

Sustainability-related disclosures

Storebrand USA
2024-01-19

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

No sustainable investment objective

Storebrand USA promotes environmental and social characteristics, but does not target sustainable investments. The fund plans to invest around 20 percent in sustainable investments, but with a minimum level of 15 percent. The Fund promotes environmental and social characteristics by integrating environmental, social and governance (ESG) aspects into all its investments. These aspects include both ESG risks and climate change mitigation. As part of promoting environmental and social characteristics, the fund may also invest in sustainable investments, according to the assessment methodology applied by the fund management company.

Environmental or social characteristics of the financial product

The Fund promotes social characteristics by excluding companies with activities related to banned weapons, nuclear weapons, nuclear weapons, weapons and war materials, alcohol, tobacco, cannabis, pornography and commercial gambling, as well as by excluding companies that violate international norms and conventions related to human rights, labor law or combating corruption and bribery), as well as through our active advocacy with corporate governance and dialogues.

The fund's share of sustainable investments is made in companies assessed to contribute to an environmental or social goal according to the United Nations' Global Sustainable Development Goals and the Paris Agreement, while ensuring that a sustainable investment does not cause significant harm to any other environmental or social goal and must adhere to corporate governance practices. The sustainable investments of the fund consist of companies whose products, services, or business models contribute positively to sustainable development. These may include companies in themes such as renewable energy, sustainable urban development, circular economy, sustainable consumption, and equal opportunities. It can also involve companies with a share of green revenue in accordance with FTSE Green Revenue.

The distribution between investments contributing to either social or environmental goals may vary depending on the composition of the fund over time.

Investment strategy

The fund promotes a transition to a world with low carbon dioxide emissions (greenhouse gases) by excluding companies with operations linked to fossil fuels, have large fossil reserves and companies that violate international norms and conventions related to environmental issues. By selecting

companies that violate international norms and conventions related to, for example, tax, labour rights, corruption, and economic crime, it is ensured that the companies in which the fund invests live up to basic requirements regarding good corporate governance. Our sustainability analysis forms the basis for investment decisions.

The fund applies a strategy consisting of three methods:

Inclusion - The fund has specific and explicit criteria for selecting companies based on environmental, social, and corporate governance issues. Each individual company selected into the fund, and continuously after the acquisition of a security, is assessed and rated based on our fundamental sustainability analysis where the companies are classified based on many different sustainability indicators, have comprehensive systems for managing ESG risks and contribute positively to the UN's Global Sustainability Goals.

Exclusion - The fund does not invest in companies that are involved in products and services that are at high risk of having an adverse negative impact on the environment and society and to reduce the risk in the fund. The fund applies sustainability requirements in the form of an exclusion strategy, which means that the fund refrains from investing in companies that violate international norms and conventions. This includes human rights, labour law and international law, corruption and economic crime, serious climate and environmental damage, deforestation, and controversial weapons (anti-personnel mines, cluster bombs, chemical and biological weapons). The fund also excludes companies with operations linked to tobacco, weapons, alcohol, gambling, pornography, cannabis, fossil fuels (coal, oil, gas), oil sands and companies with large fossil fuel reserves. The resulting exclusions are binding for the fund company in the management of the fund.

Active ownership - Our specialists in sustainable investments and corporate governance together with our managers have ongoing dialogue and meetings with the companies, by phone, email or in person. This is done both reactively if a controversial event has occurred and proactively within our prioritized areas of influence. On common issues, we join forces with other major owners through our involvement in the UN Principles for Responsible Investment (PRI), for example, to have greater influence. We generally vote at general meetings where we have a significant ownership, on issues deemed to be in the interest of shareholders and on issues that are not in line with our corporate governance policy.

Proportion of investments

The Fund invests directly in companies on the stock market. The minimum proportion of the Fund's investments used to achieve the environmental or social characteristics promoted by the Fund shall be 90 percent. The minimum proportion of the Fund's investments shall be 15 percent sustainable investments.

