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 Emerging Markets 2023-01-01

(a) Summary	Storebrand Emerging Markets is an index-oriented equity fund that invests in a wide range of shares in different sectors in the emerging markets. The fund promotes a transition to a world with low carbon dioxide emissions (greenhouse gases) by excluding companies with operations linked to fossil fuels or large fossil fuel reserves as well as companies that violate international norms and conventions relevant to environmental issues. Storebrand Emerging Markets promotes environmental and social characteristics but does not have sustainable investments as its objective. At least 80 percent of the assets are aligned with its promoted characteristics, including a minimum of 10 percent sustainable investments. Other assets include cash and the like to liquidity management. The underlying securities are assessed for adverse impacts as part of a day to significant harm principles (DNSH). The fund's environmentally sustainable investments contribute to the following environmental objectives defined in the EU taxonomy for environmentally sustainable activities: climate change mitigation and climate change adaptation. The fund integrates the promoted environmental, social and corporate governance issues into the decisions. These aspects include both ESG risks and limiting climate change. In the Sustainability analysis of the companies, we measure, among other things, financially significant risks regarding environmental, social and corporate governance issues that are important for the company's financial value. We analyze both ESG risks and ESG opportunities (the UN's global sustainability goals) and weigh these together into a rating. The fund contains no investments in companies by excluding them from the investment universe. This includes companies with fossil fuel reserves, 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. The fund's share of sustainable investments is made in companies that we call solution companies that, in companies whose products or services or business models are deemed to have a positive contribution to sustainable development, for example companies within themes such as renewable energy, sustainable urban development, circular economy, sustainable consumption and equal opportunities in companies with a high ESG score and/or sustainability analysis and which meet one or more of the sub-goals in the UN's Global Sustainable Goals and the Paris Agreement and which at the same time do not cause significant damage to any other sustainable goal and follow good corporate governance. Investments that cause or sustainable investments have passed Storebrand's DNSH test to ensure that the companies do not cause significant harm to environmental and social objectives and that they comply with international standards and conventions. Storebrand's DNSH test consists of an exclusionary screening of companies which exceed set thresholds. The exclusionary screening consists of three components: 1) Storebrand-based exclusion criteria, 2) product-based exclusion criteria and 3) Sovereign bond screening. Companies that are non-compliant with the benchmark are not eligible as sustainable investments. In the DNSH test, the Fund takes into account the following indicators from Table 1 in Annex 1: PAI 4 Exposure to companies active in the fossil fuel sector PAI 7 Activities negatively affecting biodiversity sensitive areas PAI 9 Emissions to water PAI 9 Hazardous waste PAI 10 Violations of UNGC principles and OECD guidelines PAI 14 Exposure to controversial weapons PAI 16 Sovereign: Investee countries subject to social violations In addition, The Fund considers the following indicator from Table 2 of Annex 1: PAI 15 Deforestation Sustainability risks are defined as an actual or potentially significant negative impact on the value of the investment. The risk that an investment return is negatively affected by sustainability risks varies depending on the specific company risk, asset class and region. Therefore, it is important for the management to assess the sustainability risks in the fund's holdings. The fund's sustainability risk analysis is higher profitability that negative consequences will be realized. Management of sustainability risks includes exclusion, includes reduction in the carbon dioxide intensity of the fund's investments and engagement. The fund's sustainability risk analysis is carried out in accordance with the requirements of the Storebrand Group's common sustainability risk management framework. The fund has far-reaching exclusion criteria and that through active ownership we minimize and mitigate the sustainability risks in the company risks we meet. In Sustainability analysis is important to achieve the best possible risk-adjusted return for our shareholders. As a result of its exclusion strategy regarding fossil fuels and the integration of sustainability in the investment process, the fund has a low exposure to the companies with the highest climate risk, i.e. companies with exposure to coal, oil and gas. 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(b) Sustainable investment objective	Storebrand Emerging Markets promotes ESG aspects (environmental, social and corporate governance issues) into the decisions. These aspects include both ESG risks and limiting climate change. In the Sustainability analysis of the companies, we measure, among other things, financially significant risks regarding environmental, social and corporate governance issues that are important for the company's financial value. We analyze both ESG risks and ESG opportunities (the UN's global sustainability goals) and weigh these together into a rating. The fund's environmentally sustainable investments contribute to the following environmental objectives defined in the EU taxonomy for environmentally sustainable activities: climate change mitigation and climate change adaptation. **Environmental characteristics** (e.g., the company's impact on the environment and climate) **Social characteristics** (e.g. human rights, labor rights and equal opportunities) **Good governance practices** (e.g., shareholder rights, issues related to remuneration of executives and measures against corruption) **The fund seeks to achieve its sustainable investment objective by investing notably in companies within four themes:** - The fund's aim is to contribute to a transition to a world with low carbon dioxide emissions (greenhouse gases) by including companies 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. - The fund considers social characteristics by excluding investments in companies with business operations linked to banned 