water contaminated by PFAS has made a difference. Several solution companies in our portfolios reported rapid growth in PFAS water treatment for the past quarter, so the financial implications are real. Firms within the water segment, such as Arcadis and Xylem, have stated in their quarterly reporting that their expertise in PFAS water treatment has become an increasingly important revenue stream. Arcadis recently announced that the Water segment, which accounts for 15 percent of group revenues, experiences significant demand for PFAS treatment to restore contaminated water. Xylem announced recently that "PFAS treatment is a growing area of concern for water utilities, businesses and communities, particularly as governments pass stricter regulations"[2].

Regulatory tailwind

In Sweden, the authorities have now set strict new regulations on the PFAS content of drinking water, effective from 2026, which sharply reduce the allowable limits of PFAS from the current level 90 nanograms/litre to just 4 nanograms/litre.

At the start of 2023, two new EU regulations were introduced aimed at reducing human exposure to dangerous levels of PFAS in food and drinking water. In February, the EU also introduced additional restrictions on PFAS chemicals. If approved, these measures would lead to a ban on the production, use, and sale of approximately 10,000 types of PFAS within the EU.

The EU has initiated the Drinking Water Directive, which limits safe thresholds for PFAS in drinking water[3]. Member states must ensure compliance by 2026, setting new standards for water utilities.

In the USA, the Biden-Harris Administration launched drinking water standards for PFAS in April 2024, targeting safe drinking water for 100 million inhabitants[4].

With the new agenda for clean water, business opportunities arise. There is a strong need for enlightened water management worldwide. Investment needs seem to follow the stringent regulations in hard capital allocation and demand for cleanup services. This is especially good news because "forever" is such a long-term horizon that contaminated chemicals will know no borders.

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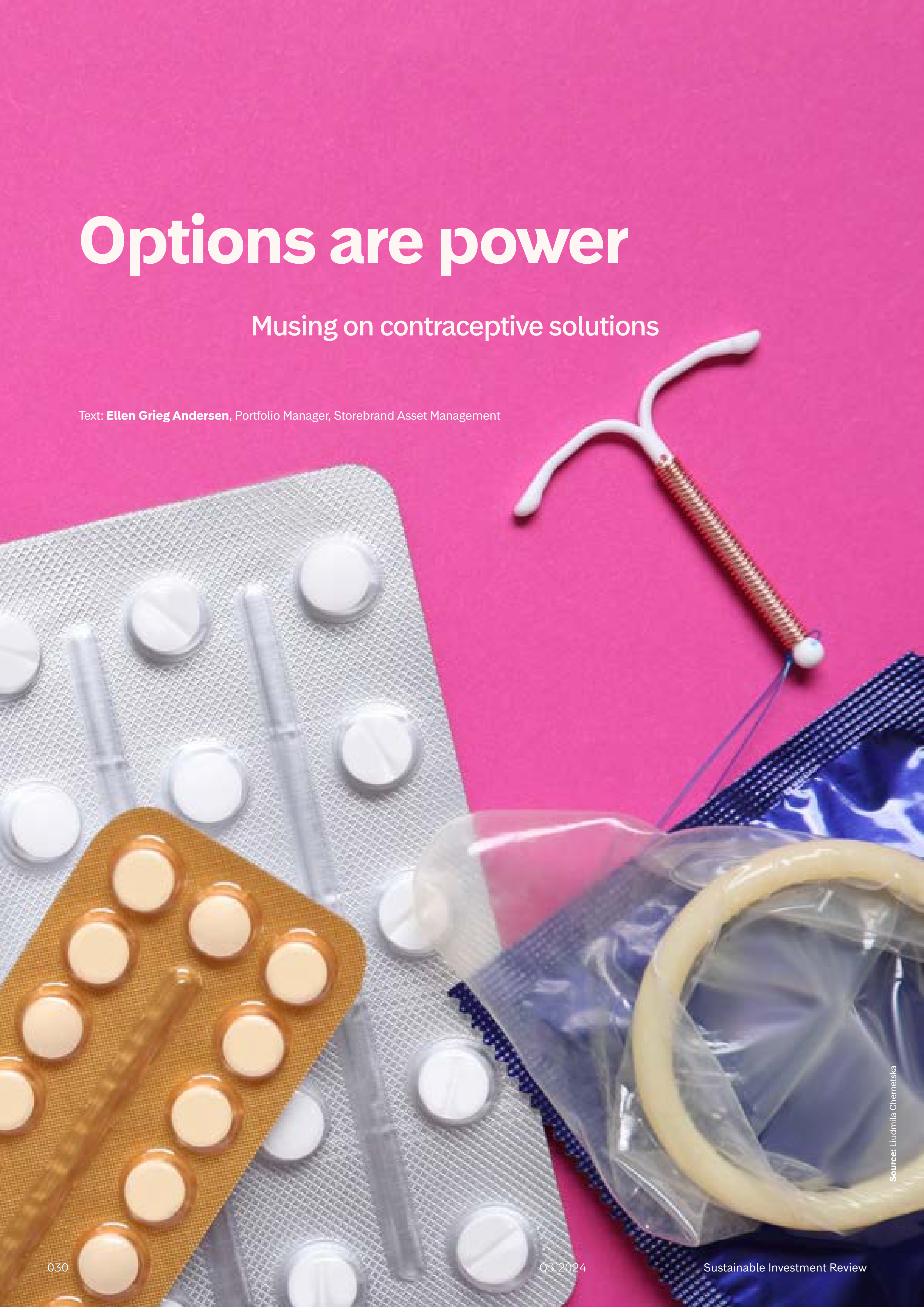
Options are power

Musing on contraceptive solutions

Text: **Ellen Grieg Andersen**, Portfolio Manager, Storebrand Asset Management



Source: Liudmila Chernetska

The old saying, "options are power", is a good starting point for reflection as we mark World Contraception Day, September 26th, 2024. This year's theme is "A choice for all. Freedom to plan, power to choose."

Pregnancy, contraception, and the overall topic of family planning might not be the first things to come to mind when thinking about equal opportunities as an investment theme, but in fact they're highly relevant. A woman's right to choose whether she wishes to have a child, or when exactly she does, is essential for her empowerment, and contraception is a vital tool for her to make those choices. Implications of the power of choice on a personal level, can also impact individual and social potential for economic value creation.

Social and economic value

Family planning and contraception spans a diverse set of products and services. As defined by the World Health Organization it ranges from informational tools and education about body and fertility awareness methods; to pharmaceuticals such as injectables or oral contraception pills; medical devices such as patches, condoms, vaginal rings and intrauterine devices (IUDs); and medical procedures such as implants, sterilization and abortion.

Research shows that investment in family planning services is highly cost-efficient. Estimates show that each US dollar invested in family planning can result in a US$ 60 – 100 return in terms of to economic growth. Each additional dollar spent on contraceptives would reduce the cost of pregnancy-related and newborn care by three US dollars.[7]

This makes for an interesting social and economic case, given the prospects of increased workforce participation, reduced healthcare costs, and improved health outcomes for women. From the microeconomic perspective, it also opens a discussion around attracting and retaining talent.

Central to the empowerment investment theme

In our Equal Opportunities solutions theme, we have defined women's healthcare as an important strand of our investment theme around achieving better access to healthcare. As a part of this investment theme, we have invested in several companies that produce and manufacture contraceptive drugs.

One of those is Organon, spun off from Merck in 2021, forming a company that was dedicated to improving women's health through all her stages of life. Organon provides different types of contraceptives and other reproductive health solutions to ensure better and broader access to contraceptive methods.

Another, Gedeon Richter, is a pharmaceutical company that, amongst other themes, focuses on women's health by offering a wide range of contraceptives. The company aims to address unmet needs within women's healthcare by providing innovative pharmaceutical products for women.

Global ambition for reproductive health rights policies

The policy landscape is mature in terms of ambition. As far back as 1994, at the International Conference on Population and Development (ICPD) in Cairo,179 governments affirmed the ICPD Programme of Action recog-

> As far back as 1994, at the International Conference on Population and Development (ICPD) in Cairo,179 governments affirmed the ICPD Programme of Action recognizing reproductive health and rights as "fundamental" for development.

nizing reproductive health and rights as "fundamental" for development. During the conference, the governments also affirmed that, for societies to advance, women's empowerment and gender equality are essential.[1]

Yet, three decades on, it's fair to say however, that those ideals haven't come to fruition. Currently, around the world about half of all pregnancies are unplanned.[2] And globally, there are still misconceptions about the use of contraception, for instance about negative side effects and the long-term effects on fertility. Moreover, some women may feel stigmatized and hide their use of contraception, while others cannot access contraception due to lack of awareness or affordability.

These, among other reasons, have led to the current state where 257 million women around the world who want to avoid pregnancy, but are not using safe methods of contraception.[3] That's a significant gap in empowerment.

Policy at stake

The upcoming U.S. presidential election in November present a significant potential turning point in this space, from the domestic US standpoint, as well as in the global perspective.

Of the two leading candidates in the election polls, the Democratic Party candidate Kamala Harris takes a fairly clear policy stand, declaring: "As President, she will never allow a national abortion ban to become law. And when Congress passes a bill to restore reproductive freedom nationwide, she will sign it."[4]

On the other hand, GOP candidate Donald Trump is more ambivalent, stating: "We will oppose Late Term Abortion, while supporting mothers and policies that advance Prenatal Care, access to Birth Control, and IVF (fertility treatments)." Beyond that, he says that, in principle, all decisions on reproductive rights should be left to each US state to decide.[5]

In terms of concrete actions, in his previous term in office as President of the U.S., Trump appointed several U.S. supreme court justices who have since sided with decisions that could limit abortion rights.

