Sustainability related disclosures

The information presented below is provided pursuant to EU regulation 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR).

Storebrand Global Solutions LUX 2023-01-01

(a) Summary

Storebrand Global Solutions LUX has a sustainable investment objective of selecting companies with services, products or technology that, in our assessment, can contribute to the transition to a more sustainable society and in line with Sustainable Development Goals (SDGs) set out by the United Nations (UN). Such objective is expected to contribute to climate change mitigation and climate change adaptation, which are among the environmental goals pursued by the EU Taxonomy. At least 80% of the assets are invested in sustainable investments, while other assets include cash and the like for liquidity management. All of the underlying securities are assessed for adverse impacts as part of a do no significant harm process (DNSH).

An investment is considered to be sustainable if the company, or issuer, contributes to an environmental or social objective by either being defined as a solutions company (pathway one), or by holding a Storebrand Sustainability Score above certain level (pathway two). To qualify as a solutions company, the firm must contribute with significant positive impact to environment or social objective, either defined within the UN Sustainable Development Goals framework, or contributing to an environmentally sustainable objective listed in the Taxonomy Regulation. To qualify through the Storebrand Sustainability Score, a certain minimum score is required for the potential investment, and the score itself consists of equal parts of ESG risk and SDG alignment.

Sub-Fund seeks to achieve its sustainable investment objective by investing notably in companies within four themes; Climate (solar, wind, grid/infrastructure), Sustainable cities (water, urban planning, mobility), Responsible consumption (circular economy, sustainable products, eco-design) and Empowerment (access to financial, digital and health care services). Also, the Sub-Fund is subject to an exclusion strategy to avoid exposure in companies which negatively affect a variety of environmental and social objectives.

The Sub-Fund seeks to achieve the characteristics by directing its investments towards companies with high ESG score, low carbon intensity and climate solutions companies. Also, the Sub-Fund is subject to an exclusion strategy to avoid exposure in companies which negatively affect a variety of environmental and social objectives.

In addition to the methods of actively selecting some investee companies (inclusion) and avoiding others (exclusion), the Investment Manager also act in its interest to engage in sustainability related issues. Engagement can take the form of direct dialogue with the investee, collaboration with other investors, or through voting at shareholder's meetings.

The following sustainability indicators are used to assess the environmental/social characteristics of the fund:

- Storebrand Sustainability ESG Score
- Share of Green revenue
- Carbon intensity scope 1 and 2
- PAI 4. Exposure to companies active in the fossil fuel sector
- PAI 5 (Share of non-renewable energy consumption and production)
- PAI 6 (Energy consumption intensity per high impact climate sector)
- PAI 10. Violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- PAI 14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)
- Revenues from business activities related to the production and distribution of nuclear weapons, weapons, alcohol, tobacco, cannabis, pornography, commercial gambling

The fund applies ongoing follow-up at holding level to ensure that companies with activities in sectors excluded by the fund and/or companies that violate international norms and conventions are detected. This means that information about each individual company in the fund is obtained from our data suppliers. In the event of a change in the assessment of a company, it is flagged in the fund's ongoing monitoring, the information is validated by the manager and the company is excluded from the fund given correct information.

Data is primarily collected from external data providers, namely Sustainalytics, ISS and Trucost. Storebrand have chosen those as we consider them as market leading data and analysis providers of ESG and sustainability analysis on corporates. They supply data and analysis on ESG risk, corporate governance, controversies, country risk ratings, product involvement and more.

The indicators for principle adverse impact are accounted for based on the underlying securities' data availability. The main limitations are lack of data for some of the indicators. This is due to the fact that many companies do not disclose this information. In general, there is a low coverage on reported data from the companies as compared to estimated data, and to a varying degree depending on the PAI.

The Investment Manager has due diligence procedures in place to ensure that sustainability risks and the sustainability requirements set for the fund are taken into account in the investment decisions. Our due diligence procedure is a screening of our holdings carried out quarterly. The screening for breach of our Sustainable Investment Policy is carried out by using data from our third-party data providers, which monitor approx. over 4000 companies making our investment universe.

Storebrand use its position as owners to influence companies to improve corporate behavior and reduce adverse sustainability impact. Through active ownership, we reduce risks, improve the quality of our investments and influence companies to move in a more sustainable direction. Storebrand do not believe that just one method solves everything, but believe in a combination of dialogue, exclusion, inclusion and integration.