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 part of the objective of making sustainable investments in the areas specified above, the Fund also applies an exclusion strategy based on the UN Global Compact and guidelines for companies with business associated with fossil fuels and in companies that violate international norms and conventions related to environmental issues. In order to promote environmental and social characteristics, the following three methods are used to ensure: 1) The Fund's investment strategy: - Inclusions - Exclusions - Active Ownership The Investment Manager takes sustainability risks into account in its investment decisions and integrates ESG aspects into the decision-making process. The aim is to limit the risk of long-term climate change in the sustainability analysis of the companies. We measure, among other things, financially significant risks regarding environmental, social and corporate governance issues that have a significant impact on the company's value. The Investment Manager analyzes both ESG risks and ESG opportunities and weighs these together into a rating. 50 percent of the rating is based on ESG risk, 25 percent on ESG opportunities, and 25 percent on the sustainability analysis. The sustainability analysis includes key figures and the Paris Agreement's sub-goals or for products and services that help achieve the SDGs. Darker equity corresponds 75 percentage points of the ESG rating. The fund applies sustainability requirements in the form of an exclusion strategy, which means that the fund refrains from investing in companies that are responsible for unacceptable activities, for example, production of weapons that violate fundamental humanitarian principles, serious climate and environmental damage, deforestation and controversial weapons or companies that sell products harmful to human health, such as tobacco, cannabis, alcohol, gambling, pornography, and weapons. The fund also excludes companies with operations linked to fossil fuels, such as coal, oil and gas, and companies with large fossil fuel reserves. The exclusion criteria for fossil fuels are based on how they are binding on the fund company when managing the fund. Our specialists in sustainable investments and corporate governance together with our managers have ongoing dialogue and meetings with the companies, by telephone, e-mail or personal meetings. This takes place both reactively if a controversial event has occurred and proactively within our portfolios and areas of influence. In the case of dialogue with companies, we can follow up on our expectations through our involvement in, among other things, PRI, Eth Principles for Responsible Investments to gain greater influence. We generally vote at general meetings in Norway and abroad based on our guidelines on matters deemed to be of the interests of the shareholders and on matters that are not in line with our ownership governance policy.
(c) Proportion of investments	The fund invests directly in companies on the stock market. The fund will invest at least 10 percent in sustainable investments, but plans investments that the level should be higher. The remaining part of the investments is in line with the fund's promotion of environmental and/or social characteristics and a smaller proportion of cash for liquidity management. According to the guidelines, 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's ongoing assessment of the extent to which it can provide reliable information about the proportion of the fund's investments are compatible with the taxonomy and reports against the stated background that 0 percent of the fund's investments are compatible with the taxonomy.
(d) Monitoring of environmental or social characteristics	Storebrand's unit Investment Control & Analysis monitors daily that the environmental 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 the fund's exclusion criteria based on 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 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 10: Violations of United Nations 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 and fossil fuels.
(e) Methodologies	Storebrand Emerging Markets promotes environmental characteristics by actively investing in companies that contribute to a transition to a world with low carbon dioxide emissions (greenhouse gases) by excluding companies with operations linked to fossil fuels or large fossil fuel reserves as well as companies that violate international norms and conventions related to environmental issues. The fund promotes social characteristics by excluding companies that violate international norms and conventions related to environmental issues. The fund's ESG rating is based on the Storebrand ESG analysis, which combines the Sustainalytics ESG risk assessment and opportunities. The fund's ESG rating is based on the Storebrand ESG analysis, which combines the Sustainalytics ESG risk assessment and opportunities. The fund's sustainability indicators are also followed up by the ICA. The fund applies ongoing follow-up or 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 such individual company in the fund's portfolio is obtained on a regular basis and that the fund's holdings are adjusted if necessary. The Fund's ESG analysis provides monitoring that information is validated by the manager and the company is excluded from the fund given correct information. The fund's characteristics and its exclusion criteria can be found in Storebrand's policy for sustainable investments. Daily follow-up and quarterly analyses where new companies can be excluded, but also where new companies can be included again in the fund's investment universe. The fund company continuously monitors the fund's characteristics and indicators so that the characteristics are met. Our calculations are based on methods based on the SFDR regulations and prepared by our data suppliers. Further method descriptions, see the Storebrand's sustainability policy.
(f) 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 these as we consider them as market leading data and analysis providers of ESG and sustainability analysis. The data is used in the management of the fund's ESG, corporate governance, climate risk, climate risk ratings, product development and more. We have worked with them for several years and are confident in their methodology, data coverage and methods for estimations. Storebrand uses various data providers to calculate ESG-related KPIs, key figures as well as for exclusions and other proprietary KPIs. Storebrand continuously evaluates the selection of data suppliers available on the market to ensure continuous quality in the deliveries.