Globally the stakes are potentially even higher in terms of the impact of the election on support for reproductive health centred around women's right to choose. As President, Trump had notably activated the so-called "Mexico City Policy, which barred non-profits organizations outside the USA from receiving U.S. government funding if they provide abortion counselling or referrals. The history shows a consistent pattern of GOP presidents enacting this policy, and Democratic ones reversing it, since it was first enacted in 1985 by Ronald Reagan.[6]

As is evident, contraception is a sector with a great deal of potential. While the sector could be impacted by policies to some degree, both in the short and long term, the underlying demand for contraceptive products and services seem to be significantly unfulfilled. If contraceptive options are power, much can be done yet to spread that power around.

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Active Ownership / Engaging to influence companies

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A human-centred architecture for AI

Update on our collaborative work on human rights within the World Benchmarking Alliance AI initiative

UN adopts Global Digital Compact

On 22 September 2024, world leaders convened in New York for the Summit of the Future (hosted by the United Nations General assembly), where they adopted a Pact for the Future that includes a Global Digital Compact.

Among other goals, the Compact includes principles aimed at mitigating the risks associated with AI technologies.

For several years, Storebrand has been working with digital rights as one of its focus areas, including issues such as the ethics of artificial intelligence (AI) technologies. Through this experience, we have found that it is often most productive for investors to engage them through collective initiatives. This is based on the broad, complex and far-reaching range of the issues, along with the scale and influence of the companies that must be engaged in order to have a reasonable chance of making an impact.

New phase begun in 2024

Since September 2022, members of WBA's Ethical AI Collective Impact Coalition have been engaging companies assessed by WBA's Digital Inclusion Benchmark on ethical AI, focussing initially on companies that did not yet have publicly available ethical AI principles.

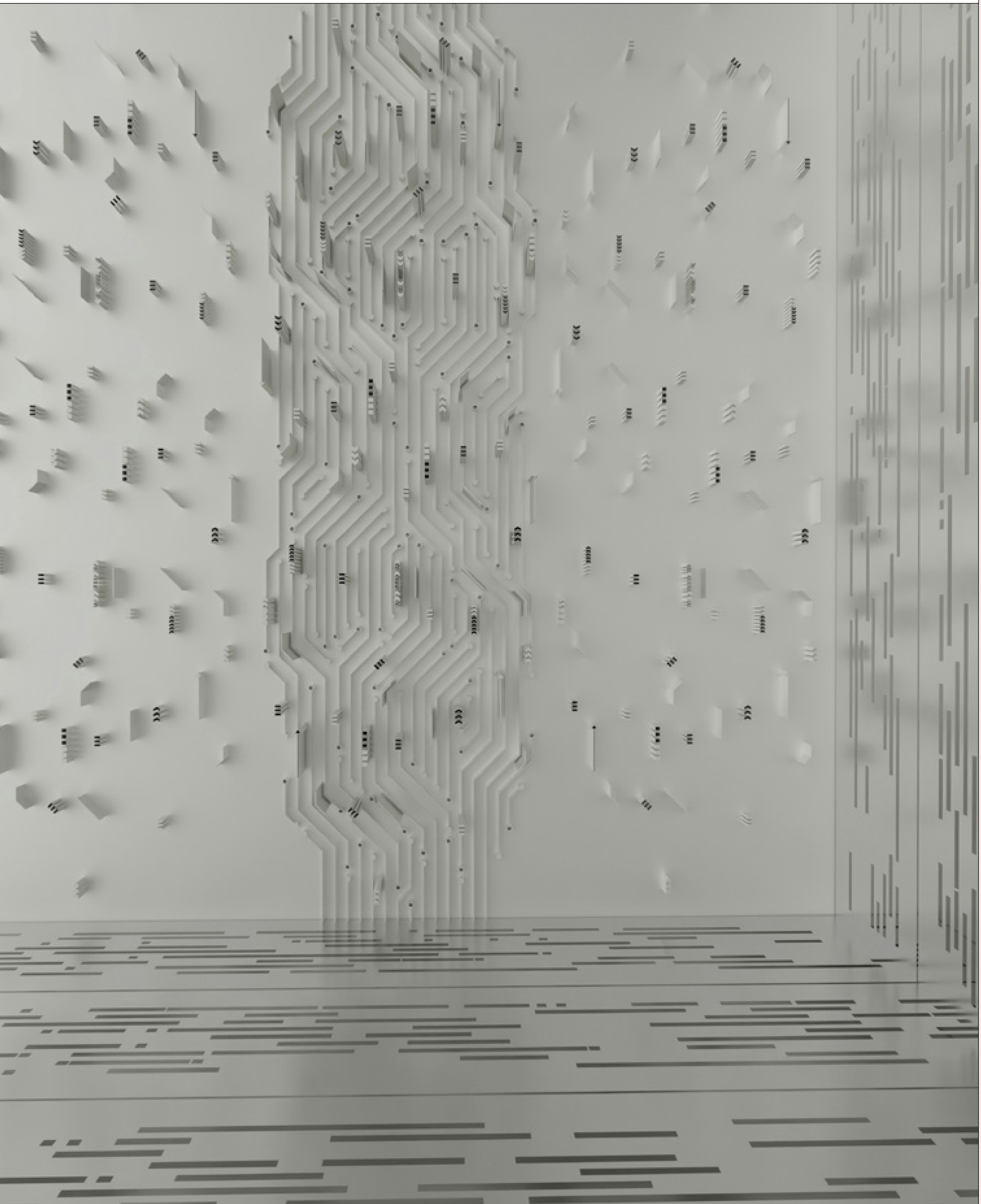
In February 2024, the second phase of the Collective Impact Coalition for Ethical AI was launched, supported by investors such as Storebrand Asset Management. In total the investors involved represent over US$ $8.5 trillion in assets under management.
In the current phase, we in the WBA AI initiative are encouraging companies to implement policies and mechanisms to ensure the ethical development and application of AI, guided by respect for human rights and the principle of leaving no one behind.

Progress in latest assessment

The latest assessment by the WBA shows that of the 200 largest digital companies, 71 companies, a third of them, now have AI principles in place, up from 52 companies a year ago. More than half of the principles established include human rights considerations, also a positive finding.

To some degree, companies have made progress on some dimensions. The development of comprehensive ethical AI documents has seen notable growth. Sixty-six companies now have AI principles that they developed themselves (as opposed to endorsing third-party principles), and 60 of those companies have released standalone documents outlining their commitments.

That said, progress in this area has been slower than expected and needed. While the number of companies with ethical AI principles has grown, the portion of those that define and include explicit human rights considerations is relatively small, and many companies haven't integrated these considerations into their AI frameworks. Of the 71



companies that now have ethical AI principles, only 29 actually publicly disclose how they implement these principles.

Other findings from the assessment include a steady but slow growth in the, the number of companies with relevant internal governance structures, such as ethical AI committees, that would help convert conceptual commitments into tangible action in operation.

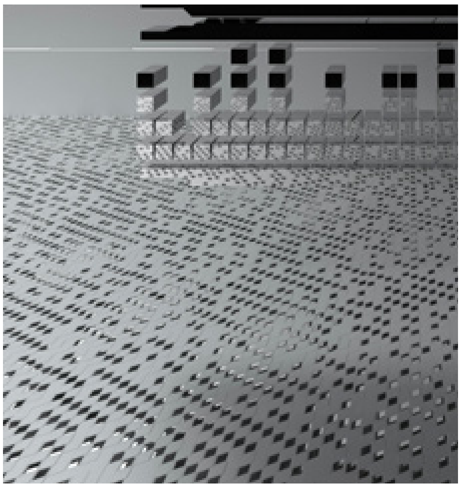
Of most concern is the mere 16 companies that actually conducted human rights impact assessments (HRIAs) in 2024. This points to huge risks, given that new regulations such as the EU Artificial Intelligence Act, require Fundamental Rights Impact Assessments (FRIAs) for high-risk AI systems, from 2026 onward.

What's next?

While these commitments are a positive step, much remains undone. The next challenge lies to track how companies implement these principles. Many companies' reporting on their AI operations lacks transparency, making it difficult to assess whether they are truly living up to their ethical AI commitments.

Through the Collective Impact Coalition for Ethical AI, we will also be continuing to push companies to move beyond symbolic statements, to show real progress in operationalizing their AI principles. One major obstacle in this regard is the lack of comprehensive, clear guidelines for conducting HRIAs in the context of AI systems. Developing these guidelines is therefore an urgent next step.

These steps, along with much national-level legislation by countries, are needed to secure ethical AI becomes a reality, and we will be working towards getting them in place.



Embedding human rights into corporate practices

KAN gathering reflects on two years of Norway's "åpenhetsloven"

In 2022, Norway was among the first European countries to implement a national human rights due diligence law, Transparency Act (åpenhetsloven) for business. With this year marking the second anniversary, questions naturally arise as to how well things have gone, and what challenges remain for businesses and their investors.