No reference benchmark has been designated for the purpose of assessing the attainment of the sustainability investment objective sought by the Sub-Fund.

(b) No significant harm to the sustainable investment objective

The Sub-Fund can only invest in financial instruments that are part of its defined investment universe. The Investment Manager has a dedicated team (Risk & Ownership team) that monitors the financial instruments investable for the Sub-Fund. The team follows a methodology that is based on a screening process where the investments exposure and impact on several sustainability indicators are measured.

The result of this screening will give an indication of whether the investment is exposed to adverse impacts, based on the indicators that the Investment Manager measures. If any of the investments are exposed to impacts concidered to be significant, then the investment is considered to harm the Fund's environmental and/or social objectives and the financial instrument will be excluded from the Fund's investment universe.

All investments are subject to a screening process to assess whether the investee company is negatively affecting environmental or social objectives related to:

- human rights,
- labour law and international law,
- corruption and financial crime,
- serious climate and environmental damage,
- controversial weapons (land mines, cluster bombs and nuclear weapons),
- fossil fuels,
- tobacco,
- weapons,
- alcohol,
- gambling,
- pornography,
- cannabis,
- companies with large fossil fuels reserves

All of the underlying securities are assessed for adverse impacts as part of the DNSH-process in the following manner:

1) For several of the adverse impact indicators the set thresholds defines what is considered as significant harm to environmental or social objectives, based on the indicators measured by the Investment Manager. An investment that exceeds the defined thresholds is excluded from the Sub-Fund´s investment universe.

For indicators without a defined threshold, the dedicated sustainability team is responsible to assess each entity on an individual basis, where data from an external data provider is used to assess whether an entity is involved with a breach or in risk of breaching one of these indicators. In this assessment conditions such as severity, scope of harm, and risk of recurrence is analyzed using a predefined scoring table to ensure consistency in the evaluation process. The final decision to exclude the investment from Sub-Fund's investment universe is however qualitative and based on the evaluation of the dedicated sustainability team and the assessment of the issue by the Investment Manager's Sustainable Investment Committee.

2) Adverse impacts indicators are accounted for, and for all of the underlying securities based on the data availability, coverage and quality which allows for setting measurable or quantifiable thresholds, or where there is sufficient information to make a qualitative assessment of adverse impacts. As the data quality and availability improves, the Investment Manager will be considering a range of methods to better account for these and mitigate adverse impact.

The Sub-Fund's screening and exclusion process described above covers several of the indicators for adverse impacts on sustainability factors listed in Annex I. In the DNSH-process, The Sub-Fund currently considers the following indicators from Table 1 of Annex I:

PAI 4 Exposure to companies active in the fossil fuel sector
PAI 7 Activities negatively affecting biodiversity sensitive areas
PAI 8 Emissions to water
PAI 9 Hazardous waste
PAI 10 Violations of UNGC principles and OECD guidelines
PAI 14 Exposure to controversial weapons
PAI 16 Sovereigns: Investee countries subject to social violations

In addition the Sub-Fund considers the following indicator from Table 2 of Annex 1:

PAI 15 Deforestation

The Sub-Fund's investment universe is monitored daily for potential breaches of Storebrand Sustainable Investment Policy and screened quarterly to assess if companies are in breach of this sustainability policy.

Storebrand Asset Management's Investment Control and Analytics (ICA) department is responsible for verifying that management complies with individual mandates as well as internal and external laws and regulations. As part of the daily compliance controls, all trades and positions are controlled for breaches on the Group Sustainability Policy, including the above-mentioned exclusion criteria.

The Investment Manager aims to ensure that all investee companies follow the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights and the ILO conventions. The process for this is to screen all investments in the Sub-Fund's investment universe by using data and research from an external data provider.

(c) Sustainable investment objective of the financial product

Storebrand Global Solutions has a sustainable investment objective of selecting companies with services, products or technology that, in our assessment, can contribute to the transition to a more sustainable society and in line with Sustainable Development Goals (SDGs) set out by the United Nations (UN). Such objective is expected to contribute to climate change mitigation and climate change adaptation, which are among the environmental goals pursued by the EU Taxonomy.

The Fund's environmentally sustainable investments may contribute to one or more of the environmental objectives of the Taxonomy Regulation (EU) 2020/852 (the "EU Taxonomy"), such as but not limited to climate change mitigation and climate change adaptation.

