Storebrand

Storebrand Asset Management's

SFDR Methodology Description

According to SFDR article 2 (17)

31.12.2025

Definition of sustainable investment

Defining a Sustainable Investment

Under the SFDR (Sustainable Finance Disclosure Regulation[1]*), a sustainable investment means "an investment in an economic activity that contributes to an environmental objective or an investment in an economic activity that contributes to a social objective, provided that such investments Do Not Significantly Harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance".

The Storebrand Approach

In determining whether an investment is a sustainable investment we apply both qualitative and quantitative methods. This part covers our approach for listed equity and fixed income.

Companies may be nominated for qualification to a sustainable investment as a "Solution" company on the grounds of a qualitative assessment. A "Solution company" is a term used by Storebrand to describe a company with a business model that contributes to achieving the SDGs through its products and services, without causing significant harm. See Storebrand's Sustainable Investment Policy for further description of the definition of a Solution company.

To qualify as a sustainable investment one or more of the following criteria must be met:

Storebrand Sustainable Investments – Contribute	Type
The company or issuer has at least **25%** of its revenue directed towards an environmental or social goal contributing to the achievement of the Global Goals, SDG's.	Qualitative
Issuer with at least **25%** green revenues	Quantitative
Issuer with at least **25%** of their reported CapEx, OpEx or revenue aligned with the EU Taxonomy	Quantitative
The investment is a green-, social-, **sustainable bond** or a sustainability-linked bond, where the financial and/or structural characteristics of the debt instrument are tied to predefined sustainability goals.	Quantitative

We will strive to apply quantitative sources to our definition of a sustainable investment. This process will be further developed as new datasets we deem suitable for defining a sustainable investment become available.

[1] * SFDR (Sustainable Finance Disclosure Regulation) is an EU regulation that requires financial institutions to disclose how they integrate sustainability risks and impacts into their investment decisions and products

Do No Significant Harm (DNSH)

The DNSH principle, central to sustainable investments under SFDR Article 2(17), ensures that investments do not cause significant harm to environmental or social objectives. Financial products promoting sustainability must comply with DNSH and adhere to OECD and UN guidelines.

We apply the following exclusionary and ineligibility screening for a sustainable investment:

Exclusionary & ineligibility screening	Do no significant harm (DNSH) and good corporate governance practices (GG)
Product based	Fossil fuel criteria (PAB aligned), Storebrand Firmwide Exclusion Policy
Conduct based	Breach of SFDR PAI 10 UN Global Compact/OECD Guidelines for MNEs, Storebrand Firmwide Exclusion Policy
Good Governance	Based on ESG data provider of Corporate Governance Score

DNSH Assessment

SAM has developed a standard DNSH-test for all entities considered as sustainable investments. The test uses a screening process to measure exposure and impact on sustainability indicators and assess if any adverse impacts are considered significant. If the investment is exposed to significant adverse impacts, it is not considered sustainable. The Storebrand DNSH-test comprises of two screenings: exclusionary and ineligibility screening. Exclusionary screening covers conduct, product and activity, and sovereign bond exclusions. Ineligibility screening assesses entities on specific sustainability criteria. See table below for a summary.

For both Art 8. and Art 9 funds, there can be no holdings in any entities identified under the **exclusionary** screening. In addition, if an entity breaches the **ineligibility** thresholds and criteria outlined below, it cannot be classified as a sustainable investment. Art. 9 funds can only have investments in entities classified as sustainable investment. For Art. 8 funds, entities in breach of the ineligibility thresholds will not be included in the calculation of the percentage of sustainable investments.

Exclusionary and ineligible screening under DNSH

DNSH Test		
Principal adverse impact indicator (PAI)	**Exclusionary screening**	**Ineligibility screening**
4. Exposure to companies active in the fossil fuel sector	**Product-based:** Coal, oil sand related activities, and anti-climate/nature lobbying	Companies that derive more than 5% of their revenue from the production or distribution of fossil fuels; whose fossil reserves exceed 100 million tonnes of CO2; have over 25% revenue for supporting services; breach with PAB coal criteria (1% non-generation revenue); GICS sector 10.
7. Activities negatively affecting biodiversity sensitive areas	**Conduct-based**: Environmental damage **Product- or service activity-based:** Companies involved in seabed mining, arctic drilling, marine/riverine tailings disposal, or otherwise with operations in biodiversity sensitive areas	
8. Emissions to water	**Conduct-based**: Environmental damage	
9. Hazardous waste	**Conduct-based**: Environmental damage	
10. Violations of UNGC and OECD Guidelines	**Conduct-based**: Environmental damage, Corruption & Financial crime, Human rights, Humanitarian Law & International Law	Companies classified as non-compliant
14. Exposure to controversial weapons	**Non-conduct based**: Controversial weapons; such as but not limited to; nuclear weapons, land mines, cluster weapons, biological and chemical weapons, white phosphorus, and lethal autonomous weapons.	
16. Sovereigns: Investee countries subject to social violations	Sovereign bonds issued by countries that are systematically corrupt, or systematically suppress basic social or political rights, or involved in serious breaches of international humanitarian law.	
(15). Deforestation	**Product- or activity-based:** Companies involved in serious or systematic unsustainable production of palm oil, soy, cattle, timber, cocoa, coffee, rubber or minerals.	

Good Governance

Good Governance assessment

SAM assesses good governance through identifying controversial incidents, entities associated with high corporate governance risk (laggards), and entities in breach of UN Global Compact and

OECD guidelines. Companies that are excluded are removed from Storebrand's investment universe. Data from various ESG data providers is used.

The first step is **exclusionary screening,** which is the quarterly screening in which we screen companies for norm violations and controversies. Serious cases are further assessed by the Risk and Ownership team, based on factors like geography, sector, and the nature of the incident. If the breaches are deemed severe and the risk of recurrence remains high, even after engagement with the company, exclusion may be recommended. Final decisions are made by the Investment Committee on a quarterly basis. Subsidiaries or parent companies involved in unacceptable activities are also excluded.

The next step of the good governance test consists of an **ineligibility screen**. Entities classified as "governance laggards" or classified as non-compliant with UN Global Compact and OECD Guidelines, will not be eligible to be categorized as a sustainable investment.

Good Governance Test		
	Exclusionary screening	**Ineligibility screening**
Governance Laggards		Based on ESG provider of Corporate Governance score
Violations of UNGC and OECD Guidelines	**Conduct-based**: Companies covered by firm wide conduct-based exclusions: Environmental damage, Corruption & Financial crime, Human rights & International Law	Companies classified as non-compliant with UN Global Compact and OECD Guidelines

This document serves as a description of our SFDR methodology when defining a Sustainable Investment according to article 2 (17). This document will be maintained on an ongoing basis and updated whenever regulatory requirements, market standards, or internal practices necessitate adjustments.