Therefore, at the end of August, Norway's cross-sector coali-tion for a responsible private sector (Koalisjonen for ansvarlig næringsliv (KAN), organised an event assembling consumer authorities, the OECD National Contact Point, companies, civil society organisations and investors, to evaluate the law so far and its application. Storebrand's Head of Human Rights, Tulia Machado-Helland, participated, representing the investor voice as a featured speaker.

At the event, the Norwegian consumer protection authority (Forbrukertilsynet), which is responsible for supervising the implementation of the law, presented some disturbing findings. Of the 500 Norwegian companies audited, one fifth violate the requirement that they publish on their websites a formal reporting statement about their due diligence assessments. An estimated 9,000 Norwegian businesses have such obligations.

The Norwegian Consumer Protection Authority expressed its severe concern over the lack of reporting and noted that it had sent letters to over 100 businesses that lacked an explanation. Of those companies audited that had published transparency reports as required, the quality of those reports varied with many being merely pro-forma and lacking information on negative conditions uncovered and implemented or planed measure to mitigate negative conditions.

In her presentation, Machado-Helland provided an investor-side perspective. She shared Storebrand findings from its work: that companies are more aware about what human rights due diligence is and that it is a "must-do" since required by law. This increased awareness has given investors more authority when engaging with companies about human rights, since historically social aspects have often been underreported in voluntary disclosures.

Machado-Helland also noted that Storebrand remains disappointed about the level and quality of information reported in the now-mandatory transparency statements. We still find that major Norwegian companies and large foreign companies with operations in Norway required to report, tend to document more about their due diligence procedures, than the findings — the actual risks revealed by their execution of processes — or and how they subsequently act to mitigate the risks. When they do report on the latter, it is usually regarding only their upstream operations and suppliers, but rarely on the negative effects their own products may have on vulnerable groups such as children or society in general. This gap is persistent, even though for these companies it is downstream where risks are more important.

She concluded by sharing concerns about the risk that some companies may be deliberately dragging their feet by using the CSRD reporting to ignore the Norwegian Transparency Act. This suspicion is based on feedback from some companies, which say that they are waiting to be more specific later on when they report under the EU Corporate Sustainability Reporting Directive's indicators. This indicates that the companies aren't seizing the opportunity to conduct thorough due diligence to assess all risks now, in preparation for that reporting. That shortfall in ambition, in turn, might reduce their reporting under the CSRD to a ticking-the-box exercise.

Fortunately, the Norwegian Transparency Act is currently under revision, partly with the aim of harmonizing it with new EU directives on sustainability, such as the CSRD and the CSDDD (Corporate Sustainability Due Diligence Directive). The review is assessing whether the law is having the intended effect, whether smaller companies should also be covered, and if it should also cover environmental due diligence in addition to human rights due diligence. The Coalition for a responsible private sector (KAN), of which Storebrand is part, will send its feedback to this process.

↑ Event: Two years with the Transparency Act- Norwegian human rights due diligence law

Åpenhetsloven

The 2022 Norwegian Transparency Act ("åpenhetsloven") requires larger businesses to carry out due diligence assessments of their own operations, supply chain and business partners. The businesses must map, prevent, account for and follow up on how actual and potential negative impacts of their operations are to be handled. The purpose is to promote companies' respect for human rights and decent working conditions, and that information about these conditions should be available to everyone.

Scenario analysis shows potential impacts of climate change on investment portfolios

Crystalizing investment contexts of the future

Analysis of our portfliolios

To improve the factual basis for our active ownership, we continually seek efficient and detailed approaches to enhance our groundwork. This allows us to map and mitigate risks from the companies we invest in. Although data limitations can be challenging, SAM has developed three analyses focused on climate and nature, presented below, aiming to provide actionable insights for further active ownership.

The first analysis offers insight into how different climate scenarios may impact our investment portfolios. The second analysis maps the impact of our investments on extractive industries in forests. The last looks at how geospatial asset-location data can be used to understand water risks. These three analyses provide a more granular view of our investments and help us to prioritize active ownership more effectively.
These analyses will also be included in greater detail in our integrated TCFD-TNFD report, which will be published in conjunction with COP 16.

The result is a high-level overview of the potential climate risk of our portfolio and provides a starting point for more granular analysis of risks, resilience and opportunities.

Given the physical and policy uncer-tainty associated with climate change, Storebrand Asset Management has carried out a scenario analysis to provide a framework for assessing:

i) climate impact, both positive and negative; and

ii) resilience of our investment strategies.

As part of our efforts to continually improve our climate risk assessments, we have partnered with Canbury Insights Ltd to develop a more granular methodology for our climate scenario analysis. The following is a brief summary of the methodology and results..

A prominent set of data-based scenarios is that developed by the Network for Greening the Financial System (NGFS); these scenarios are designed to model different possible futures, considering the impact of climate-related factors on the financial system through the analysis of a wide degree of variables.The NGFS data provides a number of different scenarios. Consistent with the TCFD recommendations, SAM considers three scenarios: 'orderly transition', 'disorderly transition' and 'hot-house world'.

By considering a range of scenarios, users can understand the potential impact of differing levels of physical risk (being highest in a 'hot-house world') and transition risk (maximised in 'disor-derly transition'.)

We established a base case, the Nationally Determined Contributions scenario, which we use to compare the other scenarios to. This is because the pledges have been made in line with the Paris Agreement, and it is relatively certain that States will take action in pursuance of their commitments.

NGFS has a wide range of models with different assumptions and calculations. For this analysis we used the Remind-MagPIE 3.2-4.6 Integrated-PhysicalDamages (median) model.

Why scenario analysis?

Scenario analysis breaks down potential futures into discrete data-based scenarios with projections as to what will happen in key economic sectors. This enables reasoned analysis as to the performance of financial assets when different assumptions are considered.

SAM combines NGFS scenarios by analyzing economic activities in terms of their 'Climate-Policy Relevant Sector' (CPRS). CPRS is a way of categorizing companies based on their energy technology (including input substitutability of fossil fuels), role in the GHG emissions chain, and specific policy processes — in other words, grouping companies by the impact that climate policies could have on their revenues. There are nine overarching classes of CPRS: 1-fossil fuel, 2-utility, 3-energy intensive, 4-buildings, 5-transportation, 6-agriculture, 7-finance, 8-scientific R&D, and 9-other.

Using NGFS-supported documentation, we mapped all portfolio holdings via NACE class to corresponding CPRS and to the most appropriate integrated assessment model (IAM) variable for each NACE class. The identified IAM variable provides a measure of the production value of that NACE class and can be used as an indicative proxy for the prospects of each class. For example, the NACE class related to wind energy would be expressed in terms of EJ/year. The NGFS data would then project the amount of exajoules a year that would be produced using wind in the different climate scenarios. Given the complexities in mapping economies, a focus of the NGFS modelling is one key driver of emissions and climate changes. As such, sectors with significant GHG emissions and/or highly sensitive to climate policies are prioritized, whereas other sectors may be aggregated under broader categories. As a result, only these prioritized sectors can be mapped directly to IAM variables, and roughly 30% of our holdings correspond to these production variables.

The next step was to analyse the % difference in the IAM variable under each scenario as compared to the baseline scenario (i.e. NDCs scenario), and to weight the IAM variable impact relative to the weight of positions that are mapped to that IAM variable.

> **"....It is notable that the largest positive or negative impacts across the different scenarios and time horizons are mainly driven by the same production variables...."**