The Fund seeks to achieve its environmental and social characteristics by:

- Investing in companies with high ESG score. The score is based on the Investment Manager's proprietary ESG rating system, covering companies worldwide using qualitative and quantitative assessments of sustainability risks and opportunities.

- Allocating parts of the portfolio to climate solutions companies, such as renewable energy, green transport, recycling, water and energy efficiency.

- Promoting a transition to a world with low carbon dioxide emissions (greenhouse gases) by excluding entities which derive a large part of their net sales from the production and/or distribution of fossil fuels and entities with large fossil fuel reserves.

- Applying an exclusion strategy where the Fund excludes investments in companies with business activities associated with fossil fuels, and in companies that violate international norms and conventions related to environmental issues.

(d) Investment strategy

In order to contribute to the objective, the following three methods are central to the Sub-Fund's investment strategy:
- Inclusion of products and services
- Exclusions of products and services
- Engagement

The Investment Manager takes sustainability risks into account in its investment decisions and integrates ESG aspects into the decisions. These aspects include both ESG risks and limiting climate change. In the sustainability analysis of the companies, the Investment Manager measures, among other things, financially significant risks regarding environmental, social and corporate governance issues that have a significant impact on the company's financial value.

The Investment Manager analyzes both ESG risks and SDG opportunities and weighs these together into a rating. 50 percent of the rating is based on ESG risks and 50 percent on SDG opportunities. The SDG rating measures opportunities linked to the UN's global sustainability goals and the Paris Agreement with a focus on products and services that help achieve the SDGs. Gender equality constitutes 10 percentage points of the SDG rating.

The Sub-Fund has a thematic equity strategy investing in companies that deliver products and services which contributes the SDGs. As such, the investment philosophy is rooted in the SDGs as an investment framework. The strategy applies a holistic focus on sustainable development through investing in companies with business models linked to financially material SDG indicators, and the products and services they offer while maintaining a value chain approach to company identification.

The Sub-Fund is designed to have the highest possible impact from its portfolio companies on the real economy. The strategy is not only focused on the most evident ESG solution companies, (i.e. companies that significantly contribute to sustainable development without causing substantial harm to environment or society. Examples are companies whose key business is centered around investment themes like renewable energy, technologies for sustainable city development, circular economy and empowerment etc.), but considers innovative aspects such as how technologies lead to less resources used in the first place or how connectivity lifts people out of poverty.

The value proposition for the proposed strategy is its ability to identify investable themes linked directly to specific SDGs and then identify companies that can have the largest impact in delivering products or services to facilitate meeting these objectives.

The four major themes and corresponding investment opportunities that the Sub-Fund has derived from the SDGs and chosen to include are: Renewable Energy, Equal Opportunities, Circular Economy and Smart Cities.

The Sub-Fund does not invest in any companies that violate Storebrand's group sustainability criteria, which reduces the sustainability risk in the Sub-Fund. That means that the Sub-Fund does not invest in companies which contribute to the violation of human rights, corruption, harming the climate and environment, the production of landmines, cluster munitions, or nuclear weapons, as well as tobacco and companies with low sustainability rating. In addition, the Sub-Fund also refrains from investing in companies that extract fossil fuels, carbon intensive power companies and companies whose turnover is more than 5 percent from production/distribution from: fossil fuels, oilsand, tobacco, weapons/arms, alcohol, gambling, pornography, cannabis or companies with large fossil reserves.

(e) Proportion of investments

The fund invests directly in companies on the stock market. The planned allocation of the Sub-Fund is to invest only in sustainable investments, except from a smaller proportion of cash for liquidity management.

An investment is considered to be sustainable if the company, or issuer, contributes to an environmental or social objective by either being defined as a solutions company (pathway one), or by holding a Storebrand Sustainability Score above certain level (pathway two). To qualify as a solutions company, the firm must contribute with significant positive impact to environment or social objective, either defined within the UN Sustainable Development Goals framework, or contributing to an environmentally sustainable objective listed in the Taxonomy Regulation. To qualify through the Storebrand Sustainability Score, a certain minimum score is required for the potential investment, and the score itself consists of equal parts of ESG risk and SDG alignment.