(g) 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 able to better account for these and other indicators. The data quality and data coverage will be updated taking into consideration the large proportion of companies that have SFDR specific portfolio sustainability objectives, as well as Storebrand's general sustainability strategies that apply across all asset classes. The data quality and availability will vary across asset classes. This is due to the fact that many companies do not disclose this information. In general, there is a low coverage in regarded bonds that the company issues for purposes other than financing specific projects. In cases where data is lacking, we will use the latest available reported data from companies or proxy figures. 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 a materiality assessment based on the data quality and potential loss. In any case we will consider the quality of the data and qualify the material and the proportion of the data that may be affected. There might be discrepancies depending on the chosen data provider and their methodology. Environmental and social characteristics and/or objectives can be met when the best available data regarding the relevant characteristics and/or objectives is unavailable or low coverage. But given that there are several ESG data providers in the market, there will be different interpretations and therefore different outputs and results. Storebrand's approach, depending on the data provided, is to initially use data from one data provider. Storebrand has therefore chosen the providers we believe provide a robust methodology for each specific PAI. We know the different data providers to some extent report different results. The data provided is 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 expect improvement in the assessment of the data provided to improve in the coming years. We have chosen data providers that take points, and therefore we have several different data providers. In addition, we do many qualitative analyses as a supplement to our chosen data, and for some derivatives we have to use other methods than data from data providers. The availability of reliable, consistent, and complete sustainability data is one of the biggest challenges in sustainable investments, but the demands for more and better reporting are continuously increasing through, among other things, the European Union. The Taxonomy Regulation (EU) 2020/852 (the "EU Taxonomy") is a classification system that aims to establish common criteria for environmentally sustainable activities. The reason for this is, among other things, to prevent companies from being able to market themselves with the EU Taxonomy. The companies in which the Fund invests have not yet begun to report the extent to which their activities are consistent with the EU taxonomy. According to the Investment Manager Assessment, it is not possible to provide reliable information about the proportion of the Fund's investments that are consistent with the EU Taxonomy and, in light of this, reports that 0 percent of the Fund's investments are consistent with the EU Taxonomy.
(h) 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 two-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 process is based on 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 provider, Sustainalytics, depending on the data provided in Sustainalytics' database. Storebrand's Risk & Ownership team is responsible for assessing to what degree the companies identified by our data providers are in violation of our Sustainable Investment Policy. All holdings are continuously monitored. The third-party data provider's "watch lists" and "red lists" are used as a tool, including background information on the possible event. The consecutive exercise/dialog of holdings security are based on a risk-based approach. The Risk & Ownership team will, based on the information from our data provider and other available sources, assess the breach and how it should be followed up. Given the complexity, the risk of occurrence and the materiality/scale of the breach, we will decide if the company should be placed on our observation list (company where we have ongoing and in-depth dialogue with the company and set a deadline for ceasing undesirable business or other measures to prevent recurrence and mitigate the adverse impact). The Committee meets on a quarterly basis to discuss cases in preparation for the Committee and provide a collective and possible conflict of interest. Non-conduct-based norm breaches such as investments in controversial weapons, or product-based breaches such as investment in certain economic activities, are immediately sent for decision, and are excluded, and not taken to consideration in the Investment Committee. The Risk & Ownership team sends quarterly reports regarding exclusions list to portfolio managers and compliance, so they are aware of new exclusions. Fund managers are responsible for selling the holdings in their respective portfolios. Risk & Ownership team, where key internal and external stakeholders and clients are directly informed. A list with all exclusions is published and updated quarterly. Storebrand's Investment Control & Analysis department is responsible for monitoring that companies in the portfolio do not violate Storebrand Sustainable Investment Policy standards and screened quarterly to assess if companies are in breach with the sustainability policy.
(i) Engagement policies	Storebrand uses its position as owners to influence companies to improve corporate behavior and reduce adverse sustainability impacts. 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, exclusions, inclusion, and integration. At Storebrand, we believe in exercising our shareholder rights. We employ two main ways to achieve this: either we vote at shareholder meetings, or we engage in dialogue with companies. We believe that active ownership and dialogue with companies is a better way than just selling the shares. Active ownership and dialogue with companies can also be more effective in addressing concerns regarding environmental, social, and corporate governance (ESG) issues in order to reduce adverse sustainability impact. The decision to engage with portfolio companies is made based on our assessment of the significance of a particular matter, the size of hold-ings, scope to effect change and opportunities to collaborate with other investors. Storebrand's ownership and contact company mainly to influence corporate practices. Environmental Social and Governance (ESG) issues in order to reduce adverse sustainability impact. to encourage improved ESG disclosure in gap in general and strengthen ESG strategy and/or improve performance. We define objectives for the company's engagements and sets objectives and milestones to be achieved by companies together with other investors in collaborative engagements. Storebrand monitors companies' progress towards the set goals and milestones. If the company does not show sufficient progress, we may take more steps, such as filing a resolution, initiate litigation or divest from the company. If the ownership engagement does not meet our expectations, Storebrand may consider other actions. - 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 the issue is of a broad nature - 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 Storebrand Investment Committee. In order to be effective in our engagement, we believe in a combination of dialogue and exclusion. If excluded, the company is always informed of the decision, and contacted regularly afterwards to encourage improvement and a turnaround in focus.
(j) Designated reference benchmark	No reference benchmark has been designated for the purpose of assessing the attainment of the sustainability measures objective sought by the Fund.