		Short Term			Medium Term			Long Term			
		2030			2040			2050			Present
Climate Policy Relevant Sectors (CPRS)	NFGS Integrated Assessment Models (IAMs)	Delayed Transition	Net Zero	Current Policies	Delayed Transition	Net Zero	Current Policies	Delayed Transition	Net Zero	Current Policies	Weights
Agriculture	Agricultural Production|Non-Energy|Crops	-0.01%	0.00%	0.04%	-0.03%	0.00%	0.03%	0.21%	-0.04%	0.02%	0.07%
Agriculture	Agricultural Production|Non-Energy|Livestock	-0.02%	-0.01%	0.00%	-0.07%	-0.04%	-0.02%	0.03%	0.06%	0.00%	0.39%
Buildings	Energy Service|Residential and Commercial|Floor Space	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.73%
Transportation	Energy Service|Transportation|Aviation	5.57%	-21.44%	4.44%	-13.70%	-32.69%	6.55%	-20.49%	-38.31%	6.80%	0.05%
Transportation	Energy Service|Transportation|Freight|International Shipping	2.23%	-13.95%	2.13%	-8.73%	-18.34%	3.64%	-12.86%	-21.06%	4.48%	0.90%
Transportation	Energy Service|Transportation|Freight|Railways	-0.77%	1.88%	-0.39%	-5.03%	-0.60%	0.87%	-7.32%	2.65%	0.98%	0.11%
Transportation	Energy Service|Transportation|Freight|Road	-0.02%	-2.95%	0.42%	-0.71%	-5.39%	0.64%	-1.58%	-5.04%	0.46%	0.04%
Transportation	Energy Service|Transportation|Navigation	4.49%	-15.89%	1.62%	-16.21%	-24.19%	4.92%	-23.86%	-21.17%	5.61%	0.00%
Transportation	Energy Service|Transportation|Passenger	0.62%	-4.33%	0.50%	-3.54%	-6.65%	1.14%	-5.42%	-6.96%	1.22%	0.12%
Transportation	Energy Service|Transportation|Passenger|Aviation	4.64%	-18.38%	3.78%	-12.32%	-28.24%	5.71%	-18.31%	-32.88%	6.02%	0.07%
Transportation	Energy Service|Transportation|Passenger|Railways	-0.34%	1.53%	-0.43%	-2.29%	1.58%	0.53%	-4.79%	3.21%	0.23%	0.10%
Transportation	Energy Service|Transportation|Passenger|Road|Bus	0.59%	0.17%	0.65%	-1.78%	1.01%	0.70%	-3.47%	2.92%	0.76%	0.09%
Transportation	Energy Service|Transportation|Rail	-0.12%	3.06%	0.01%	-3.02%	2.36%	0.48%	-4.26%	5.66%	0.52%	0.13%
Energy Intensive	Fertilizer Use|Nitrogen	-0.82%	0.47%	-1.10%	-10.77%	-10.60%	-0.96%	-14.51%	-14.03%	-1.20%	0.35%
Energy Intensive	Final Energy|Electricity	-0.86%	-4.04%	-1.00%	-1.68%	7.36%	-3.11%	3.12%	10.92%	-4.94%	1.40%
Energy Intensive	Final Energy|Industry	4.28%	-18.20%	4.15%	-18.41%	-25.42%	14.89%	-21.76%	-25.36%	24.78%	16.81%
Energy Intensive	Final Energy|Industry|Chemicals	3.31%	-16.49%	3.17%	-20.23%	-23.84%	10.23%	-20.15%	-24.08%	15.28%	4.45%
Fossil Fuel	Final Energy|Transportation|Liquids	1.60%	-4.73%	1.55%	-5.76%	-27.25%	4.12%	-15.47%	-48.40%	6.15%	0.01%
Transportation	Final Energy|Transportation|Passenger|Liquids	2.18%	-1.43%	2.16%	-8.52%	-23.14%	4.98%	-17.08%	-36.13%	6.12%	0.12%
Other	Investment|Energy Supply	-15.36%	39.63%	-15.44%	36.17%	37.65%	-16.61%	28.35%	15.83%	-17.52%	0.04%
Other	Investment|Energy Supply|Electricity	-17.68%	33.23%	-17.73%	26.10%	30.82%	-19.83%	25.90%	9.37%	-21.08%	0.18%
Fossil Fuel	Primary Energy|Fossil	9.46%	-27.93%	9.28%	-20.13%	-57.00%	34.33%	-48.36%	-74.06%	62.51%	0.34%
Fossil Fuel	Primary Energy|Gas	12.74%	-27.99%	12.58%	-28.97%	-72.16%	38.61%	-69.94%	-88.98%	63.13%	0.12%
Fossil Fuel	Primary Energy|Oil	2.42%	-6.28%	2.33%	-11.32%	-32.02%	4.83%	-25.56%	-60.48%	7.58%	0.48%
Energy Intensive	Production|Cement	1.68%	-21.26%	1.55%	-17.06%	-27.19%	5.56%	-19.71%	-19.82%	8.00%	0.22%
Energy Intensive	Production|Steel	1.81%	-25.67%	1.72%	-24.69%	-28.60%	13.35%	-22.86%	-26.18%	20.08%	0.49%
Utility	Secondary Energy|Electricity	-0.92%	-3.70%	-1.05%	-2.04%	10.75%	-5.44%	6.53%	18.90%	-14.95%	0.53%
Utility	Secondary Energy|Electricity|Wind	-14.96%	28.32%	-14.76%	-3.92%	37.50%	-25.35%	8.69%	28.95%	-31.77%	0.75%
Fossil Fuel	Secondary Energy|Gases|Natural Gas	7.05%	-23.03%	7.09%	-36.46%	-59.01%	23.53%	-60.68%	-83.19%	35.35%	0.04%
Energy Intensive	Secondary Energy|Hydrogen|Fossil	21.29%	-36.53%	21.24%	-10.54%	-94.40%	82.14%	-96.93%	-99.95%	174.58%	0.33%
Fossil Fuel	Secondary Energy|Liquids|Oil	2.44%	-6.30%	2.34%	-11.30%	-32.01%	4.84%	-25.56%	-60.48%	7.58%	1.13%
	Total covered portfolio exposure										30.61%

The analysis was performed for each of our funds as well as aggregated for our entire portfolio. The result is a high-level overview of the potential climate risk of our portfolio and provides a starting point for more granular analysis of risks, resilience and opportunities.

Results of scenario analysis:

The table above shows the percentage difference in the IAM variable under each scenario as compared to the baseline scenario for short-, medium- and long-term horizons, here shown as the years 2030, 2040, and 2050. The percentages shown do not indicate changes in share price or value of holdings. Rather, they are projections of potential positive and negative impacts on the various production variables, with an underlying assumption this will link to company value. The actual impact on a portfolio will depend on several factors, specific to the companies themselves as opposed to the NACE codes of their economic activities.

Further, we note that only around 30% of our holdings were mapped to an NGFS variable, for the reasons noted above. As such, the insights from the scenario analysis performed only apply to the portfolio weightage in scope.

For illustrative purposes, we have highlighted some of the main positive and negative impacts. It is notable that the largest positive or negative impacts across the different scenarios and time horizons are mainly driven by the same production variables.

For example, the variable "Investment|Energy Supply|Electricity", which covers scale of investments into electricity generation, grid infrastructure etc., is projected to increase in the "Net Zero 2050" scenario, with rapid growth in 2030 but slowing towards 2050. This is consistent with the urgent need for large investments into electrification to meet net zero targets.

In the "Current Policies" scenario, however, investment in electricity is projected to decrease markedly compared to the baseline "NDC" scenario.

In the "Delayed Transition" scenario", this variable shows a decrease in the short term, but big increases in the medium and long term, corresponding to this scenario's assumption of climate change policies tightening significantly over time.

Another example is the variable "Primary Energy|Gas", measured in amount of energy produced from gas per year. In the "Net Zero 2050" scenario, the analysis shows large projected reductions in energy produced from gas, with almost 90% decrease by 2050, compared to the baseline scenario. In the "Current Policies" scenario, however, energy from natural gas is projected to increase, with a 63% increase over baseline in 2050. The "Delayed Transition" scenario projects a slight increase in 2030, but larger decreases in 2040 and 2050.

Scenarios chosen from the NGFS database for Storebrand Asset Management's analysis

- **Orderly Transition: Net Zero 2050 —** This models an ambitious scenario that limits global warming to 1.5°C through stringent implementation of climate policies and large-scale innovation, reaching net zero CO_2 emissions around 2050.
- **Disorderly Transition: Delayed Transition —** This assumes that global annual emissions do not decrease until 2030, after which strong policies are needed to limit warming to below 2°C. These policies differ across countries and regions and emissions initially exceed the Paris Climate Agreement carbon budget. However, the scenario also projects a more rapid decline in emissions in order to limit global temperature rise to 2°C.
- **Hot-house world: Current policies —** This scenario assumes that only currently implemented policies are preserved, leading to high physical risks. It assumes that emissions grow until 2080, leading to global temperature rise of at least 2.5°C. It also assumes irreversible changes such as higher sea level rise.

Mapping impacts of extractive industries in forests

NGO report proposes solution for how investors can assess deforestation risk in extractive industries

Extractive operations, commercial mining and oil and gas extraction, often have large impacts on the environment, including land use change and deforestation. But compared to complex soft commodity supply chains, the impacts of extractive activities on ecologically sensitive areas are easier to map. However, few data sources on deforestation that are available for financial institutions include extractive industries, creating a gap in investors' risk assessments. A new report by WWF-Norway and Rainforest Foundation Norway, launched at New York Climate Week in September, provides a promising approach to mapping portfolio exposure to forest-related impacts of extractives.

The report "Forest Risk Extractives: A Geo-Spatial Analysis"[1] examines the 'forest exposure' of all global mining and oil and gas terrestrial assets (mines, oil and gas wells, concessions, etc.), and link the results to parent company level.

Using a global geospatial driven analysis, the study assessed two commercial extractive asset datasets against 15 forest-related geospatial variables, including forest cover, forest loss, protected areas, Key Biodiversity Areas and Intact Forest Landscapes.

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Using this dataset, the study screened the portfolios of four Norwegian institutional investors, including Storebrand Asset management, to identify exposure to forest-risk extractives.

This study has provided a useful starting point for our internal analysis. Using the same underlying dataset that the study is based on, with 15 different forest-relevant variables, we can investigate changes in the condition of the forest ecosystems surrounding the asset locations, and thereby identify priority locations and companies that merit further action, such as engagement, voting or exclusion. We are hopeful that this geospatial approach can add value to our efforts to combat deforestation and land use change.

References

[1] World Wide Fund (WWF) Norway and Rain Forest Foundation Norway, **Forest-Risk Extractives: A Geospatial Analysis**, 2024

Understanding water risk

The financial case and an approach to assessing our portfolios

Water is a crucial factor for production, and its scarcity may lead to slower economic growth, with some regions experiencing a decline of GDP growth as much as 6 per cent by 2050, due to water-related losses. In addition to economic consequences, the loss of water may also lead to severe social consequences. As water becomes scarcer, food prices can spike, igniting conflicts and driving migration.[4]

For the financial sector, water risk increases the exposure to water-stranded assets and other knock-on effects such as non-delivery of products to offtake partners, hedging mismatches, increased clean-up liabilities and fines, shareholder class actions, and consequences for financial relationships[5]

Commitment to mitigation of water risk

As an asset manager, we are committed to maintaining and strengthening biodiversity. We believe biodiversity and nature loss will affect the capacity of our long-term economic growth and is likely to have implications for long-term asset returns.