According to the regulations, it must be reported for each fund how much of the fund's investments are compatible with the taxonomy. The companies in which the fund invests have not yet begun to report the extent to which their operations are compatible with the EU taxonomy. Therefore, the fund company assesses that it is currently not possible to provide reliable information about what proportion of the fund's investments are compatible with the taxonomy and reports against the stated background that 0% of the fund's investments are compatible with the EU taxonomy.

(f) Monitoring of environmental or social

Storebrand's unit ICA (Investment Control & Analytics) monitors daily that the environmental/social characteristics promoted by the fund are complied with as well as the proportion of sustainable investments. In addition, the fund's exclusion criteria are checked to ensure that no companies violate them and that the companies do not violate international standards and conventions. The fund's sustainability indicators are also followed up by ICA.

The following sustainability indicators are used to assess the environmental/social characteristics of the fund:
- Storebrand Sustainability ESG Score
- Share of Green revenue
- Carbon intensity scope 1 and 2
- PAI 5 (Share of non-renewable energy consumption and production)
- PAI 6 (Energy consumption intensity per high impact climate sector)
- PAI 4. Exposure to companies active in the fossil fuel sector
- PAI 10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- PAI 14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)
- Revenues from business activities related to the production and distribution of nuclear weapons, weapons, alcohol, tobacco, cannabis, pornography, commercial gambling.

(g) Methodologies

The fund applies ongoing follow-up at holding level to ensure that companies with activities in sectors excluded by the fund and/or companies that violate international norms and conventions are detected. This means that information about each individual company in the fund is obtained from our data suppliers. In the event of a change in the assessment of a company, it is flagged in the fund's ongoing monitoring, the information is validated by the manager and the company is excluded from the fund given correct information.

Our calculations are based on methods based on the SFDR regulations and prepared by our data suppliers. Further method descriptions, we refer to our data suppliers' method description (methodology link).

(h) Data sources and processing

Storebrand have done a thorough assessment of the different data providers. Data is primarily collected from external data providers, namely Sustainalytics, ISS and Trucost. Storebrand have chosen those as we consider them as market leading data and analysis providers of ESG and sustainability analysis on corporates. They supply data and analysis on ESG risk, corporate governance, controversies, country risk ratings, product involvement and more. We have worked with them for several years and are confident in their methodology, data coverage and methods for estimations.

(i) Limitations to methodologies and data

The indicators for principle adverse impact are accounted for based on the underlying securities' data availability. As the data quality and availability improves, we will be considering a range of methods to account for these and mitigate adverse impact. These methods will be applied taking into consideration the type of strategies that best fit specific portfolios' sustainability objectives, as well as Storebrand's general sustainability strategies that apply across all asset classes. The main limitations are lack of data for some of the indicators. This is due to the fact that many companies do not disclose this information. In general, there is a low coverage on reported data from the companies as compared to estimated data, and to a varying degree depending on the PAI. But we are foreseeing that the level of reported data from companies will increase going forward.

If data gaps are identified, Storebrand will initiate a dialogue with the different entities to collect more information. Since we receive data from different providers there are instances where the information is inconsistent. In these cases, the Risk and Ownership will conduct our own additional research and analysis on the company and potential issue. In any case we will contact the company to verify the information and the data providers to hear why the data differs.

There might be discrepancies depending on the chosen data provider and their methodology. Environmental and social characteristics and/or objectives are to be met with the best available data, depending on which data provider provides the best methodology and coverage. But given that there are several ESG data providers in the market, there will be different interpretations and therefore different outputs and results on the same indicator, depending on the data provider or methodology of choice. We are aware of this limitation and has therefore chosen the providers we believe provide a robust methodology for each specific PAI.

We know that different data providers to some extent report different figures, as all data is not based on the companies' own reports but on estimates. Even when there is data directly from the companies, it is often not reviewed by a third party but the companies' own assessments. We always make an assessment of the data providers to choose the one that can deliver the best quality for different data points, and therefore we have several different data providers. In addition, we do many qualitative analyzes as a supplement to purchased data, and for some alternative assets we receive data directly from the companies.

The availability of reliable, consistent, and complete sustainability data is one of the biggest challenges in sustainable investments, but the demands for more and sustainability data are continuously increasing through, among other things, new EU regulation.

(j) Due diligence

Storebrand has due diligence procedures in place to ensure that sustainability risks and the sustainability requirements set for the fund are taken into account in the investment decisions. Our due diligence procedure is a screening of our holdings carried out quarterly. The screening for breach of our Sustainable Investment Policy is carried out by using data from our third-party data providers, which monitor approx. over 4000 companies making our investment universe.