For all investments in the Fund, at the time of investment and on an ongoing basis, checks are carried out against the Fund company's exclusion criteria to ensure that no companies violate Storebrand Fonder's policy for sustainable investments and that the Fund complies with the environmental/social characteristics the Fund promotes and the proportion of sustainable investments that the Fund promises to make.

Monitoring of environmental or social characteristics

Storebrand'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's.

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

- The objective is for the fund to have lower carbon dioxide emissions than its benchmark index
- The objective is for the fund to have a higher sustainability level (Storebrand's own sustainability rating 1-10) than its benchmark index.
- PAI 4 Exposure to companies operating in the fossil fuel sector.
- PAI 10: Violation of the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises.
- PAI 14. exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical and biological weapons)
- Revenues from business activities related to the production and distribution of prohibited weapons, nuclear weapons, arms and munitions, alcohol, tobacco, cannabis, pornography, commercial gambling, and fossil fuels.

Methodologies

The fund applies ongoing monitoring at the holding level to ensure that companies operating in sectors excluded by the fund and/or companies that violate international standards and conventions are not included in the fund. Information on each individual company in the fund is obtained from our selected data providers. The fund's binding commitments are followed up on a daily basis. Any change in the assessment of a company is flagged in the fund's ongoing monitoring. The Risk and Ownership team validates the information, and the company is excluded from the fund if it violates the fund's established sustainability criteria.

Storebrand calculations are based on methods that are anchored in the SFDR regulations and by our data suppliers.

For further information, we would like to refer to our data providers' method descriptions.

Data sources and processing

Storebrand has conducted a thorough evaluation of different data providers. Data is primarily collected from external data providers and the most important are Sustainalytics, ISS and Trucost. Storebrand has chosen these because we consider them to be leading market data and analysis providers of ESG and sustainability analyses of companies. They provide data and analyses on ESG risk, corporate governance, controversies, country risk ratings, product engagement and more. Storebrand has worked with them for years and is comfortable with their methodology, data coverage and estimation methods. Storebrand uses different data providers to calculate ESG-related KPIs, key figures, exclusions and other proprietary KPIs. Storebrand continuously evaluates the selection of data providers on the market to ensure continuous quality in the deliveries.

Limitations to methodologies and data

The adverse Impact indicators for sustainability factors are presented based on data availability for the underlying securities in the fund. As data quality and availability improves, we will continuously consider them to take these into account and mitigate the negative impacts. The main limitations are the lack of data for some of the indicators. This is because many companies have not started reporting the data yet. In general, there is low coverage of reported data from companies compared to the estimated data. Coverage also varies across the different PAI indicators, but the reported data will increase in the future.

The availability of reliable, consistent, and complete sustainability data is one of the biggest challenges in sustainable investment, but the demand for more and better sustainability data is continuously increasing, including through new EU regulation.

Due diligence

Storebrand has due diligence procedures in place to ensure that sustainability risks and the sustainability requirements set for the fund are considered in investment decisions. As part of the process, all holdings undergo a quarterly screening. The screening ensures that we do not have any companies in our investment universe that violate Storebrand's policy for sustainable investments. It is performed using data from our selected third-party data providers and is conducted on approximately 4,000 companies.

Storebrand's Risk and Ownership team is responsible for monitoring the occurrence of controversial events and excluding companies that violate our norm and product-based exclusion criteria, as well as evaluating the norm-based incidents to assess the extent to which the companies identified by our data providers violate Storebrand's sustainable investment policy.

Storebrand'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

Engagement policies

Being active owners is a way to reduce risks, improve quality and prevent negative consequences in our funds. We use our position as owners to influence companies in a more sustainable direction. One method does not solve everything, but we believe in combined efforts for lasting change through a combination of our methods: Inclusion, Exclusion and Active ownership.

Storebrand is an active owner. This means that we take advantage of the opportunities for ownership influence that the funds' various shareholdings provide. One of the main tools for influence is through voting at general meetings and, individually or together with others, establishing dialogue with the companies in question at various levels, both at management and board level. Both tools can be very effective in addressing environmental, social or governance (ESG) issues to reduce negative sustainability impact.

Designated reference benchmark

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