Protecting nature is therefore an integral part of Storebrand's commitment to sustainability. Nature is defined as all life on Earth (i.e. biodiversity), together with the geology, water, climate and all other inanimate components that comprise our planet.[2]

Freshwater use is also one of nine planetary boundaries (environmental limits within which humanity can safely operate).[3] Overexploitation and pollution are two of the main drivers regarding biodiversity loss.[4] Storebrand's highest exposure to impact related to water is water pollutants and water use. Our highest exposure to water-related dependency risks stems from surface water and ground water.[5]

Our approach for collecting and analyzing asset-location data

As an entry-point, we used ENCORE to map companies with very high water-related impacts and dependencies in our portfolios. However, there is a need for a more specific risk assessments which utilizes company location data, as Encore has two important limitations. First, it only indicated direct linkages with nature, but these linkages in a large part are substantiated through the company's value chains.[6,7] Second, Encore evaluates risks at sub-industrial level and does not account for company specific risks.[8]

To achieve a more granular analysis, companies which were identified through Encore as having very high water risk, were included in the attempt of doing an asset-location screening with the Water Risk Filter from the World Wide Fund for Nature (WWF), a non-governmental organization founded works towards wilderness preservation and the reduction of human impact on the environment.

The Water Risk Filter is a portfolio-level screening tool which assesses three types of risks: physical risk, regulatory risk, and reputational risk. The location-specific data was retrieved from open-source datasets from the Spatial Finance Initiative (SFI). These geospatial datasets allow for the locating of individual physical assets and the linkages between financial instruments and the real economy, which can be aggregated at a portfolio level.[7]

Five datasets were downloaded and analyzed to investigate if some of our portfolio companies were included: beef abattoirs, cement, paper and pulp, petrochemicals, and waste management. In each SFI dataset, the ultimate parent of the owner of the asset was matched with the names of companies in our portfolio identified by ENCORE to have very high-water risk.

This approach resulted in asset-location data for 30 matched companies across six industries:

(1) paper and forest product production
(2) oil, gas, and consumable fuels
(3) construction materials
(4) chemicals and other materials production
(5) food and beverage production
(6) water utilities/water service providers.

This produced 662 sites in total, which were then grouped and analyzed for water scarcity, in accordance with the main drivers of nature loss. The sites are also dispersed in various geographical areas, with most of the sites being located in China, India and Brazil, as illustrated below.

Lessons learned and the way forward

For investors such as us it is imperative to understand portfolio-companies impact and dependency on water. Using Encore as an initial step in this mapping is crucial but should be further deepened with more location-specific analysis. Tools such as the Water Risk Filter serves as a continuation and an aid in the furthering of these analysis.

The analysis shows that our portfolio is exposed to water risk, however the same approach could be used to investigate biodiversity risk through the Biodiversity Risk Filter, also by the WWF. By furthering the ENCORE mapping with the Water Risk Filter, it establishes the basis for engagement and dialogue with companies that have sites exposed to water risk. However, it should be noted that the availability and coverage of data is still a major obstacle in the main spread utilization. Although the data is limited, this shouldn't stop organizations from deepening their analysis. There is a dataset available for high-risk sectors, which can serve as a first step.

References

[1] Difference between biodiversity and nature, Convention Biological Diversity

[2] Nine Planetary Boundaries, Stockholm Resilience Centre 2009

[3] IPBES (2019): Summary for policymakers of the global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. IPBES Secretariat, Bonn, Germany.

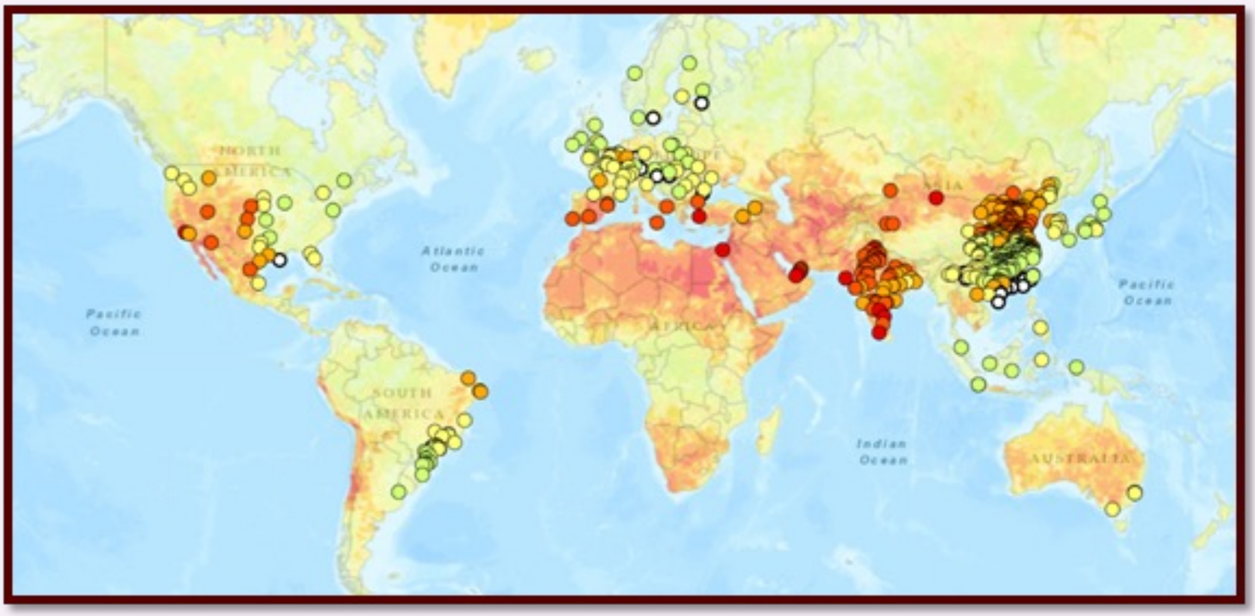
[4] https://www.storebrand.com/sam/international/asset-mana-gement/sustainability/policies-and-governance/policy-on-nature

[5] Future updates of the ENCORE tool may also include supply chain linkages.

[6] NGFS Conceptual Framework.

[7] Nature-related financial risks: A case study of own account investments using the TNFD-LEAP framework (dnb.nl)

[8] https://www.dnb.nl/media/q5jf0td4/dnb-analyse-nature-related-financial-risks-in-our-own-account-investments-an-exploratory-case-study-and-deep-dive-in-electric-utilities.pdf



Voting summary
Q3 2024

As the voting season is concentrated in the second quarter each year, when most of our priority company meetings take place, the number of votes cast in the third and fourth quarters are much lower.This is illustrated by the fact that, during Q3, a total of 619 meetings were held that we could vote at, which was less than a quarter of the comparable figure for Q2. Similarly, in Q3 we had just 86 shareholder proposals available to vote on, a figure less than a tenth of the 994 shareholder proposals we voted on in the previous quarter.

The majority of the meetings we voted at in Q3 were in the Chinese and Indian markets, with the US in third place. However, environmental and social proposals are more common on the financial markets in the United States, and as usual most of our votes in these categories were at meetings of companies based there.

Most votes in the social category this quarter were related to political and charitable donations. We supported proposals related to human rights risk assessments and operations in high-risk countries, as well as proposals on gender equality and pay gaps.

In the environmental category, we supported proposals asking for climate transition plans and emissions reduction targets aligned with the Net Zero 2050 pathway. We also supported proposals asking for reduction of plastic pollution and support for circular economy in packaging, as well as proposals on regenerative agriculture, water risk in supply chains, climate-related lobbying and "Just Transition".

All our votes and voting rationales are publicly disclosed on our **Proxy Voting Dashboard** 5 days ahead of company meetings.

General voting data

	Voted	Votable	Percentage voted
Number of meetings voted at	189	619	30.50%
Number of items voted on	2092	5017	41.70%
Number of shareholder proposals voted on	30	86	34.80%

Top Countries Voted In

Country	Voted Meetings	Votable Meetings	Percentage voted
China	189	33	17.46%
India	176	36	20.45%
USA	40	29	72.50%
United Kingdom	29	22	75.86%
Sweden	22	7	31.82%
Brazil	11	4	36.36%
Cayman Islands	10	3	30.00%
Japan	10	3	30.00%
South Africa	10	2	20.00%
South Korea	10	1	10.00%
Bermuda	9	5	55.56%
Hong Kong	9	4	44.44%
Norway	7	4	57.14%
Singapore	7	3	42.86%
Ireland	6	3	50.00%
Israel	6	1	16.67%
Malaysia	6	1	16.67%

To learn about our voting guidelines and see a live presentation of more voting data, visit our proxy voting dashboard.

All voting data presented here represents quarterly totals, documenting the voting activity we conducted during Q2 2024 (the period 01/04/2024 to 30/06/2024).