Storebrand's Risk- & Ownership team is responsible for assessing to what degree the companies identified by our data providers are in violation of the Sustainable Investment Policy. All holdings are continuously screened by third party data providers which send "company alerts" once a month, including background information on the possible event. The controversial event/incidents of highest severity are then analyzed by our experts on the specific topic in the Risk & Ownership team. The team prioritizes conduct-based cases for norm-based exclusion based on the scope of the harm, the severity, the risk of recurrence and the irreversibility of the adverse impact caused by the company at hand and by using a predefined scoring table to ensure consistency in the evaluation process. The final decision to exclude a company based on a conduct-based norm-breach, and thus mitigate and prevent the adverse impact, is based on assessment of the issue by Storebrand's Investment Committee. The committee comprises several representatives of the Storebrand Group's senior management team and other executives, who meet on a quarterly basis. Companies will be excluded if the adverse impact and the breaches of our standards are considered severe and the risk of recurrence is assessed as high (after engaging with the company on measures to prevent recurrence and mitigate the adverse impact). The Committee meets on a quarterly basis and cases are presented to the Committee anonymously to avoid possible conflicts of interest.

Non-conduct-based norm-breaches such as involvement in controversial weapons, or product-based breaches such as involvement in certain economic activities or product involvement, are directly excluded, and not taken for consideration in the Investment Committee. The Risk- & Ownership team sends quarterly reports regarding exclusions first to portfolio managers and compliance, so they are aware of new exclusions. Fund managers have approximately 20 days to sell their holdings in excluded companies. Once this is achieved, other key internal and external stakeholders and clients are directly informed. A list with all exclusions is published and updated quarterly on our website. As part of the exclusion process, our investment universe is monitored daily for potential breaches of Storebrand Sustainable Investment Policy standards and screened quarterly to assess if companies are in breach of this sustainability policy.

Storebrand's Investment Control and Analytics department is responsible for verifying that management complies with individual mandates as well as internal and external laws and regulations. As part of the daily compliance controls, all trades and positions are controlled for breaches on the Group Sustainability Policy, including the above-mentioned exclusion criteria.

(k) Engagement policies

Storebrand use its position as owners to influence companies to improve corporate behavior and reduce adverse sustainability impact. Through active ownership, we reduce risks, improve the quality of our investments and influence companies to move in a more sustainable direction. Storebrand do not believe that just one method solves everything, but believe in a combination of dialogue, exclusion, inclusion and integration. At Storebrand, we believe in exercising our shareholder rights. We employ two main ways to achieve this: either through voting at shareholder meetings or by engaging with companies at different levels including management and board levels. This engagement can be both direct individually and/or in collaboration with other investors. Both tools can be very effective in addressing concerns regarding environmental, social and corporate governance (ESG) issues in order to reduce adverse sustainability impact. The decision to engage with selected companies is made based on our assessment of the significance of a particular matter, the size of holdings, scope to effect change and opportunities to collaborate with other investors. Storebrand may contact companies mainly to influence corporate practice on

Environmental Social and Governance (ESG) issues in order to reduce adverse sustainability impact; to encourage improved ESG disclosure or to gain an understanding of ESG strategy and/or management. Storebrand defines objectives for its individual engagements and sets objectives and milestones to be achieved by companies together with other investors in collaborative engagements. Storebrand monitors progress against defined objectives and tracks the progress of action taken when original objectives are not met, revisits them and, if necessary, revises objectives. If the outcome of the company engagement does not meet our expectations, Storebrand may consider other actions, such as:

- Raising the issues at the board level if senior management is not responsive
- Expressing our views publicly by issuing a public statement
- Collaborating with other investors if not the case already
- Proposing, filing, or co-filing resolutions at the annual general meeting
- Voting against the re-election of the relevant directors
- Suggest an extraordinary general meeting.

As a last resort, where the company is in violation of Storebrand Investments standards and there is a risk of recurrence, the case will be presented before the Sustainable Investment Committee, to make a final decision on whether to exclude the company from our investments. If excluded, the company is always informed of the decision, and contacted regularly afterwards to encourage improvement and a potential inclusion.

(l) Attainment of the sustainability investment objective

No reference benchmark has been designated for the purpose of assessing the attainment of the sustainability investment objective sought by the Fund.