Proposals overview

Proposal category	Number of proposals	With management	% with management	With ISS Sustainability policy	% with Policy	ESG Flag
Audit Related	137	137	100%	137	100%	G
Capitalization	264	245	93%	264	100%	G
Company Articles	30	30	100%	30	100%	G
Compensation	227	184	81%	227	100%	G
Corporate Governance	1	0	0%	1	100%	G
Director Election	838	759	91%	837	100%	G
Director Related	187	170	91%	186	99%	G
E&S Blended	7	5	71%	7	100%	ES
Environmental	10	3	30%	10	100%	E
Miscellaneous	9	6	67%	9	100%	G
Non-Routine Business	58	56	97%	58	100%	G
Routine Business	246	241	98%	246	100%	G
Social	25	20	80%	25	100%	S
Strategic Transactions	34	29	85%	34	100%	G
Takeover Related	27	27	100%	27	100%	G

Details of Environmental and Social Proposals

Proposal category	ESG Pillar	Proponent	Number of proposals voted	Number voted with management	% voted with management
Environmental - Management Climate-Related Proposal	E	Mgmt.	1	1	100%
Environmental - Reporting on Climate Transition Plan	E	Mgmt.	2	2	100%
Environmental - Community -Environment Impact	E	Shareholder	3	0	0%
Environmental - GHG Emissions	E	Shareholder	1	0	0%
Environmental - Proposals Requesting Non-Binding Advisory Vote On Climate Action Plan	E	Shareholder	1	0	0%
Environmental - Recycling	E	Shareholder	2	0	0%
E&S Blended - Accept/Approve Corporate Social Responsibility Report	E, S	Mgmt.	4	4	100%
E&S Blended - Miscellaneous — Environmental & Social Counterproposal	E, S	Shareholder	1	1	100%
E&S Blended - Climate Change Lobbying	E, S	Shareholder	1	0	0%
E&S Blended - Report on "Just Transition"	E, S	Shareholder	1	0	0%
Social - Approve Charitable Donations	S	Mgmt.	3	3	100%
Social - Approve Political Donations	S	Mgmt.	17	17	100%
Social - Human Rights Risk Assessment	S	Shareholder	1	0	0%
Social - Operations in High-risk Countries	S	Shareholder	2	0	0%
Social - Prepare Report on Health Care Reform	S	Shareholder	1	0	0%
Social - Gender Pay Gap	S	Shareholder	1	0	0%

Engagement data Q3 2024

All engagement data presented here, represents unreviewed, unaudited year-to-date totals of engagements conducted, during the period from the beginning of the year until the end of the quarter being reported in.

We use these rolling summaries of year-to-date data, because the nature of engagement activity involves engagement points that are not always predictable. Therefore, our engagement activity would not be properly represented, if we presented isolated snapshots of data limited to the periods within each quarter of the year.

1077 **Ongoing engagements**

9 **Completed engagements**

1086 **Total engagements**

Engagement summary Q3 2024

During the third quarter, our number of ongoing engagements remained fairly stable, at just over a thousand, with nine of them completed during the period. The mix of engagements was also roughly, the same, with 94 per cent of the total being proactive (pre-planned) and 85 per cent involving collaborations with other stakeholders. We conducted a total of 196 activities linked to engagements during the quarter, most of these involving digital meetings and emails.

Where we engaged

Top countries engaged in

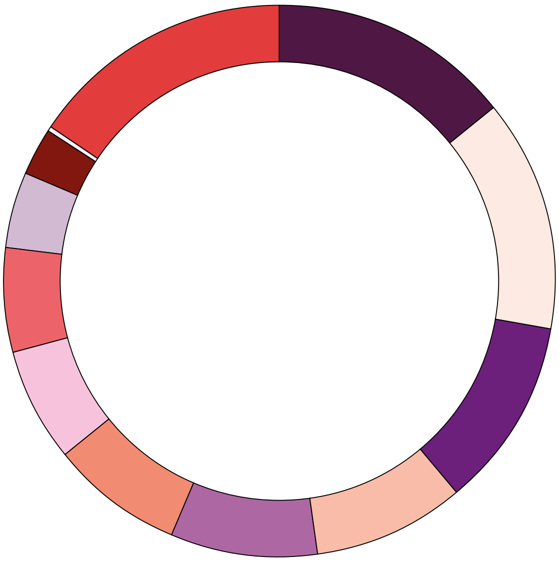
Country	Number of engagements
United States	277
Norway	72
Japan	70
Germany	45
France	42
United Kingdom	41
China	34
Sweden	33
Switzerland	27
Indonesia	24

Sectors engaged in

Sectors	Number of engagements	Percentage
Materials	156	14.4%
Consumer Staples	146	13.5%
Communication Services	121	11.2%
Industrials	98	9.0%
Information Technology	91	8.4%
Consumer Discretionary	86	7.9%
Energy	72	6.6%
Financial	64	5.9%
Utilities	51	4.7%
Healthcare	28	2.6%
Real Estate	5	0.5%
Other	166	15.3%
Total	1084	100.0%

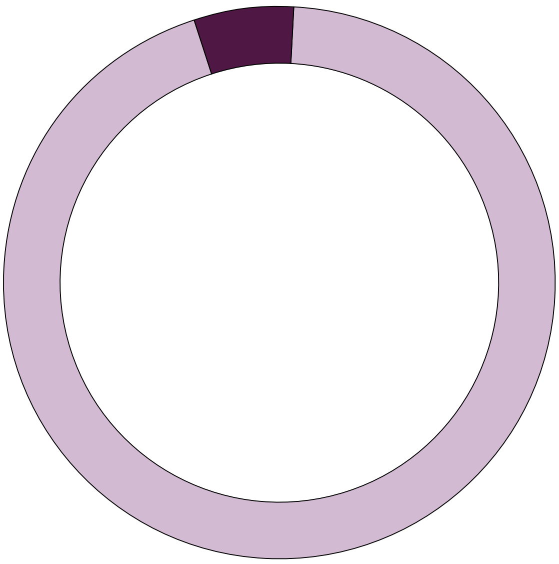
We conducted a total of 196 activities linked to engagements during the quarter

Sectors engaged in



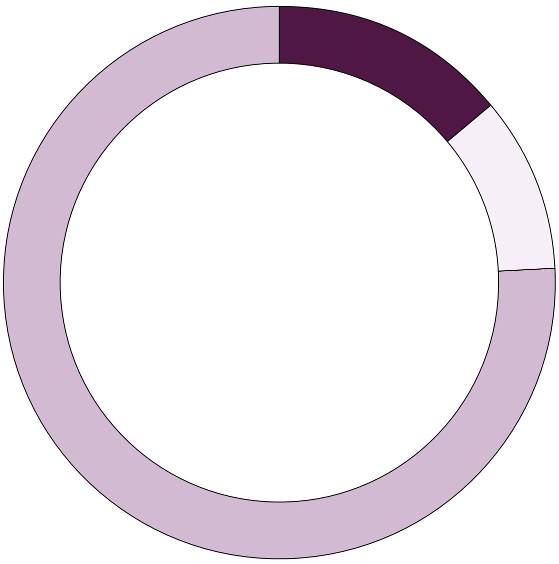
- **14%** Materials
- **13%** Consumer Staples
- **11%** Communication Services
- **9%** Industrials
- **8%** Information Technology
- **8%** Consumer Discretionary
- **7%** Energy
- **6%** Financial
- **5%** Utilities
- **3%** Healthcare
- **0,5%** Real Estate
- **15%** Other

Reasons for engagement



- **94%** Proactive
- **6%** Reactive

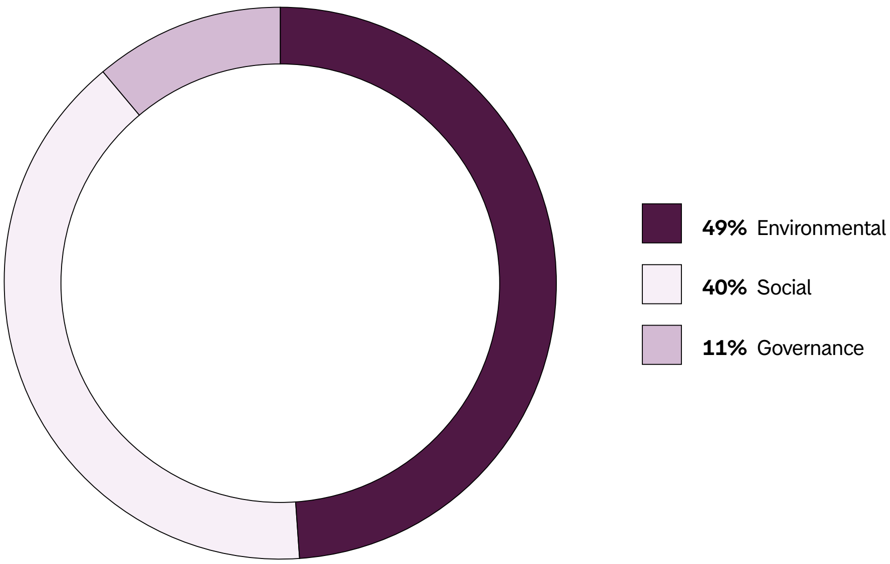
Format of engagements



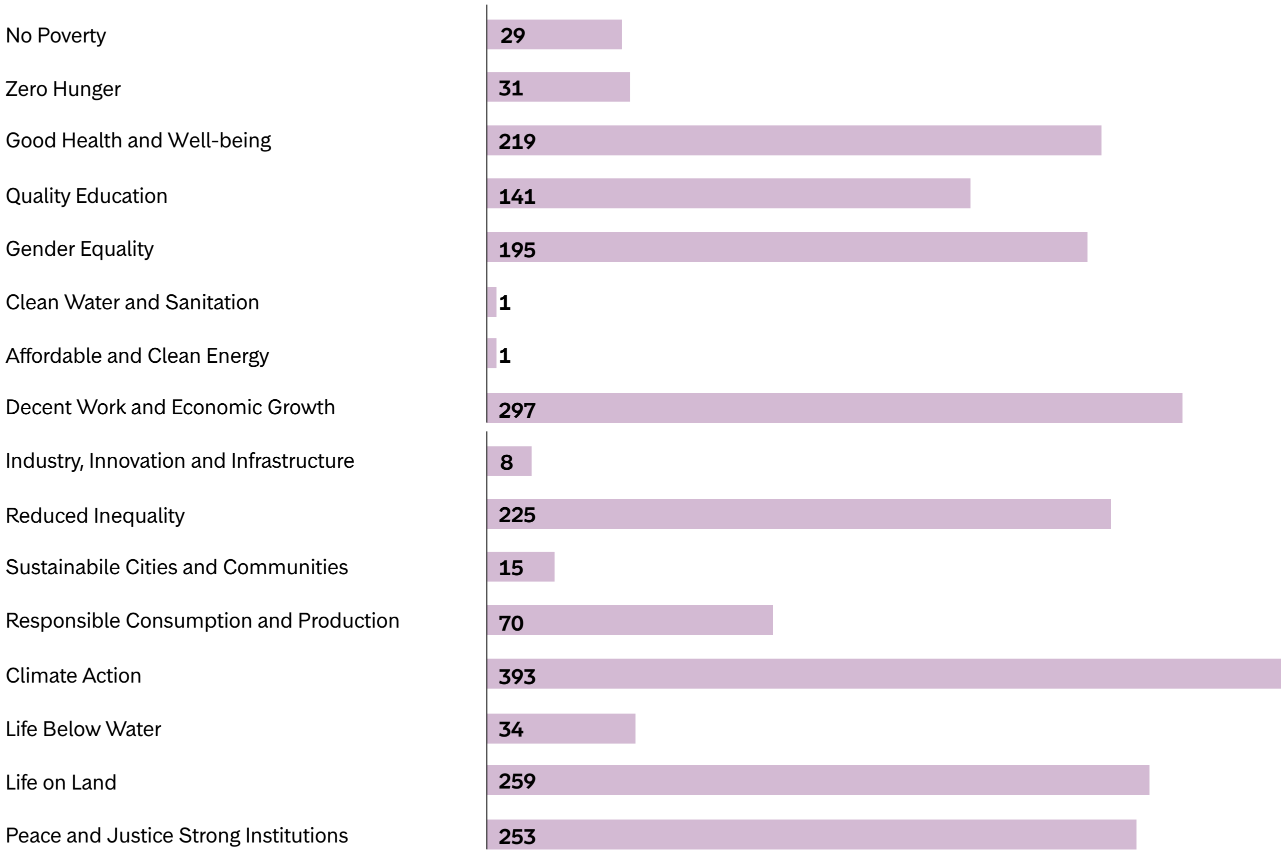
- **15%** Internal
- **10%** Collaborative (leading role)
- **75%** Collaborative (non leading role)

Where we engaged

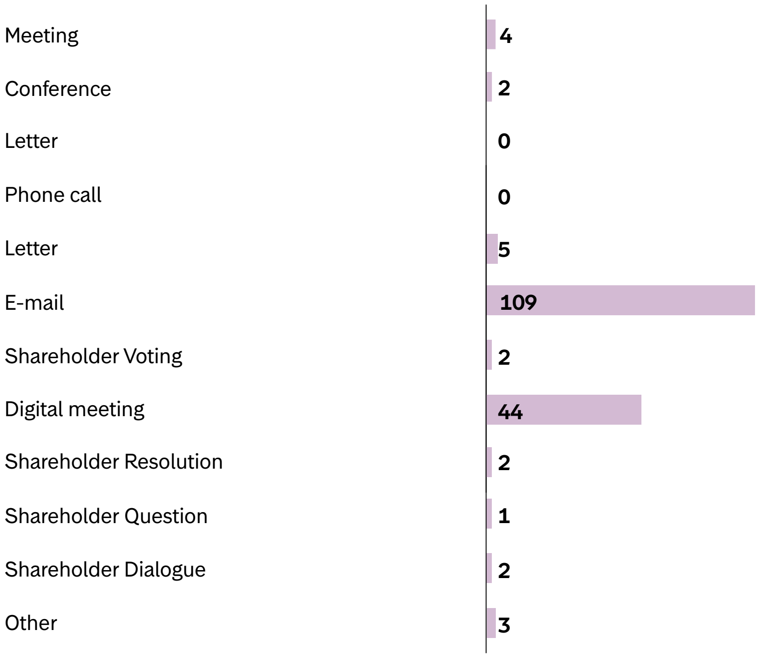
ESG categorizations of engagements



SDGs impacted by engagements



Engagement activity type: How did we contact companies?



Engagement contacts: Who did we contact at companies?

EXCL

Exclusions / Screening and eliminating investments

Exclusion key figures Q3 2024

Companies excluded by Storebrand, as of 30th September, 2024

Storebrand exclusion list

This list details exclusions that apply to all our products, based on our extensive exclusion process that involves both internal and external data, and evaluations conducted by subject matter experts. Excluded companies are removed from Storebrand's investment universe, which is an investment ecosystem that consists of over 4000 companies.

Category	Newly excluded	Total excluded
Environment	0	20
Corruption and financial	0	9
Human rights and International Law	1	64
Tobacco	0	26
Controversial weapons	2	43
Coal	5	114
Oil sands	0	5
Lobbying	0	4
Arctic drilling	0	0
Deep-sea mining	0	1
Marine/riverine tailings disposal	0	4
Deforestation	0	14
Cannabis	0	0
State-controlled companies	0	15
Total	8	303*
(Observation list)	0	2

Storebrand exclusion list extra criteria

Storebrand's extra criteria build upon the Storebrand Standard for sustainable investments. The extra criteria will only apply to selected funds and saving profiles. Get more information on the methodology behind these exclusions, on our website.

Category	Newly excluded	Total excluded
Alcohol	0	84
Adult entertainment	0	0
Weapons	0	63
Gambling	0	38
Fossil fuels	9	505
Corruption	0	1
Environment	0	15
Human rights	0	42
Total	17	702*

*Some companies are excluded on the basis of several criteria. Storebrand also does not invest in companies that have been excluded by Norges Bank (the central bank of Norway) from the Government Pension Fund — Global. We have also excluded 33 countries that are systematically corrupt, systematically suppress basic social and political rights, or that are subject to EU sanctions and UN Security Council sanctions.

Updated exclusion information

Although the "Storebrand Standard" was our policy and approach to exclusion for many years, it was not formally adopted as "policy" in the same way as our more recently created polices have. However, this has now changed.

As part of our continual process of strengthening our internal governance and clarifying our sustainability polices, guidelines, positions, and related documentation, we made several important changes in the fourth quarter of 2023. Those changes included the development of a sustainability documentation hierarchy, with top level policies applicable to all the companies in the Storebrand Asset Management (SAM) group. At the end of 2023, the policies were formalized, with approval from the SAM Board and subsequent adoption into our procedures.

Our updated **Storebrand-Exclusion Policy** is now available on our website. The content of the policy is the same as the former Storebrand Standard — no exclusion criteria have been taken away.

Palantir Technologies excluded

Human rights violations in occupied Palestinian territories (oPt)

Context

On July 19, 2024, the United Nations' official International Court of Justice (ICJ) issued a new ruling regarding the situation of occupied Palestinian territories stating that Israel's occupation of the Gaza strip and the West Bank, including East Jerusalem, is unlawful, along with the associated settlement regime, annexation and use of natural resources. The Court added that Israel's legislation and measures violate the international prohibition on racial segregation and apartheid. The ICJ mandated that Israel end its occupation, dismantle its settlements, provide full reparations to Palestinian victims and facilitate the return of displaced people.

During the third quarter of 2024, we excluded Palantir Technologies Inc. (Palantir) from our investments due its sales of products and services to Israel for use in occupied Palestinian territories (oPt). This follows an official recommendation issued by the Norwegian government on March 7, 2024, warning Norwegian businesses that engaging in any economic or financial activity in the illegal Israeli settlements could put them at risk of contributing to violations of international humanitarian law and human rights.

Big data giant

Publicly listed in the USA, where it is headquartered, Palantir is a technology company that specializes in tools and services for large-scale data analysis. Palantir's services are primarily organized around large-scale software platforms, including offerings on security and surveillance. Palantir provides security and surveillance AI-based tools to commercial businesses, as well as government civil administration, military and intelligence agencies.

Human rights violations in oPt

Our analysis indicates that Palantir provides products and services, including AI-based predictive policing systems, to Israeli military and security forces to support the surveillance of Palestinian in the in West Bank and Gaza of the occupied Palestinian territories. By doing so, the company is assisting Israel's government in its efforts to arrest Palestinians in the oPt and maintaining its occupation regime there.

The AI database used by the Israeli authorities, with Palantir's involvement, has been constructed from sources such as license plate readers, law enforcement databases, facial recognition cameras, public records, email providers, employment records, school and medical records,

Removal of company from Observation List

Rheinmetall AG was placed on Storebrand's observation in Q4 2023 due to involvement in the production of phosphorous weapons (controversial weapons) via its, then, newly acquired subsidiary Expal Systems.
In dialogue with the company, they stated it was Rheinmetall Policy not to produce phosphorous weapons and would phase out production and deliveries by end of Q2, 2024.
The company confirms in communication with Storebrand Asset Management, and publicly in its half-year results, that they have terminated production and deliveries as of July 2024.
Rheinmetall AG has therefore been removed from Storebrand's observation list.

credit card reports, bank statements, mental health diagnoses, business partnerships, family relationships, prison visitations, and social media postings.

The Palantir predictive policing system used in the oPt is based not on actions, but rather on projection from statistical profiling information. This system is supposed to identify individuals who are likely to launch "lone wolf terrorist" attacks, facilitating their arrests pre-emptively before the strikes that it is projected they would carry out. According to the UN and human rights organisations, Israeli authorities have a history of incarcerating of Palestinians without charge or trial — through their systematic use of administrative detention. It is Storebrand's understanding that the company's offerings are exacerbating Israels' activities.

As Storebrand has previously indicated from our ongoing screenings of conflict areas, the oPt has seen significant conflict for several decades, with violent conflict rising significantly in the last couple of years running up to the breakout of war in Gaza in October 2023. Since that time, credible assessments find the existing regime of violations of human rights has ramped up in the oPt. The Israeli authorities have reportedly carried out mass arrests and detentions of Palestinians. Thousands have been arrested in the Israeli-occupied Palestinian territories and in Israel, based on alleged militant activity, offensive social media postings, or arbitrarily. Several recent reports indicate mistreatment and torture of Palestinian prisoners in government custody.

Palantir has not replied to any of our requests for information regarding this matter. Storebrand contacted the company in April 2024 for the first time. Follow-up requests have also not been responded to by the company.

TEAM

Storebrand manages sustainability risks through the coordinated efforts of our risk and ownership team, in collaboration with our investment managers, including the Solutions investment 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.

Kamil Zabielski
Head of Sustainable Investment

Zabielski, who joined our sustainable investments team in 2021, was previously Head of Sustainability at the Norwegian Export credit Agency (GIEK), and advisor at the Council of the Ethics for the Norwegian Government Pension Fund — Global. His specializations include human rights/ labour rights, conducting due diligence of companies, and evaluating environmental and social risks and impacts of projects. He has an L.LM in International Law and an M. Phil in Human Rights Law from the University of Oslo.

Tulia Machado-Helland
Head of Human Rights and Senior Sustainability Analyst

Machado-Helland, who joined our sustainable investments team in 2008, specializes in human rights, labour rights, Indigenous peoples' rights and international humanitarian law. She is responsible for Storebrand's active ownership strategy and company engagement, and engages with companies mainly on social issues, as well as with overlapping environmental issues. Previously, she has worked on 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, a Texas State Attorney license, and has a Master's degree in International Relations and Development.

Emine Isciel
Head of Climate and Environment

Isciel, who joined our sustainable investments team in 2018, leads our work on climate and environment and our company engagement. Previously, Isciel worked for the Norwegian Ministry of Climate and Environment, on multi-lateral environmental agreements, advising the government on sustainability policies and strategies and leading the implementation of the SDGs. Isciel has worked for the United Nations and provided technical advice and content to the SDGs. She holds an MA in Political Science from the University of Oslo and has studied at University of Cape Town, New York University and Harvard Extension School.

Vemund Olsen
Senior Sustainability Analyst

Olsen joined our sustainable investments team in 2021. He was previously 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. Previously, Olsen has worked with the United Nations High Commissioner for Refugees in Venezuela and with human rights organizations in
Colombia and has an M. Phil in Human Rights Law from the University of Oslo.

Victoria Lidén
Senior Sustainability Analyst

Lidén, who joined our sustainable investments team in 2021, is based in Stockholm and works with ESG analysis and active owner-ship, 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 from Stockholm University, including studies at National University of Singapore. In addition, she has studied sustainable development at CSR Sweden and Stockholm Resilience Centre.

Frédéric Landré
Sustainability Analyst

Landré, who joined our sustainable investments team in 2023, has extensive experience in analyzing issuers' ESG profiles and green frameworks. Prior to joining Storebrand, Landré was with the London Stock Exchange Group, where he worked with quantitative analysis and integration of financial and ESG data. He has a M.Sc. in Business Administration from Linköping University, with a major in finance.

SanJin Damjanovic
Group Management Trainee

Damjanovic has experience in the banking and consultancy industry. He has a B.Sc in Business Administration from BI Norwegian Business School, and an M.Sc. in Economics and Business administration from the Norwegian School of Economics (NHH) with a major in financial economics and focus on sustainable finance and impact investing in private markets. He also has a CEMS Master's degree in International Management from the Norwegian School of Economics and the London School of Economics and Political Science (LSE). Prior to joining Storebrand, Sanjin worked as an intern and part-time employee at DNB Asset Management with Responsible Investments.


WORLD BUSINESS
B3

Roundup

In the media

Norge åbner for minedrift på dyb havbund

Børsen, September 2, 2024

The Danish business newspaper's article explores the Norwegian government's controversial decision to allow commercial deep-sea mining on the Norwegian continental shelf. Storebrand Head of Climate and Environment, who is featured as an expert source, points out that there is significant information gap on the potential impacts of the mining activity on nature. Here, she notes, the precautionary principle on harm to nature, which Storebrand believes should be applied in this situation, has been bypassed.

Call for Investors to Tackle Timber, Pulp Inertia

ESG Investor, September 3, 2024

A news article on a new research report by ZSL, an international conservation NGO, finding that despite 8 years of assessments, the tropical timber and pulp sector is falling vastly short on traceability and zero-deforestation reporting. Storebrand's Senior Sustainability Analyst Vemund Olsen comments in the article, noting on our concern over the findings and underlining the need for investors to lend their weight to collaborative initiatives that engage companies on improving their disclosure and management of deforestation risks.

Hjälp oss investera rätt i biologisk mångfald

Dagens Industri, September 24, 2024

In this op-ed in one of Sweden's leading business newspaper, Storebrand Asset Management CEO Jan Erik Saugestad, appeals to government leaders to ensure that they make commitments at the COP16 that are needed to help direct private finance in alignment with nature objectives.

Opinion: Nordic countries urged to produce ambitious biodiversity plans

AM Watch, September 30, 2024

In an op-ed, Storebrand Asset Management CEO Jan Erik Saugestad, lays out a case for why Stronger financial alignment and transparency are the key to a successful COP 16 and preventing further nature loss globally.

Events calendar

Looking ahead

COP16

Cali, Colombia

October 21-November 1

The 16th meeting of the Conference of the Parties (COP) to the Convention on Biological Diversity. At COP 16, governments will review the state of implementation of the Kunming-Montreal Global Biodiversity Framework and show the alignment of their National Biodiversity Strategies and Action Plans (NBSAPs) with the Framework. COP 16 will further develop the monitoring framework and advance resource mobilization for the Global Biodiversity Framework. Storebrand will be present at the event as part of the Finance for Biodiversity (FfB) delegation of observers.

COP29

Baku, Azerbaijan

November 11–22, 2024

The 29th United Nations Climate Change conference or Conference of the Parties of the UNFCCC, also known as COP29, will be held in Baku, Azerbaijan. With climate change indicators having worsened since the previous conference, the event takes on even more heightened importance. Governments gather at this high-level conference to agree on national commitments that should together add up to boosting action and implementation towards keeping the 1.5°C goal of the Paris Agreement.

UN Forum on Business and Human Rights

Geneva

November 25–27, 2024

This year's forum will focus on the "smart mix of measures" – national, international, voluntary and mandatory – has been central to the realization of the UN Guiding Principles over the past decade to evaluate what has worked and not worked. This may include specific application and implementation of a smart mix of measures in the following proposed, but not exhaustive areas:

- *State action*
- *Technology and Artificial Intelligence (AI)*
- *Access to Remedy for all*
- *Climate change, environmental challenges, and nature-based solutions*
- *Indigenous Peoples rights*
- *Human rights due diligence*

Important information
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Statements reflect the portfolio managers' viewpoint at a given time, and this viewpoint may be changed without notice. Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on market developments, the fund manager's skills, the fund's risk profile and subscription and management fees. The return may become negative as a result of negative price developments. Future fund performance is subject to taxation which depends on the personal situation of each investor, and which may change in the future.

Storebrand Asset Management AS is a management company authorised by the Norwegian supervisory authority, Finanstilsynet, for the management of UCITS under the Norwegian Act on Securities Funds. Storebrand Asset Management AS is part of the Storebrand Group. No offer to purchase shares can be made or accepted prior to receipt by the offeree of the fund's prospectus and KIID and the completion of all appropriate documentation.

For all fund documentation including the KIID, the Prospectus, the Annual Report and Half Year Report, unit holder information and the prices of the units, please refer to **www.storebrand.com/**. No offer to purchase shares can be made or accepted in countries where a fund is not authorized for marketing. Investors' rights to complain and certain information on redress mechanisms are made available to investors pursuant to our complaints handling policy and procedure. The summary of investor rights in English is available here: **www.storebrand.com/**. Storebrand Asset Management AS may terminate arrangements for marketing under the Cross-border Distribution Directive denotification process.

Find out more about our work and offerings

Storebrand Asset Management is part of the Storebrand Group, managing NOK 1100 billion of assets for Nordic and international clients.

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